The Social Chain AG©

ANNUAL REPORT 2022

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Key financial figures of the Group

Financial key figures

Result of operations

in EUR million	31.12.2022	31.12.2021[1]	Change	
Sales	367.9	241.6	126.3	52.3 %
Gross profit	**102.5**	**94.3**	**8.2**	**8.7 %**
EBITDA	**10.7**	**-23.7**	**34.4**	**>100 %**
EBITDA as a percentage of sales	2.8 %	-9.8 %	12.6%	>100 %
EBIT	**-103.2**	**-70.2**	**-33.0**	**-47.0 %**
Net profit	**-106.8**	**-72.5**	**-34.3**	**-47.3 %**

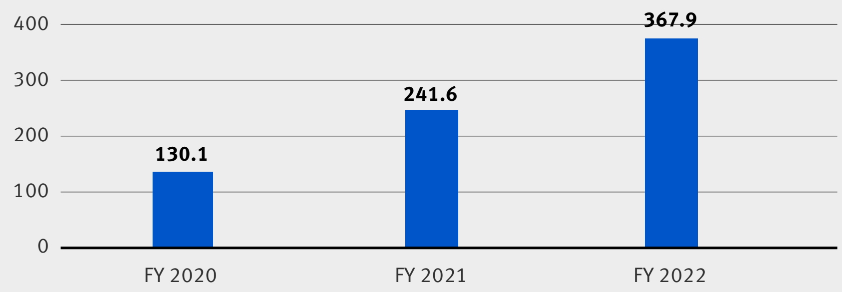
[1] The figures differ from those reported in the Financial Statements 2021 as the income and expenses of the discontinued operations have been reclassified retrospectively to income from discontinued operations for comparative purposes.

Assets, liabilities and financial position

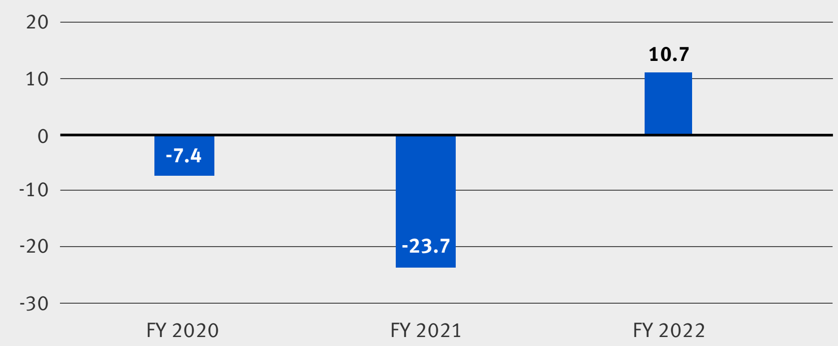
in EUR million	31.12.2022	31.12.2021[2]	Change	
Equity ratio	15.9 %	31.0 %	-15.1 %	-48.8 %
Cash flow from operating activities	-24.1	-38.0	13.9	36.6 %
Cash flow from investing activities	47.9	-99.5	147.4	>100 %
Cash and cash equivalents	1.9	16.8	-14.9	-88.7 %
Employees (annual average)	**1,123**	**1,271**	**-148.0**	**-11.6 %**
Basic earnings / diluted earnings per share (in EUR)	**-8.16**	**-6.91**	**-1.25**	**-18.1 %**

[2] The values differ from those reported in the Financial Statements 2021 as an error correction was made to the consolidated statement of cash flows in the current fiscal year.

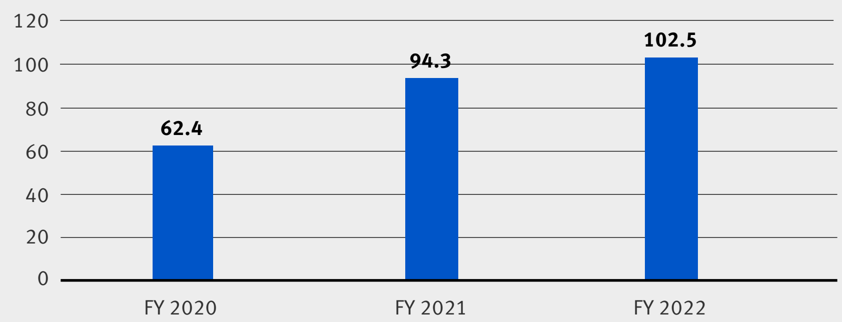
Revenue* in EUR million



Income (EBITDA)* in EUR million



Gross profit* in EUR million



* from continued operations

Key financial figures of the Group

Non-financial key figures

B2C

	31.12.2022	31.12.2021	Change	
Number of customers	1.49	1.69	-0.20	-12%
Number of orders in million	1.82	2.33	-0.51	-22%
Average shopping cart (in EUR)	56.59	66.29	-9.70	-15%

B2B

Market coverage:	31.12.2022	31.12.2021	Change	
Discounters	72%	-	-	-
Drugstores	100%	-	-	-
Home improvement stores	100%	-	-	-
Grocery stores	100%	-	-	-
Teleshopping channels	75%	-	-	-
Total	**87%**	-	-	-

Introduction

About this report

The Annual Report 2022 is the second annual report of The Social Chain AG (hereinafter also referred to as „Social Chain AG" or „TSC AG") after admission to the Prime Standard of the Frankfurt Stock Exchange, this report documents is not only the economic, but also the social and ecological performance of Social Chain AG in 2022.

All disclosures on the results of operations, net assets and financial position of the Social Chain Group comply with the requirements of International Financial Reporting Standards (IFRS) and, where applicable, German Commercial Code (HGB), German Accounting Standards (DRS) and the Guidelines on Alternative Performance Measures of the European Securities and Markets Authority (ESMA).

Internal control mechanisms ensure the reliability of the information presented in this report. The reliability of the information presented in this report is ensured by internal control mechanisms. The Executive Board of Social Chain AG has confirmed the effectiveness of the controls and compliance with the rules and regulations for financial reporting.

The year 2022 was characterized by external challenges such as Russia's invasion of Ukraine and the subsequent slump in consumption in Europe – also among Social Chain AG customers – as well as increased production and logistics costs.

In addition to the exogenous factors, the internal focus was also on major changes. Following the acquisition of DS Holding and the admission to the Prime Standard of the Frankfurt Stock Exchange in 2021, the Social Chain AG team continued to advance the internal reorganization and post-merger integration process. Numerous changes followed those measures.

In the voluntary magazine section of this report, we report on the future realignment of the Social Chain AG. This report also contains forward-looking statements elsewhere that are based on the current estimates and forecasts of the Executive Board and on information currently available. The editorial deadline for this report was April 26, 2023. Forward-looking statements are not to be understood as guarantees for stated developments and results. It should therefore be noted that these statements involve risks and uncertainties, and that actual results and developments may differ from expected results and developments. More information on possible risk factors can be found in the „Opportunities and risks" section of the Group management report. Beyond the statutory requirements, we do not assume any obligation to update the forward-looking information contained in this report.

As a young company, Social Chain AG is clearly committed to diversity and inclusion. We have therefore deliberately written this report in gender-appropriate language. However, there may be deviations in some places in order to comply with legal requirements, grammar or comprehensibility. In some cases, we have also adopted English terms, formulations and diagrams in the German Annual report, as these are used in the daily business environment of Social Chain AG.

For environmental reasons, this report is only available in a digital version, which is also intended to facilitate navigation and access to related information.

www.thesocialchain.ag

An interview with the CEO

„Our core business is innovative trend products for an audience of millions!“

Dr. Kofler, how do you look back on the 2022 financial year?

GK: The 2022 financial year was extraordinarily difficult for Social Chain AG. Multiple crises weighed heavily on the consumer climate and led to major sales slumps in retail, both stationary and online. Against this backdrop, Social Chain AG and most of the investment companies have also failed to achieve their targets. The business figures we publish in this report are disappointing. There is nothing to gloss over that. The share price has also developed very negatively, which hurts me just as much as it does all shareholders.

Dr. Georg Kofler, main shareholder and Chairman of the Supervisory Board from 2017 to 2022, CEO of Social Chain AG since the beginning of 2023.

But we did not stand idly watching this development but embarked on a systematic restructuring of the entire Group.

The three most important measures are:

- We are divesting substantial amounts of unprofitable sales. Profitability takes precedence over growth
- We are streamlining our product ranges by 20 to 30 percent.
- We are reducing personnel and structural costs by around 30 percent.

As a result, we plan to improve the operating result (excluding income from asset disposals) of Social Chain AG in 2023 by an amount well into the double-digit millions compared with the previous year.

Mr. Schneider, what is the financing situation of Social Chain AG in this current situation?

AS: The financing structure of Social Chain AG improved significantly in 2022. We restructured short-term financing into long-

Wanja S. Oberhof,CEO of Social Chain AG from 2017 to the end of 2022.

„Dear shareholders.
At the beginning of 2023, I handed over the chairmanship of the Executive Board to Dr. Georg Kofler. After six years in the management of Social Chain AG, I will focus on strategic issues as an advisor to the Executive Board, especially with a focus on M&A and internationalization.

Andreas Schneider and I had shared the work of the Executive Board with Ralf Dümmel in the second half of 2022. Dr. Georg Kofler is known to you all as the main shareholder and former chairman of the Supervisory Board of Social Chain AG. Since January 2023, Dr. Georg Kofler and Andreas Schneider have formed the new Executive Board of Social Chain AG.

I wish you every success and the best of luck.“

Wanja S. Oberhof

term financing, and we also repaid financial liabilities in 2022.

The DS Group, which is part of Social Chain, successfully concluded a credit line of EUR 125 million together with a consortium of banks in October 2022, mainly to finance working capital. The term of the credit facility is three years, plus two extension options. In addition, as already reported, Dr. Georg Kofler has strengthened the economic equity of Social Chain AG by declaring the subordination of his now long-term shareholder loans in the amount of around EUR 37 million.

Overall, we have reduced current financial liabilities from EUR 197.5 million to EUR 54.8 million. Non-current financial liabilities under IFRS increased from EUR 113.8 million to EUR 218.0 million which improves our ability to plan.

In total, the Group repaid around EUR 36.5 million in bank loans last year. This included half of the EUR 50 million acquisition financing for the purchase of the DS Group.

And how do you explain the relatively high level of net debt?

AS: The net debt is essentially attributable to the acquisition of the DS Group which is backed by corresponding values. The DS Group‘s merchandise-related business resulted in a change of the balance sheet structure. Receivables from trading partners and inventories need to be financed. Overall, working capital at TSC AG increased from around 42 million in the period prior to the acquisition of the DS Group to a range of around EUR 90 to 100 million in the course of 2022. We have secured long-term financing for this.

Dr. Kofler, speaking of financing – you have granted subordination for your shareholder loans in the amount of EUR 37 million and you are working pro bono as CEO. How do you explain that?

GK: This is my contribution as the main shareholder to the future of Social Chain AG. This strengthens the economic equity and creditworthiness of the company. As CEO, I don‘t want to get paid until it‘s justified by positive results.

Andreas Schneider has been CFO of Social Chain AG since May 2022, having previously been Managing Director of the DS Group for over 20 years.

How is the integration of the Group progressing and what is the situation regarding personnel costs?

AS: The process of streamlining the structures has essentially been completed and will be able to take full effect from the second quarter of 2023. We have already reduced costs considerably in 2022: Overall, costs at TSC Holding, for example, fell by EUR 7.0 million compared to 2021. Personnel costs will decrease significantly in 2023 across the Group.

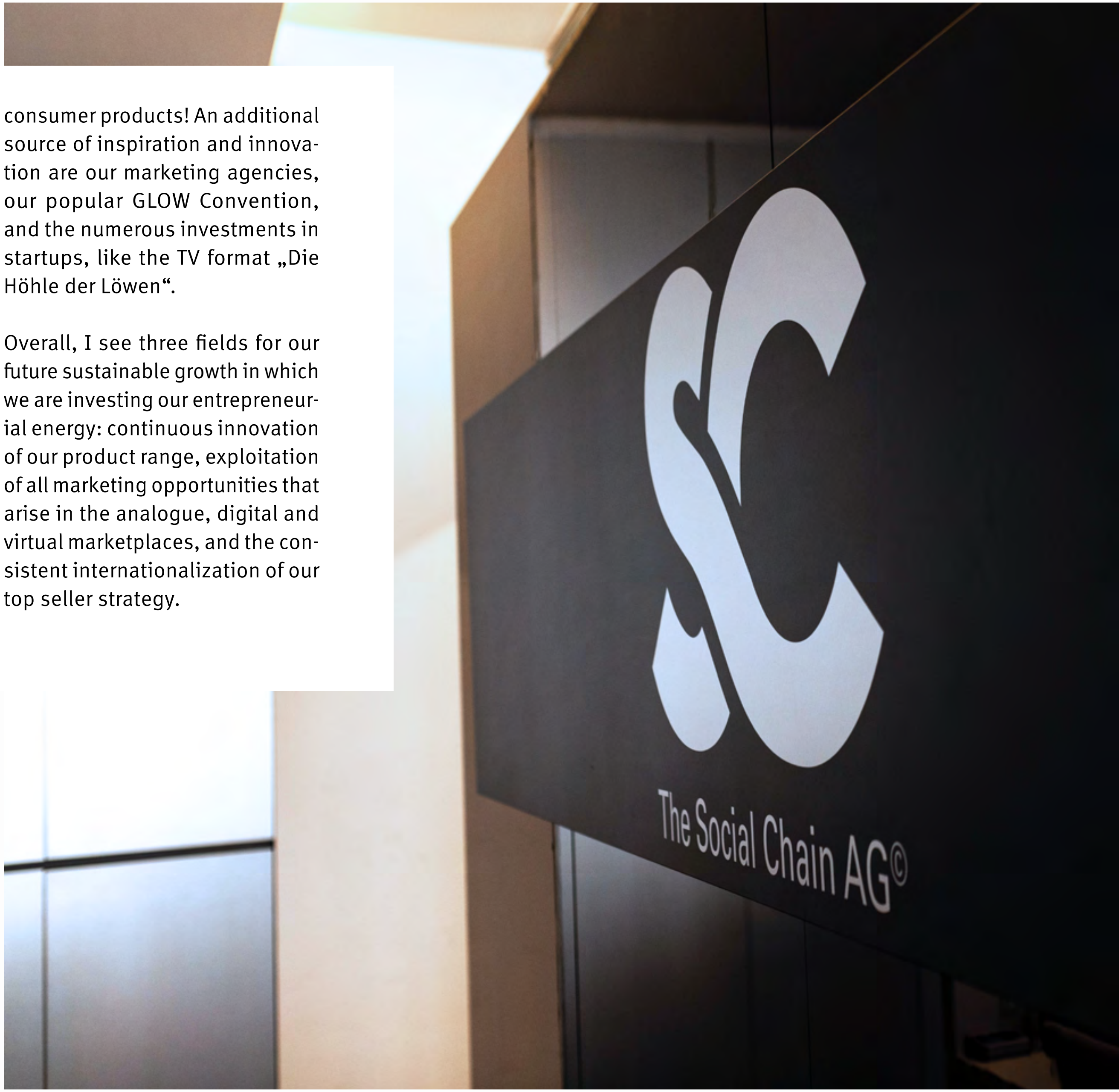
The integration also involves working with all colleagues to implement the Group‘s reorientation in what continues to be a volatile economic environment. We therefore invested a great deal of time and money in processes and systems last year. We would like to express our sincere gratitude to all employees of Social Chain AG and its companies for their commitment and perseverance. We are motivated and confident of taking this momentum into 2023.

Dr. Kofler, in conclusion, what are the key aspects of Social Chain AG's future strategy?

GK: Social Chain AG will focus on its core business: innovative trend products for the mass market. Problem solvers for the everyday lives of end consumers: household, leisure, fitness, entertainment.

Marketed and distributed via our modern omnichannel structure. We will refine this omnichannel commerce in all areas and coordinate it even more efficiently: stationary retail, digital marketplaces, a digital flagship store, social marketing and also future marketplaces in the virtual world of Web 3.0, which is approaching us in great strides. We invest in permanent product innovation, professional data management and our own high-performance IT and logistics structure. We sense and anticipate trends with broad buyer potential. We are better at this than others and demonstrate this expertise year after year with bestselling articles that sell millions of copies. We want to be the top-selling company for popular consumer products! An additional source of inspiration and innovation are our marketing agencies, our popular GLOW Convention, and the numerous investments in startups, like the TV format „Die Höhle der Löwen".

Overall, I see three fields for our future sustainable growth in which we are investing our entrepreneurial energy: continuous innovation of our product range, exploitation of all marketing opportunities that arise in the analogue, digital and virtual marketplaces, and the consistent internationalization of our top seller strategy.



URBANARA®

HOME & LIVING

Favorite pieces for the home

From the interior portfolio: URBANARA

URBANARA stands for high-quality home textiles and home accessories. The responsible use of the earth‘s resources is deeply rooted in the company‘s philosophy: **environmentally friendly**, innovative technologies and novel production approaches, the use of **natural raw materials** and **transparency** in supply chains.

URBANARAs USPs

- Tangible quality due to the best materials, which are carefully processed.
- A product portfolio of more than 3,000 products, such as carpets, bed linen, towels, tablecloths, crockery and more
- Natural materials such as wool, linen, cotton
- Resource-saving, sustainable production processes with mineral paints and plant fibers
- Long-term direct relationships with manufacturers
- New in 2022: The URBANARA Mini children‘s room collection
- Sophisticated sales strategy combines online and offline presence, e.g., through the pop-up store in the Pasing Arkaden in Q4/2022
- Sales: Loyal customer base and strong D2C orientation via the company‘s own web shop. Omnichannel sales continue to develop.

URBANARA relies on recycled and sustainable raw materials and continuously optimizes production — for the benefit of the environment.

www.urbanara.de

URBANARA®

BESTSELLER PRODUCTS

Wool blanket Gotland

Rug Ravi

... all types of bed linen.

3 questions for the URBANARA management

Sanja Stankovic
Managing Director

You have been CEO of URBANARA since January 2023 – what is the status of the GmbH?

URBANARA is a strong brand with sales of EUR 11.5 million in 2022. The company has a vibrant community with almost 60,000 followers on Instagram alone, who are very active in spreading the comforting feeling to the world that URBANARA's products provide.

What is the significance of URBANARA for Social Chain AG?

URBANARA addresses the important trend topic of sustainability for Social Chain AG: With URBANARA, our customers can turn their home into a place of well-being – with a truly good conscience. Because the carpets, towels, duvets and the like are manufactured in a responsible way with the earth's resources.

What is your personal favorite URBANARA product?

Honestly? There are many: the Fomoso bedding (which is made of 70% Tencel and 30% hemp) is a great example of „love at first touch" and the Torroal towels, which are made of a mixture of Tencel and cotton. And a hand-knotted rug is also a must... For me, URBANARA stands for natural, cozy comfort and a good feeling at home.

NEW TO THE PRODUCT LINE

Energy-saving products for the home

From the household portfolio: DASH

In the current energy crisis, many households are faced with rising costs. In close consultation with retailers, the innovation team at DS Produkte GmbH has therefore developed problem solvers that are closely aligned with end customer needs and save energy. Under the collective term **D-A-S-H**: **D**usche (shower), **A**rmaturen (fittings), **S**olar (solar) and **H**eizung (heating), DS Produkte has been offering new solutions for saving energy since December 2022.

puregreen: more than 1.5 million items sold

Puregreen is very successful. The shower and water saver made its way to the TSC Group via the VOX start-up show „Die Höhle der Löwen“ which is an investment made by Ralf Dümmel. The company DS Impact GmbH holds a 25 percent stake in the start-up. The small problem solver puregreen is easy and quick to install and is simply turned between the faucet and the shower hose – without any tools. Once installed, puregreen saves up to 50 percent water when showering. This is because puregreen swirls the water with air – and less hot water flows out of the shower. With over 1.5 million units sold, puregreen has thus saved around 33 billion litres in the DACH region – and thus also generated immense water cost savings for consumers.

Good for the environment, good for retail sales

The new DASH products save energy and support the strong trade sales of the DS Group. With everyday helpers such as the MAXXMEE stainless steel instant water heater, which generates hot water directly in the faucet, and the EASYmaxx water-saving shower head, which uses micro-nozzle technology to provide higher

water pressure with less water consumption, the trading company is meeting increased demand across a broad social milieu.

To make its end customers independent of the power supply at home and on the road, DS Produkte is also launching small power stations. In combination with the foldable solar panel, the power station can be efficiently charged with pure solar energy. This enables an almost self-sufficient power supply. Depending on the power level, the power station can be used, for example, to operate the electronic heater with glass panel from EASYmaxx, or to charge a laptop or cell phone.

In 2023, emergency generators, gas camping stoves, a hand crank with lamp and radio, as well as other DASH products will be added to the range.

3 questions for sales

Introduction

Mr. Stegelmann, what is the innovation of the new DASH products?

Lars Stegelmann
Managing Director
Sales of the DS Group

„Rising energy and gas prices pose a major challenge for private households. With the energy-saving products from the DS Group, we offer people a wide range of opportunities to save energy, water and, above all, costs – this is an attractive problem solver in the current situation and thus generates retail sales in the double-digit million range."

How do the DASH products strengthen the DS Group's omnichannel trading relationships?

„Our retail partners can choose from a wide range of energy-saving products and thus enter the growing market of the energy-saving industry. This is a win-win-win relationship for our trading partners, the end customers and us, Social Chain AG."

What is the sales strategy for the DASH products?

„For the DASH products, the broad segment of the average population is interesting. That's why we sell the products across the entire omnichannel spectrum: to stationary retailers including the largest food discounters such as Netto and LIDL, in department stores such as Karstadt, in drugstores such as Budnikowsky and Rossmann, as well as DIY stores such as Bauhaus, in furniture stores such as XXXLutz and Roller, and of course, online on all digital marketplaces, such as Amazon, Ebay and Co, as well as in the webshops of the Maxx Group."

BESTSELLER PRODUCTS

EASYmaxx
Shower Head
Water-Control

EASYmaxx
LED Solar Spotlight
with Motion Detector

EVENTS & EXPERIENTAL MARKETING

Europe’s largest B2B beauty convention and community event

From the event portfolio: GLOW

The GLOW Convention is Europe's largest beauty and lifestyle convention and has been held several times a year since 2016. In May 2023, the new premium format HOUSE OF GLOW will be launched in Hamburg. The organizer is SHINE Conventions GmbH. The GLOW **connect brands, stars and fans** from the beauty and lifestyle sector at a passion event. In May, a B2B conference for marketing decision-makers from the beauty industry will take place for the first time, the NEW BEAUTY MARKETING DAY.

The special aspect about GLOW is that experiential marketing and e-commerce come together at these events and customers can try and buy, i.e. experience, new products offline – at the conventions – and online – in the social media community. Panel talks and showcases on stage, workshops and on the pink carpet will focus on experiences, beauty, empowerment and body positivity. With its merchandising line, GLOW launches its own products such as bags, t-shirts, and accessories. The goodie bag, which all visitors receive, is filled with beauty products worth well over 200 euros and is highly sought after. Beauty brands pay to be represented in the goodie bag.

As an event agency, Shine Conventions GmbH will also host the Annual General Meeting of Social Chain AG on June 21, 2023 in Berlin. She also works for various major partners as an event production and event developer.

www.glowcon.de

GLOWs USPs

- The GLOW Convention has been around since 2016 and is organized by SHINE Conventions GmbH.
- GLOW by dm in Essen had about 10,000 visitors in 2022, 92% of whom identify as female.
- Up to 300 creators and influencers are active on site per event – offline and online.
- Each event achieves a cumulative media reach of well over 500 million media contacts, of which more than 300 million via influencers, 7 million via poster campaigns, 13 million via the company's own Instagram account and a further 260 million by press coverage via TV, print and online.

3 questions for the GLOW management

You have been CEO of SHINE GmbH since 2016 – what are your innovations and how do you scale the GLOW brand?

Maiko Heinrich
Managing Director

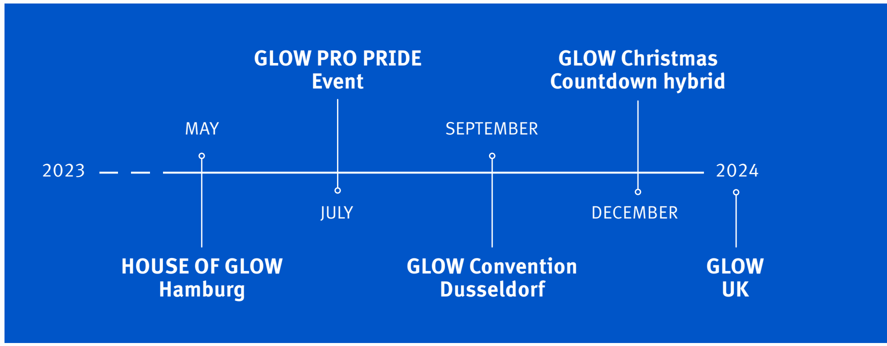
With the premium format HOUSE OF GLOW, we are further developing GLOW as an experience brand. Traditionally, the entire beauty industry comes together at the GLOW events. Brands, marketers, influencers & creators, product developers and stylists, media and models. Behind the scenes, it's always a huge party and networking event. With exciting speakers, pioneers, experts, lots of product presentations and inspiring panels, the NEW BEAUTY MARKETING DAY, our new business conference, is a long-cherished wish that is finally coming true.

What is the significance of Shine GmbH for Social Chain AG?

Our events such as GLOW make it possible to experience what happens on social media throughout the year physically and haptically in one room. We create a real touch point between brands and their buyers and fans – this creates new leads, new ideas and a real scene feeling. The social media hype becomes tangible.

What motivates you personally to host such big events?

I love to experience the enthusiasm of the visitors – I am there every morning at the entrance of the event when we open the gates, because this spirit, this joy is something very special. To finally meet your favorite influencers in person, to be surrounded by beauty and beauty products for a whole day, that is what ignites an elevated mood that only exists offline. That's why I love events – and the SHINE team and I do everything we can to discover that sparkle in the eyes of our visitors and make them shine. The GLOW must go on!



To our shareholders

Report of the Supervisory Board of The Social Chain AG for the financial year 2022

from 27. April 2023 pursuant to sections 171 (2) and 176 (1) sentence 2 of the German Stock Corporation Act (AktG)

Dear Shareholders,

2022 was an intense year for Social Chain AG. After a financial year 2021 which was characterized by significant milestones with the acquisition of the DS Group and the uplisting in the Prime Standard of the Frankfurt Stock Exchange, the past financial year 2022 was characterized by challenges.

The war in Ukraine has also caused a loss of purchasing power among customers of The Social Chain AG. In addition, there were increased production and logistics costs. Endogenous and exogenous factors meant that the internal focus in 2022 was primarily on dealing with these changes.

1. Cooperation between Executive Board and the Supervisory Board

The financial year 2022 was also a challenging year for the Supervisory Board. We intensively advised, accompanied and monitored the Executive Board in all important decisions and measures. We comprehensively fulfilled our legal obligations, the requirements of the Articles of Association of Social Chain AG and the rules of procedure of the Supervisory Board and have also carried out our supervisory and control activities in accordance with the German Corporate Governance Code.

The Supervisory Board was in constant contact with the Executive Board about operational and strategic developments in the Group. As a supervisory body, the Executive Board informed us promptly, regularly and comprehensively about all issues relevant to the business. The focus was on business development, planning, liquidity and risk management, personnel decisions and compliance issues. In 2022, special attention was paid to the restructuring of the Social Chain Group and the challenging liquidity situation. If our approval was required by law, articles of association or rules of procedure, we as a supervisory body discussed these matters and passed the corresponding resolutions. The Supervisory Board meetings, some of which were held virtually in accordance with the provisions of the Company‹s Articles of Association, were characterised by an open and trusting exchange with the Executive Board.

We were always informed comprehensively and at an early stage. In the case of issues requiring approval, we were provided with draft resolutions from the Executive Board in good time to enable us to examine and evaluate them in detail.

In addition to the Supervisory Board meetings, the Executive Board regularly informed us about the relevant operational and financial key figures in informal telephone conferences or in text form. In addition, interim financial information (quarterly reports) and the annual financial report were presented. In addition to regular reporting, the Supervisory Board was informed immediately of special developments and, if necessary, asked for resolutions to be passed by circulation procedure. In his function as Chairman of the Supervisory Board in the reporting period, Dr. Georg Kofler also maintained an ongoing personal dialogue with all members of the Executive Board. Overall, the Supervisory Board was always aware of the situation of the Social Chain Group and was thus able to fully carry out its advisory and control activities.

2. Changes in the composition of the Supervisory Board in the reporting year 2022

There were no changes in the composition of the Supervisory Board in the financial year 2022.

With effect from the end of January 13, 2023, Dr. Georg Kofler resigned from his position as a member of the Supervisory Board and as its Chairman to assume the position of CEO. Since the Supervisory Board of the Company did not have the minimum number of members required by the Articles of

Association and the law as a result of the resignation, the Local Court of Berlin (Charlottenburg) appointed Mr. Sebastian Stietzel as a member of the Supervisory Board of the Company as of January 16, 2023 by resolution dated January 16, 2023 following an immediate request of the Executive Board based on a proposal by the Supervisory Board.

In accordance with Section 104 (6) of the German Stock Corporation Act (AktG), Mr. Sebastian Stietzel will be appointed by the court until such time as the defect of composition of the Supervisory Board is remedied.

At its constituent meeting, the Supervisory Board then elected Ms. Henrike Luszick as the new Chairwoman of the Supervisory Board. Mr. Henning Giesecke was confirmed in office as Deputy Chairman of the Supervisory Board.

3. Advisory and control activities of the Supervisory Board

According to the Articles of Association, the Supervisory Board of Social Chain AG consists of three members. The current members of the Supervisory Board are Ms. Henrike Luszick (Chairwoman), Mr. Henning Giesecke (Deputy Chairman) and Mr. Sebastian Stietzel.

In the reporting year 2022, the Supervisory Board held various meetings in person and by telephone. In total, there were five ordinary and seven extraordinary meetings.

February 8, 2022: The focus of the first ordinary meeting of the Supervisory Board in the financial year 2022 was (i) information on the Group‹s main business development (current trading) and initial forecasts regarding a possible course of business for the remainder of the financial year 2022, (ii) the liquidity situation and liquidity planning of the Company and the Group from both a short-term and medium-term perspective, (iii) the status quo of the integration of the DS Group and (iv) the discussion and reconciliation of the reporting and follow-up obligations applicable to the Company in the context of the uplisting.

April 6, 2022: At the ordinary meeting of the Supervisory Board on April 6, 2022, the Executive Board presented to the Supervisory Board the budget for the entire Group for review and approval, including the liquidity planning, which had already been closely coordinated with the Supervisory Board in advance. The Supervisory Board approved the budget as proposed.

April 20, 2022: At the ordinary meeting of the Supervisory Board on April 20, 2022, according to the agenda, the drafts of the Company‹s annual financial statements for the financial year 2021 and the audited consolidated financial statements 2021 prepared by the Executive Board, including the Group management report, dependency report on the relations with affiliated companies and the separate non-financial report pursuant to Section 289b of the German Commercial Code (HGB) were to be discussed and approved by the Supervisory Board. However, since at the time of the ordinary meeting – contrary to what had been planned when the agenda for the meeting was adopted – no prepared and audited drafts of the individual and annual financial statements were yet available, the partner responsible for the audit of the Company‹s financial statements – RSM GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, with its registered office in Düsseldorf („RSM") – Mr. Arno Kramer reported in general terms on the course of the audit and the timing of the completion of all audit procedures and the issuance of the audit opinion.

The approval of the aforementioned documents in the form prescribed by law and the Articles of Association was unanimously postponed by the Supervisory Board until the audited financial statements were available to the Supervisory Board and the process of preparing the financial statements had been finalized.

Further focal points of the ordinary meeting were the discussion and adoption of resolutions on the compensation system for the members of the Executive Board and the Supervisory Board and the compensation report for the financial year 2021, the corporate governance statement pursuant to sections 289f and 315d of the German Commercial Code (HGB) including the declaration of conformity pursuant to section 161 of the German Stock Corporation Act (AktG) for the financial year 2021 as part of the annual report, and the adoption of the diversity concept. After detailed discussion, the Supervisory Board also approved the agenda for the Annual General Meeting of the Company and the proposed resolutions contained therein, in particular approved by separate resolution the holding of the Annual General Meeting by way of a virtual General Meeting without the physical presence of the shareholders.

April 27, 2022: In addition to the members of the Supervisory Board and the Executive Board, Mr. Arno Kramer of RSM was also present as auditor in the legally prescribed form at the regular meeting of the Supervisory Board on April 27, 2022, which was held as a virtual meeting via video conference. The Supervisory Board meeting on financial statements focused on the discussion and adoption of the Company‹s annual financial statements for the financial year 2021 and the approval of the consolidated financial statements for the financial year 2021, including the Group management report and the separate non-financial report in accordance with section 289b of the German Commercial Code (HGB). The approval was preceded by a detailed discussion of the aforementioned documents with Mr. Arno Kramer of RSM, in the course of which the Supervisory Board again received a detailed report on the focal points of the audit and the material issues identified in the process.

Other items on the agenda of the ordinary meeting included the resolution on the report of the Supervisory Board for the financial year 2021 as well as personnel matters in the Executive Board as a result of the departure of Mr. Christian Senitz as Chief Financial Officer.

November 16, 2022: At the regular meeting of the Supervisory Board on November 16, 2022 – held in person – the Executive Board provided the Supervisory Board with a comprehensive presentation of the business performance of the entire Group up to and including September 2022, as well as initial preliminary figures for the entire Group up to October 2022. Another focus was on discussions on the status of the budget figures for the 2023 financial year, which had not yet been finalized and no resolution was passed on these.

Subsequently, the Supervisory Board discussed with the Executive Board the liquidity situation and liquidity planning of the Company and the Group from both a short-term and medium-term perspective.
Furthermore, the Executive Board informed the Supervisory Board about M&A activities as well as other operational topics, in particular the status of the introduction of a new integrated ERP system in the DS Group.

In addition to the aforementioned meetings, the Supervisory Board held further extraordinary meetings when necessary or expedient in accordance with the law, the Articles of Association or the Rules of Procedure. This applied in particular to the following extraordinary meetings:

On January 7, 2022, the Supervisory Board revoked the individual power of representation of the Executive Board member Wanja Sören Oberhof, as the members of the Executive Board are generally only to be authorized to represent the company jointly in the future.

On March 1, 2022, after detailed discussion, the Supervisory Board approved the Executive Board‹s resolution to conclude a long-term lease agreement for logistics and warehouses in Gallin, which, due to its term and total volume, was a transaction requiring approval in accordance with the Executive Board‹s Rules of Procedure.

On March 15, 2022, following detailed discussion, the Supervisory Board approved the resolution of the Executive Board on the sale of a part of the shares in KoRo Handels GmbH held by the Company and its subsidiary The Social Chain Group AG.

On July 26, 2022, the Supervisory Board approved, after detailed discussion, the resolution of the Executive Board on the sale of a part of the shares held by the Company in KoRo Handels GmbH to a wholly owned subsidiary of the Company as part of an intra-Group restructuring.

On October 4, 2022, after detailed discussion, the Supervisory Board approved the resolution of the Executive Board on the sale of the company Carl Wilhelm Clasen Gesellschaft mit beschränkter Haftung.

All of the aforementioned meetings were duly documented in minutes. All meetings were attended by all members of the Supervisory Board. The Supervisory Board thus fully complied with its obligation to hold regular meetings.

4. Audit of the individual and consolidated financial statements

On June 8, 2022, the Annual General Meeting of Social Chain AG appointed RSM GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, headquartered in Düsseldorf, as auditor for the financial year 2022. RSM was subsequently commissioned by the Supervisory Board.

The Supervisory Board commissioned RMS to audit the consolidated financial statements as of December 31, 2022 together with the accounting process, the management report and the early risk detection system. In accordance with the mandate, the auditors, headed by Mr. Arno Kramer, fully audited the consolidated financial statements and the company‹s individual financial statements prepared by the Executive Board and then issued an unqualified audit opinion.

The documents relating to the annual financial statements 2022 prepared by the Executive Board, the consolidated financial statements 2022 and the Group management report, including the non-financial reporting, were then made available to all members of the Supervisory Board in good time for review. The aforementioned documents were discussed in detail on 25. April 2023 at the Supervisory Board‹s financial statements meeting. The Executive Board took part in all discussions of the financial statements and was available to answer questions and provide further information. In addition, at the Supervisory Board meeting on 25. April 2023, the Supervisory Board discussed in detail the content of the consolidated financial statements for 2022 and the individual financial statements of the Company for the financial year 2022 with the auditor and asked detailed questions in this regard.

The Supervisory Board then reviewed the annual financial statements 2022 prepared by the Executive Board and issued with an unqualified audit opinion in accordance with the statutory provisions. After completing its own review, the Supervisory Board approved the annual financial statements for the financial year 2022 in the version prepared by the Executive Board on 25.April 2023. The annual financial statements 2022 were thus adopted.

The Supervisory Board also audited the consolidated financial statements 2022, which were also prepared by the Company and issued with an unqualified audit opinion, in the manner described above and then approved the consolidated financial statements 2022, including the separate non-financial statement in the version prepared by the Executive Board on 25. April 2022. With regard to the Group management report, the Supervisory Board came to the conclusion, after detailed discussion, that the Executive Board‹s assessments of the situation of the Company and the Group presented in the Group management report correspond to the assessments of the Supervisory Board.

The Supervisory Board satisfied itself of the independence of the auditor and obtained a corresponding declaration of independence. Overall, the Supervisory Board‹s audit did not raise any objections to the results of the audit by the auditors, which is also in line with the preliminary review by the Audit Committee.

5. Conflicts of interest in the Supervisory Board

Potential conflicts of interest in the Supervisory Board are always disclosed transparently in accordance with the statutory provisions and dealt with by appropriate measures – in particular abstentions – when resolutions are adopted by the Supervisory Board.

6. Supervisory Board Committees

In the reporting year 2022, the Supervisory Board established an Audit Committee in accordance with statutory provisions pursuant to section 107 (4) in conjunction with (3) sentence 1 of the German Stock Corporation Act (AktG). The three members of the Audit Committee are identical to those of the Supervisory Board; the Chairman of the Audit Committee in the reporting year 2022 was Mr. Henning Giesecke.

The Audit Committee deals with all issues relating to the consolidated financial statements and the Group management report, including non-financial reporting, interim financial information, and the individual financial statements in accordance with the German Commercial Code (HGB), which are the responsibility of the Supervisory Board. The Audit Committee also monitors the accounting process, the effectiveness of the risk management and the internal control system. It also discusses the quarterly reports with the Executive Board prior to their publication. In accordance with statutory regulations, the Chairman of the Audit Committee is not identical with the Chairman of the Supervisory Board.

The Audit Committee held a total of three ordinary meetings in financial year 2022, namely on February 8, 2022, April 27, 2022 and September 1, 2022. In addition to the Executive Board, Mr. Arno Kramer of RSM also attended all meetings of the Supervisory Board.

7. Changes in the composition of the Management Board

Mr. Christian Senitz resigned from his position as a member of the Executive Board for personal reasons with effect from the end of April 30, 2022. By resolution dated April 27, 2022, the Supervisory Board appointed Mr. Andreas Schneider as the new Chief Financial Officer of Social Chain AG for a term of 36 calendar months.

With effect from the end of November 15, 2022, the Chief Product Officer, Mr. Ralf Dümmel, resigned from his position as a member of the Executive Board in order to concentrate fully on the management of the DS Group.

In the current financial year 2023, Mr. Wanja Sören Oberhof resigned from his position as a member of the Executive Board and Chairman of the Executive Board with effect from the end of January 24, 2023.

Dr. Georg Kofler was then appointed by the Supervisory Board as the new CEO of Social Chain AG for a term of 36 calendar months.

8. Thanks and outlook

On behalf of the entire Supervisory Board, I would like to thank the Executive Board of Social Chain AG for their work. They have taken on the operational challenges of the 2022 financial year and initiated processes to restructure the Group, which have become indispensable due to changed external conditions.

The great commitment of our employees deserves particular mention. They have made a decisive contribution to the stable development of the current business in this highly dynamic phase of the Company‹s development.

We look forward to you accompanying us on this journey.

Yours sincerely,

Henrike Luszick
Chairwoman of the Supervisory Board

Berlin, April 2023

Our Supervisory Board

Henrike Luszick
CHAIRWOMAN

Henrike Luszick is founder & CEO of the leading independent venture builder Bridgemaker. With Bridgemaker she has been bringing courage, innovation and entrepreneurship back to the economy since 2016 while partnering with corporations, hidden champions and family businesses.
Luszick is experienced in business model innovation, digitalisation as well as new leadership. She spent several months abroad, i.e. China, England and Norway, which further deepened her international knowledge.
Before initiating Bridgemaker, Luszick founded her first start-up immediately after finishing university, worked as a management consultant for several years and invested in different start-ups and businesses for a lot of different institutions and family businesses.

Henning Giesecke
VICE CHAIRMAN

Henning Giesecke has nearly 30 years experience in banking and restructuring as well as in top management positions. Until 2009, he worked for UniCredit-Group as the UniCredit S.p.A. Chief Risk Officer and for the Hypo-Vereinsbank AG.

Having built up an extensive national and international network throughout his professional career, he is also a member of supervisory boards at various renowned companies and international financial institutions.

Sebastian Stietzel
MEMBER OF THE SUPERVISORY BOARD

The Berlin entrepreneur Sebastian Stietzel has already founded and managed several companies. His strengths are strategic and operational business development.

In recent years, he has specialised in the areas of capital market fitness, post-merger integration and reorganisation. Sebastian Stietzel is voluntarily involved in SME policy in various functions and has been President of the Berlin CCI since 2022.

Members of the board

Dr. Georg Kofler
CEO

Dr. Georg Kofler has many years of experience as a CEO. As a juror and investor in the popular TV show „Die Höhle der Löwen" (The Lion‹s Den), Dr. Georg Kofler impressed with his entrepreneurial spirit and founder‹s élan.

Dr. Georg Kofler started his media career in 1985 at the Austrian Broadcasting Corporation (ORF). Two years later he moved to the KirchGruppe. In 1989, Kofler started the TV Channel ProSieben, which he developed into ProSieben Media AG, followed by the first major IPO of a German media company in 1997. Kofler was the first to introduce teleshopping to the German market, from 2000 to 2002 as CEO and major shareholder of H.O.T. Networks AG, which developed teleshopping throughout Europe. In 2002, Kofler took over the management of pay TV company Premiere, which was on the verge of insolvency. Kofler restructured Premiere, acquired 20 percent of the company himself and successfully floated Premiere on the stock exchange in 2005. He left the television industry in 2007 and invested in various companies in the field of energy efficiency and technology, among others. The new developments in social media brought Kofler back into media in 2016: After the merger of the Social Chain Group AG with Lumaland AG, Kofler became the main shareholder and Chairman of the newly founded The Social Chain AG in October 2019. In January 2023, Kofler was appointed CEO of The Social Chain AG.

Andreas Schneider
CFO

Growing up in Hamburg and on the East Coast of the USA, Andreas Schneider started his business career at Otto Group with stops in Hamburg, Milan / Biella and Munich.

Dieter Schwarz, founder of DS Produkte, brought Andreas Schneider back to Hamburg at the end of 1999. Here, Andreas Schneider has been Managing Director of DS Group for over 20 years and has since been responsible for the areas of finance, controlling, logis- tics and IT. During this time, DS Group has increased its turnover tenfold. In this dynamic environment, Andreas Schneider built his areas of responsibility into important pillars of the company‘s so- lid growth. Andreas Schneider has been Social Chain AG's Chief Financial Officer since spring 2022. Andreas Schneider is married and has two grown-up sons.

Sustainability Report 2022

Preface

Dear Shareholders,

in our Sustainability Report, we transparently show the state of environmental, social and employee issues in the TSC Group. The past financial year was a year of realignment and adjustment for our entire company.

The topic of the sustainable use of the natural resources of our planet is very important to all of us, including the Executive Board of the Social Chain AG. However, in addition to the challenging internal and external management tasks of 2022, with the challenges of the Ukraine war, the resulting consumer restraint, the price increase of raw materials and freight costs, the evolution of our sustainability reporting had occasionally to be sidelined.

In the following chapter, we point out what we have done to use fewer valuable resources and to save electricity and gas at our production sites. We have documented the handling of resources, the environment and dealing with each other in a „Code of Conduct, Business" and „Code of Ethics". Both documents can be found on our website.

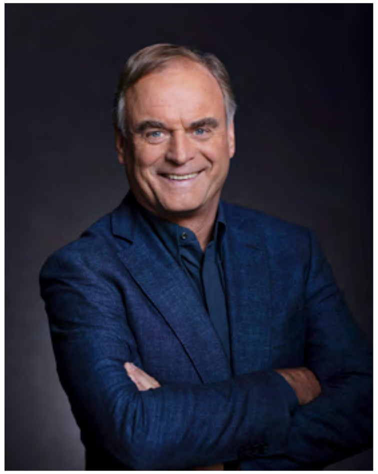
In addition to those measures which we have established and our continuous improvements to sustainability, we will become even more committed to those tasks in the coming years. Owing to its production and logistics capacities the Social Chain AG has the potential to provide products that foster sustainability to the majority of consumers.

We are focused on giving this sensible goal even more importance in the coming years. We avoid overproduction, unnecessary transport, returns. All that results in a favorable cost benefit ratio, provides the basis for fair conditions throughout the entire production and supply chain and also contributes to profitability.

In the following, we will report which steps we have taken in 2022.

We'll stay tuned.

Sincerely,
Dr. Georg Kofler



About the Sustainability Report

The present sustainability chapter describes the sustainability strategy of the TSC Group as well as the relevant key performance indicators and the consequential measures.

In combination with other contents of the Annual Report 2022, it delivers a comprehensive presentation of TSC Group's corporate performance based on financial and non-financial information. The TSC Group is obliged to prepare a non-financial statement in accordance with the German Act on the Reinforcement of Non-Financial Reporting by Companies as part of their Management and Group Management Reports ("CSR-Richtlinie-Umsetzungsgesetz"). Additionally, the sustainability targets for the future of the TSC Group are defined. The Sustainability Report contains the summarized non-financial ESG criteria of the TSC Group's Annual Report pursuant to Section 289b (1) and (3) and Section 315b (1) and (3) of the German Commercial Code (HGB) for the 2022 financial year.

Since the systems for determining the key figures are currently being implemented, reporting is limited to those companies of the Group that generated a major share of the Group's revenues and were therefore prioritized for the KPI survey meaning that specific data for TSC AG, its subsidiaries Brand Chain GmbH, DS Direct GmbH and DS Produkte GmbH is available for the year 2022.

The ESG Committee, consisting of members in charge of the Logistics, Purchasing, HR, IT, Legal, Finance, Governance, Risk & Compliance, and Facility Management departments, is responsible for managing and reporting sustainability issues in coordination with the Executive Board.

Contents of the non-financial report

With regard to the necessary notes of the business model pursuant to Section 289c (1) of the German Commercial Code (HGB), please refer to the chapter „1.2 Business model" in the management report of The Social Chain AG.

Reporting framework

Sustainability reporting is carried out with reference to the reporting standard of the Global Reporting Initiative (GRI) in the version dated January 1, 2023 and to the standard of the WBCD/WRI Greenhouse Gas Protocol. References to the GRI are listed in the section „GRI Index". The CO2 balance of Social Chain AG was prepared according to the requirements of the GHG protocol. Accordingly, the operational and organizational system boundaries were first defined in order to then calculate the corresponding CO2 emissions (CO2 equivalents) based on financial data. The calculation was software-based using the software of GLOBAL CLIMATE. Emissions according to Scope 1, Scope 2 and Scope 3 were reported within the defined operational system boundaries. The CO2 equivalent values are derived from the Ecoinvent database version 3.9.1.

Materiality analysis

The reported sustainability topics for 2022 are the result of the current materiality analysis, which was carried out in accordance with GRI 3.1 (guidance for determining material topics) and GRI 3.2 (disclosures on material topics). With regard to the identification of possible topics and the development of a catalogue of topics, internal data analyses, interviews and workshops, sector-related market analyses, customer and service surveys as well as the involvement of other stakeholders served as important sources of supply.

Actual and potential negative and positive effects on the economy, the environment and people, including the impact on human rights, in the context of our activities and business relationships, were assessed after processing the incoming data together with the Executive Board and the ESG Committee. The prioritization of the issues was determined based on their relevance, which results from the extent, scope and irreversibility (severity) and the probability of occurrence. Impacts on human rights took precedence over probability in terms of the severity of the impact. In order to obtain a responsible and realistically feasible catalog of topics, a threshold was applied to the prioritized topics. In this way, we report on a good, but also achievable extent of topics.

The results of the materiality analysis carried out with regard to our sustainability topics not only reflect an adequate view of the information requested by our stakeholders in this report. It also supports us in expanding and reviewing our vision of sustainability for the future.

The reporting structure reflects the material aspects identified. A separate chapter is included for each group of essential aspects. Each chapter reports on the conceptual approach, the organizational anchoring with responsibilities, targets and measures.

Aspects and disclosures pursuant to section 289c of the German Commercial Code (HGB)	**Material sustainability topics**	**Chapter**
Environmental concerns	▸ Reduction of CO2 emissions ▸ Energy transition ▸ Smart supply chains ▸ Environmentally friendly suppliers	Our planet
Employee concerns	▸ Employee gain and retention ▸ Employee health ▸ Diversity and equal opportunities	Our people
Social concerns	▸ Protection of customer data ▸ Our suppliers‹ approach to social issues ▸ Safety of our customers	Our community
Combating corruption and bribery	▸ Fair competition and anti-corruption	Our community/Due Diligence
Respect for human rights	▸ No child or forced labour ▸ No discrimination	Our community/Due Diligence

Our sustainability strategy

The TSC Group defines sustainable business as an integrated approach to increase its economic, environmental and social performance. We are aware of our corporate and social responsibility and regard it as a holistic task. For the TSC Group, success does not only imply increasing economic results in the long term. For us, it also means further developing the Group‹s sustainability strategy and adapting it to new challenges, improving non-financial key figures and reconciling the partly conflicting interests of our target groups, in particular those of employees, users of our offers and platforms, our customers, shareholders and investors as well as business partners.

As early as 2021, the TSC Group defined a Group-wide sustainability strategy and described specific measures and targets for the first time. As can be derived from our management report, 2022 was marked by many adjustments in our Group which made it difficult to achieve specified targets or set new ones. For example, CO2 reduction targets set for 2022 related to an organization and locations that no longer existed in the course of the year or that have undergone a significant change. This is not a setback for us, but a learning curve that will encourage us to define and reach targets even more proactively in the future.

Reporting boundaries and data collection

As mentioned before, the sustainability report includes details of the TSC AG, DS Produkte GmbH, DS Direct GmbH and Brand Chain GmbH for the period 01/01/2022 to 31/12/2022, as relevant data from these companies could be provided for this report.

DS Produkte GmbH, DS Direct GmbH and Brand Chain GmbH are companies of the DS subgroup, which became part of the TSC Group on December 9, 2021.

Whenever data from other companies was usable, the reporting also included their key figures or management approaches that go beyond those of the above-mentioned companies. If this was the case, it is explicitly stated in the report

Our ESG Management approach

Responsibility for the non-financial aspects, sustainability performance indicators and environmental, social and governance (ESG) information of the TSC Group lies with the Executive Board. Within the framework of the sustainability organization, an ESG Committee was established to centrally coordinate the management, monitoring and further development of the sustainability strategy. Executives and experts from relevant departments are part of it.

The collection of the key figures with regard to CO2 emission determination was centralized for the year 2022 which enabled us to access the data immediately and in accordance with the GHG protocol, derive measures from it and monitor their success.

Risk management in relation to ESG

Social Chain AG has a Governance, Risk & Compliance (GRC) department which determines and evaluates the main risks. On the one hand, the potential risks are determined and on the other hand the measures to be taken are defined and continuously monitored. Further information can be found in the subchapters of the Sustainability Report as well as our Risk and Opportunity Reporting as part of the Management Report. The GRC department is part of the ESG community and therefore directly involved in the ESG strategy processes.

Our planet

The TSC Group pursues the goal of contributing to a better world with a higher quality of life. As a globally active company, we take environmental protection and our impact on nature and the environment very seriously.

We work on providing a central overview of our emissions and develop ways to actively reduce and compensate for them, for example by avoiding unnecessary packaging, an even leaner supply chain and the use of renewable energies.

Many adjustments to the business model resulting from the merger of TSC AG with the DS Group have called into question sustainability goals set in 2021 or rendered them impossible to reach. Nevertheless, we do not regard it as a setback, but as a redefinition of our initial situation and an opportunity not only to redefine meaningful and achievable goals in the long term, but also to back them up with appropriate measures.

Reduction of CO2 emissions

The most important milestone for the reduction of CO2 emissions is a Group-wide standardized recording of our CO2 emissions. In the 2022 reporting year, we used a software solution for determining emissions which has been fully integrated into our Group systems for the first time and we will continue to expand its use in the coming years. That way, we ensure that the data we report is not detached from the actual activities of the companies and can be compared in detail at any time and is necessary for us in order to become transparent and to define and track emission targets. In addition to Scope 1 (direct emissions of greenhouse gases) and Scope 2 (indirect emissions of greenhouse gases), we used the software to evaluate the 15 most distributed products per company to determine the total CO2 footprint that is covered by Scope 3 (other indirect emissions resulting from activities not controlled by the enterprise). This analysis will be successively extended to other products in the future. In addition, further Scope 3 emissions, such as commuter emissions, business travels, logistics chains, etc. were recorded.

The strategy for the direct reduction of CO2 emissions is currently based on the collection of detailed and comparable data. In addition, our measures on the energy transition and smart supply chains (further down in the chapter) are also just as relevant for the reduction of CO2, even if the influence on the reduction of CO2 cannot yet be determined directly.

Regarding travel expenses, we have learned a lot from the Covid-19 pandemic. The enforced isolation and travel restrictions increased the number of virtual meetings and we have learned to deal with them efficiently. As a result, regardless of pandemics, there will be more virtual meetings in the future and travel expenses will thus remain greatly reduced which also cuts CO2 emissions and costs for the company in the long term.

Energy transition

As part of our strategy, the promotion of renewable energy is a clear focus. We have already initiated a transition to Naturstrom for our more than 25 thousand sqm large warehouse in Gallin, which will come into effect in 2023. The construction of a photovoltaic system for our site in Poland is currently being planned. Further opportunities for the transition to renewable energies will also be sought in 2023. Almost half of our fleet already consists of vehicles with a hybrid drive or are fully electric. In the long term, all vehicles will be electrically powered. We have been offering charging stations to drivers at our locations in Stapelfeld since 2020 and in Gallin since 2021. In total, 15 charging stations were available to all owners of company vehicles in 2022. In addition, there will be another 10 charging stations in 2023, 2 of which we will also offer for public use.

Smart supply chains

Our goal is to further optimize the procurement of resources so that transportation times are significantly shortened and our CO2 footprint is further reduced, as we have to make even fewer stopovers between our suppliers and customers. At the same time, this means that we illuminate, heat or cool fewer buildings – and consume less energy. As a result, we are already saving significant carbon emissions.

That kind of optimization for shipping from Gallin has been implemented by collecting orders whenever possible and reducing delivery frequencies, of course on condition that they meet the requirements of our customers.

What is not produced does not consume energy. In order to counteract global overproduction, the product range has been and continues to be geared to customer needs. Items that do not leave the warehouse or are consistently returned by the customer will be removed from stock. In product planning, this experience, as well as other external analyses, are used in order to avoid including such articles in the product portfolio. Quality management ensures that returns due to quality defects are reduced to a minimum. Quality controls and raising awareness among manufacturers are the biggest levers for reducing the return rate due to quality defects.

At 6.7%, the return rate at DS Produkte GmbH in 2022 was in the lower industry average, measured by the current returns compendium of bevh (Bundesverband E-Commerce und Versandhandel Deutschland). According to the study, the return rates for consumer electronics, DIY and garden are less than 10%, for living and furnishing 20% and for sports and leisure 30%. Our product range is a mix of these and other industries.[1]

When shipping to our customers, we often use the same packaging in which our suppliers have packed the products and delivered them to us.

Environmental friendliness of our suppliers

We provide suppliers with a code of conduct that incorporates our values and forms the basis of our business relationships. An important aspect here is also the environmental friendliness of our suppliers. We explicitly expect our suppliers to have obtained all environmental permits to produce the agreed products, to keep them up to date in order to act in compliance with the law at all times. In addition, the supplier must take measures to avoid pollution of the environment and to minimize waste, wastewater and air pollution. In the supplier self-assessment, the supplier is obliged, among other things, to indicate whether his company has a program in place to manage compliance with its own environmental protection requirements or those of its customers. Furthermore, he must indicate whether his company has been audited in recent years with regard to environmental protection. Lack of information or violations lead to the termination of the business relationship in the absence of corrections.

1 https://www.bevh.org/fileadmin/content/04_politik/Nachhaltigkeit/Retourenkompendium/Final_2._Auflage_Retourenkompendium_41_.pdf

Our CO2 emissions at a glance

Scope 1 – CO_2 emissions in tons

GHG protocol	Category	2021	2022
1.1	Heating	580	216
1.2	Fleet	118	53
1.3	Refrigerants	3	n.a
	Total Scope 1	**700**	**270**

Scope 2 – CO_2 emissions in tons

GHG protocol	Category	2021	2022
2.1	Electricity	652	558
2.2	District heating	214	16
	Total Scope 2	**866**	**575**

In 2021, the CO_2 balance for all companies of the TSC Group at that time (excluding the companies of the DS subgroup) was prepared using the provider „Planetly". The CO_2 emissions for 2022 were calculated for the companies The Social Chain AG, DS Produkte GmbH, DS Direct GmbH and Brand Chain GmbH using the provider „Global Climate". The data listed from both reporting years are not directly comparable and are provided solely for transparency purposes.

The corporate financial data for the reporting year 2022 was taken directly from corporate accounting via a software solution from „Global Climate" and used as primary activity data for the CO_2 calculation. Furthermore, internal records and calculations from the TSC Group were included in the calculations as secondary data and after verification and plausibility checks by „Global Climate". For the conversion of consumption data into CO_2 equivalents, „Global Climate‹s" own database was used in conjunction with values from Ecoinvent‹s scientific database. The GWP value (Global Warming Potential) is based on the IPCC 2013.

The metric used for greenhouse gas accounting is the CO_2 equivalent (also CO_2e). This means that not only the climate-damaging gas CO_2, but also the emissions of other climate-damaging greenhouse gases based on their GWP (Global Warming Potential) are converted into the equivalent amount of CO_2 and accounted for. This CO_2 balance (greenhouse gas balance) shows all emissions as CO_2 equivalents. Thus, in addition to CO_2, the other greenhouse gases regulated by the Kyoto Protocol, methane (CH_4), nitrous oxide (N_2O), sulfur hexafluoride (SF_6), and hydrofluorocarbons (HFCs and HFCs), are also taken into account.

Scope 1 includes all CO_2 emissions that can be directly controlled by the reporting company (direct CO_2 emissions). These include the combustion of fossil fuels (mobile and stationary), CO_2 emissions from chemical and physical processes, and refrigerant leaks from air conditioning systems.

Scope 2 reports indirect CO_2 emissions caused by the combustion of fossil fuels during the production of electricity, heating, cooling and steam at external energy suppliers. Reporting in a separate category avoids double counting when comparing CO_2 emissions from different companies.

Our CO2 emissions at a glance

Scope 3 – CO2-emissions in tons

GHG protocol	Category	2021	2022
3.1	Purchased goods and services	39,217	24,151
3.2	Capital goods	<0,1	n.a
3.3	Fuel and energy-related activities	242	n.a
3.4	Upstream distribution and transportation	9,713	955
3.5	Operational waste	103	13
3.6	Business travel	284	145
3.7	Employess commuting	545	762
3.8	Leased assets	153	n.a
3.9	Downstream transportation	n.a	19,544
3.11	Use of sold goods	7	n.a
3.12	EoL treatment of goods sold	7,949	n.a
	Travel attendees to events	547	n.a
	Total Scope 3	**58,759**	**45,571**
	Total	**60,325**	**46,415**

Scope 3 – Emissions (Reporting year 2022)

GHG protocol	Category	CO2 in kg
3.1	Office supplies	3,186
3.1	Hotel accommodation	12,055
3.1	Metals	18,476
3.1	Company specific services	56,702
3.1	Company specific product	22,139,782
3.1	Packaging material foil	307,824
3.1	Packaging material glass	19,173
3.1	Packaging material cardboard	1,593,702
3.1	Water	454
3.4	Trucks	38,164
3.4	Ships	917,067
3.5	Waste generation (not recycled)	8,630
3.5	Waste water	499
3.5	Household waste disposal	121
3.5	Packaging disposal	3,461
3.6	Long-distance trains	8,705
3.6	Airplanes	114,912
3.6	Cars	21,811
3.7	Commuting of employees (motorcycle)	610
3.7	Commuting of employees (car)	741,865
3.7	Commuting of employees (sport)	1,015
3.7	Commuting of employees (public transport)	14,225
3.7	Home Office	4,088
3.9	Trucks	19,544,185
	Gesamt Scope 3	**45,570,714**

All other CO2 emissions that are not subject to direct corporate control are reported in Scope 3 (other indirect CO2 emissions). These include, for example, CO2 emissions associated with products and services used or processed by the reporting company. In addition, there are CO2 emissions associated with the use of products and services sold if direct CO2 emissions are caused in the process.

In accordance with the requirements of the GHG Protocol, the reporting of CO2 emissions in the Scope 1 and Scope 2 categories is mandatory. The reporting of emissions in the Scope 3 category is voluntary. Social Chain has accounted for the emissions in the Scope 3 category on a voluntary basis, insofar as they could be determined.

Emissions not reported in 2022 can be explained by the fact that, firstly, different companies were in the reporting scope and, secondly, no spend-based approach was used. This marks a transition to an acitivity-based approach, which underpins the plan to obtain reliable and verifiable data. This allows results to be determined and compared that are independent and not distorted by inflation and other factors.

GHG Protocol 3.1 (Purchased goods and services) was taken into account. The emissions calculation from the purchase of goods, materials and services was limited to the essential raw materials of the manufacturing process.

GHG Protocol 3.2 (Production inputs/assets) was examined, but there are no reportable emissions (or only insignificant emissions according to the Climate Reporting Guideline).

GHG Protocol 3.3 (fuel and energy-related emissions) from upstream processes, distribution and losses of electricity, heat, or primary energy supply (upstream chains) are considered. However, they are not reported under Scope 3.3, but directly under the respective energy sources. The reason for this is that the CO2 equivalent values from the Ecoinvent database do not show the emissions from the upstream chains separately, but as combined CO2 equivalents.

GHG Protocol 3.4 (Upstream transportation and distribution), 3.5 (Waste generation in operations), 3.6 (Business travel), 3.7 (Employee commuting), 3.9 (Downstream transportation and distribution) are fully considered.

GHG Protocol 3.8 (Leased assets of upstream value chain), 3.10 (Further processing of sold intermediate products), 3.11 (Use of sold products), 3.12 (Disposal of sold products), 3.13 (Leased assets of downstream value chain), 3.14 (Franchise operations) and 3.15 (Investments) were declared as not relevant.

This date is not available in a comparable structure for the 2021 reporting year. Therefore, a comparison of the reporting years 2021 and 2022 has been omitted.

CO2 balance at company level

Emissions in reporting year 2022	DS Produkte GmbH	The Social Chain AG	DS Direct GmbH	Brand Chain GmbH
Scope 1 CO2 in kg	249,324	17,939	0	2,245
Scope 2 CO2 in kg	484,731	7,044	40,291	42,753
Scope 3 CO2 in kg	24,760,408	164,398	11,829,881	8,816,028
Total CO2 in kg	**25,494,463**	**189,381**	**11,870,171**	**8,861,025**

DS Produkte GmbH is responsible for operational logistics and therefore has the highest emissions in all scopes. Brand Chain GmbH and DS Direct GmbH are in the midfield of emissions due to their sales activities. And Social Chain AG caused the lowest emissions due to its function as a holding company.

In the reporting year 2021, other companies were in the reporting scope than in the reporting year 2022. Furthermore, we reported at vertical level in 2021. In the reporting year 2022, detailed information is available from DS Produkte GmbH, Social Chain AG, DS Direct GmbH and Brand Chain GmbH. A comparison of the data from the two reporting years has therefore been omitted.

Our employees

Our employees are the basis of the success of the TSC Group. Therefore, it is particularly important to us that we attract talents to our company, retain them and support them in their further development in our company. Against this background, we create a working environment that inspires and connects. The basis for this is characterized by an open management culture based on mutual trust, respect and motivation. Our Code of Ethics (available on our corporate website) describes our corporate values, which apply to all employees.

Since we apply the same standards and practices for employee matters in our companies and topics such as occupational health and safety are not considered in isolation, we report about all employees of the TSC Group in Germany, unlike in the other chapters. As of December 31, 2022, 688 employees were employed by the Group.

Employee attraction and retention

The TSC Group can rely on its highly motivated and committed employees. Employees are remunerated fairly and competitively. In addition to the contractually regulated added value for employees, we are also always looking for ways to offer additional incentives. The daily supply of cold and hot drinks, as well as fruit for free, is ensured via communal kitchens and canteens at the Stapelfeld and Gallin locations.

The high fluctuation of 10.8% and the decrease in employees of -13.1% are due to the post-merger measures in the course of 2022, in which the organizations of the TSC and the DS Group grew together. Central functions, which were double staffed as a result of the merger, as well as operational functions, which became obsolete due to the relocation of the core business, are main drivers of these two key figures.

In order to promote the growing together of the two groups and to increase the satisfaction of the employees, especially in the area of cooperation and belonging to the company, teambuilding events and mutual visits were held. Remote sessions were also part of it, as they can initially bring the teams together with little effort. This also included workshops in which the individual departments were able to define their new roles in the context of the merged Group and in coordination with other departments.

A flexible work time model, which is offered to employees who are not bound to shift times and locations, is supposed to create opportunities for an improved work-life balance. Since 2021, the Berlin location has already been geared towards offering jobs independent of function and company. Due to the flexible choice of workplaces, employees are able to collaborate depending on tasks and topics in a way that is useful for their daily work.

Development of our employees

We attach great importance to the development of our employees. In 2022, we employed a total of 47 trainees which is 20% more than in the previous year. We are very pleased that we were able to retain more than half of the trainees (55.6%) in 2022. Our trainees also show an almost equal distribution of the sexes. 45% of our trainees are women.

We also support further in-service training. 9 employees, mostly trainees, participated in a part-time course of study in 2022. It can be demonstrated that our measures prove successful and that employees have realistic opportunities for advancement, among other things, by the fact that 12 of our managers employed in 2022 were trainees in the DS subgroup previously.

Expectations of our managers

Our leaders and their teams are a central component of our success. By leadership effectiveness, we understand that our managers live up to their role as role models guided by our corporate values, which are set out in our Code of Ethics, have a positive influence on the commitment and development of their employees, and further develop and implement business strategies. We want to develop leaders who lead their team with optimism, empathy and trust, thereby creating a competitive advantage for the TSC Group. To this end, we conducted management seminars and further developed our team meetings. The „Open Door Policy" is both a simple and efficient tool to strengthen the relationship of trust between managers and employees.

Health of workers

Protecting the health and safety of our employees is a top priority for the TSC Group. A Management System for Safety and Health at Work is implemented and is subject to constant control by the Executive Board and management. The management system is based on the guidelines and laws agreed with the BGHW (Berufsgenossenschaft für Handel und Warenlogistik), which must be complied with in our company. Topics include qualification of employees, instruction, prevention, responsibilities and dealing with external companies and suppliers in the context of occupational safety and health. These topics are presented and tracked via a portal set up for us at the BGHW which highlights areas where audits or instructions are again required, and implementation is tracked through action plans.

Procedures for identifying work-related hazards and assessing risks are also pursued. This is done in accordance with the regulations and rules of the DGUV (German Social Accident Insurance). A safety specialist has been appointed to monitor and coordinate measures. The investigation of work-related incidents, including the identification of hazards and the assessment of risks associated with the incidents, is carried out once a quarter through meetings of the ASA (Health and Safety Committee).

Necessary instructions, such as general and specific guidelines relating to the workplace as well as training for first aiders and safety officers and training relating to occupational health and safety for managers, are indicated to all employees via recurring action plans. In order to provide occupational health services, there are care contracts with company doctors. Mandatory examinations are carried out according to their specifications and according to the requirements of the law. Recurring action plans are used here as well to ensure that no examination date is missed.

In 2021, reportable accidents amounted to 4.55 reported accidents per 200,000 hours worked. In 2022, the rate has improved to 2.27 accidents per 200,000 hours worked. Although the two years 2021 and 2022 are not quite comparable with each other, as further locations were included in the reporting in 2022, the figures show nevertheless a significant improvement. Intensive training, optimization of working conditions and targeted management with a focus on occupational safety have had a positive effect.

Health is also the responsibility of the employees. We do everything we can to ensure that our employees are not exposed to any hazards through their work with us and help them to promote their physical health. For example, we have taken up the „Jobrad" concept and given employees the opportunity to purchase a high-quality bicycle at low cost. On the one hand, this promotes fitness and, on the other hand, less CO2 is emitted on the way to work. 62 job bikes were used in 2022. Thus, about 9% of our employees took advantage of this offer.

Diversity and equal opportunities

With almost 40 nationalities in the team, the Social Chain Group enjoys a wide variety of different backgrounds and perspectives. This goes hand in hand with an increase in the performance and innovative power of our teams and an increase in creativity and motivation.

We are pleased that half of our workforce consists of women. We also want to bring more women into management roles in the future. In 2022, 34% of management roles were already occupied by women. In the previous year, in 2021, it was still 29%. The aim is to further increase this quota towards 50%, but not through quota regulations, but through the continuous creation and maintenance of a corporate culture that is attractive to women and men.

Equal treatment is ensured in recruitment both within the process and in the systems used. Neither gender, nationality nor health characteristics are relevant for the selection of candidates.

Key figures

37
Nationality
(2021: 50)

52%
Female workforce
(2021: 51%)

34%
Proportion of women in the management team
(2021: 29%)

-13.14%
Employee growth
(2021: 9.80%)

10.84%
Turnover Rate
(2021: 41%)

37
Average age
(2021: 33)

2.27
Injury rate
per 200,000 hours worked
(2021: 4.55)

For 2022, the figures for the entire TSC Group, including the DS subgroup, were collected for all employees at locations in Germany.

For 2021, the figures for the TSC Group excluding the DS Group were determined (see Annual Report 2021).

Our Community

Our community consists of our numerous stakeholders. On the one hand, there are our partners who manufacture products for us and supply us with them. Furthermore, there are the various local service providers, who among other things, undertake the dispatch of orders or provide IT resources for our online shops. The buyers and users of our products, i.e., retailers or end customers should also not be forgotten. Furthermore, there are our investors and shareholders who, with the trust placed in us, make an important contribution to the development of the Group. And, of course, there are our employees, who, as already explained in the chapter „Our employees", contribute hugely to our success.

Governance & Compliance

The central action areas of Governance & Compliance make a significant contribution to the sustainability strategy. The Executive Board and Supervisory Board regard strong corporate governance as an essential foundation for responsible, transparent corporate management geared to long-term value creation. The corresponding statements on corporate governance at Social Chain AG can be found in the corporate governance statement pursuant to Sections 289f and 315d of the German Commercial Code (HGB). Aside from the annual declaration of conformity pursuant to Section 161 of the Stock Corporation Act (AktG), it includes further relevant information on the corporate governance practices of Social Chain AG.
Information on the remuneration of the Executive and Supervisory Board can be found in the remuneration report on our website.
In our view, sustainable commercial success in a competitive environment is only possible based on lawful business practices. Besides preventing corruption, compliance efforts at The Social Chain AG focus in particular on the issues of money laundering, sanctions and embargoes and data protection. The Social Chain AG has implemented a risk management system that is upgraded continuously. The Executive Board carries principal responsibility for risk management within the Group.

The early identification, analysis and management of potential risks is an elementary component of the TSC Group‹s corporate strategy, rooted in the understanding that consistent application of the principles of a functioning risk management also gives rise to the possibility of identifying and exploiting opportunities. In order to identify risks and opportunities at an early stage and to handle them consistently, we rely on a risk management system that also includes the system for early detection in accordance with Section 91 (2) of the Stock Corporation Act (AktG). Further information is provided in the management report. The risk management system governs the identification, recording, assessment, documentation and reporting of risks. As a result, the overall risk situation is always kept within acceptable limits. There are currently no identifiable risks that could significantly jeopardize the success of the company.

The principal objective of the risk management system is to ensure that integrity and adherence to rules, regulations and policies become permanently anchored in the thoughts and actions of all staff members in order to prevent unlawful activities and regulatory infringements.

In our „Code of Conduct" and „Code of Ethics" (available on our corporate website), the TSC Group has defined basic guidelines and procedures. These guidelines define the general standards for conduct in business, legal and ethical matters and describe how employees can report misconduct within the company.

They serve all members of the Executive Board, the management of the subsidiaries of Social Chain AG, as well as the employees of the TSC Group as a binding guidance and regulatory framework for dealing with each other, with business partners, customers, suppliers and other third parties. Implementation and compliance with the guidelines would be ensured by the Executive Board and the management of the respective dependent companies in the Group.

Protection of customer data

With regard to advancing digitalization and new business models, more and more personal data is being generated and processed in a variety of ways. Our goal is to handle this data carefully and to protect it from misuse. The external data protection officers appointed for the Group are responsible for cooperation and coordination in all important data protection matters. They work closely with the Group General Counsel and are appointed by the Executive Board. Mandatory training and assessments by the data privacy officers are intended to prevent violations of privacy and ensure compliance with the data protection law. The legal regulations, in particular the European General Data Protection Regulation (GDPR) and the Federal Data Protection Act (BDSG) as well as our own data protection guidelines, serve as the basis for concrete measures.

Due to the strict and professional management of this issue, our Group did not face any breach of customer data protection or loss of customer data in 2022.

In the area of information security, we use the ISO/IEC-27000 standards. These were implemented in 2020 for the companies DS Direct, DS Produkte and Brand Chain and extended to The Social Chain AG in 2022. In the IT Security Circle, consisting of the Management Board, IT and GRC, the PDCA cycle (Plan, Do, Check, Act) is ensured. An online portal for the information security management system (ISMS) is available to the security circle and forms the basis for documenting, planning and monitoring the necessary measures. A review of the measures takes place every quarter as scheduled. The control mechanisms defined in this context are based on the internal control system (ICS) of our risk management system.
Employees receive training on information security once a year. In addition, a phishing test is carried out once a year to identify how such attacks are dealt with and where there is still room for improvement.

Every year, a penetration test is carried out by independent auditors at the above-mentioned companies. It follows the process guidelines „Praxis-Leitfaden BSI (Bundesamt für Sicherheit in der Informationstechnik)", „EU-DSGVO (EU-Datenschutzgrundverordnung)" and „EU GDPR (General Data Protection Regulation)". As part of this audit, a very high level of safety was certified. No serious safety deficiencies were detected.

The security measures already implemented are working proactively, also against an increased risk of cyber-attacks due to the war in Ukraine.

Due diligence

As already mentioned in the chapter „Our Planet", we provide suppliers with a code of conduct that incorporates our values and forms the basis of our business relationships. It is based, among other things, on the principles of the United Nations Global Compact, the Business Social Compliance Initiative (BSCI) and the conventions of the International Labour Organization (ILO). Its contents include environmental protection, respect for human rights, avoidance of conflicts of interest, prohibition of child and forced labour, exclusion of discrimination, freedom of assembly and prohibition of corruption and bribery as well as a final declaration of commitment. These and other topics are queried in detail from the suppliers as part of a supplier self-assessment. In addition, our suppliers are audited annually according to fixed standards.

Compliance with the BSCI (Business Social Compliance Initiative) standards is also audited. Either it is traceable that a supplier has already been audited according to BSCI, or we arrange for an audit ourselves to comply with BSCI standards.

As part of those audits, the quality of production and production conditions are also evaluated, thus ensuring consistently high product quality. On the one hand, it is particularly important to us that our customers receive a flawless product, and on the other hand, we ensure that no harm is done to users at any time through correct descriptions and declarations of the products.

For the announced Whistleblower Protection Act (HinSchG), we have reviewed existing EU directives (EU Directive 2019/1937) and draft laws and are now awaiting the final adoption and application of the law so that we can implement the specific requirements. The same applies to the introduction of the Supply Chain Due Diligence Act (LkSG), which will not be applicable before 2024 given our current Group size. Nevertheless, we are already aiming to comply with the due diligence obligation according to LkSG for the year 2023, since it is our intention as a supplier to give our customers full transparency, in particular to those who are already required by law to comply with the due diligence requirements.

Further support for communities

When the Russian war of aggression against Ukraine started in 2022, the volunteer group „We are all Ukrainians" was quickly formed to supply the people in the besieged and embattled places with goods for their daily needs. In an ad hoc initiative, the employees of The Social Chain Group donated privately at the company locations in Gallin, Berlin and Stapelfeld and helped to pack the goods, such as clothing, blankets, hygiene articles and the like onto pallets and load them onto trucks. In addition to this voluntary commitment of the team, Social Chain AG and its subsidiaries brought seven trucks with non-perishable food, medical supplies, blankets, sleeping bags, sleeping mats and other vital items from its own product stocks on their way to Ukraine. The goods were distributed by „We are all Ukrainians".

Through this campaign about 1,000 household products (mainly flash-lights), over 100 handcarts, more than 700 sleeping textiles and about 3,000 hygiene articles were donated among other things.

Information according to EU Taxonomy Regulation

The EU taxonomy established from the EU‹s Sustainable Finance Action Plan is a classification system that provides a list of environmentally sustainable economic activities. This classification is intended to provide certainty for investors, protect investors from greenwashing, help companies become more climate-friendly, mitigate market fragmentation and help direct investment to much-needed places.

The EU Taxonomy Regulation (EU 2019/2088 and EU 2020/852) has been in force since January 1, 2022 and defines how companies report their environmentally sustainable economic activities. There are 4 overarching conditions defined that must apply to economic activities in order to be classified as environmentally sustainable (taxonomy-compliant)[1]:

1. Contributes significantly to one or more predefined environmental objectives
2. None of the defined environmental objectives may be significantly compromised
3. Predefined minimum protection must be adhered to
4. Technical audit criteria must be met

The environmental objectives themselves are:

1. Climate protection
2. Adaptation to climate change
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy
5. Pollution prevention and control
6. Protection and restoration of biodiversity and ecosystems

Currently, the classification of potentially sustainable activities is limited to the first two objectives of climate change mitigation and adaptation to climate change[2]. The classification of activities according to the EU taxonomy will be reviewed annually, especially when further EU taxonomy criteria have been finally adopted.

Taxonomy eligible economic activities have been identified for the TSC Group. However, as can be seen from the following tables, none of these activities is taxonomy compliant. This does not mean that the TSC Group does not engage in environmentally sustainable economic activities. However, the above conditions for demonstrating taxonomy conformity and the challenges mentioned in the preface of this report have not yet been audited or implemented.

[1] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32020R0852
[2] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32021R2139

The revenue of the TSC Group in 2022 is estimated at EUR 368.2 million applying IFRS. The revenues that could be classified as taxonomy-eligible are the revenues resulting from the outbound freight to customers. This relates to activity 6.6 „Road freight transport” and accounts for 0.4% of revenues.

Sales

			Criteria for a material contribution						DNSH (Do No Significant Harm) criteria									
Economic activities	**Absolute sales (million EUR)**	**Share of sales (%)**	**Climate protection (%)**	**Adaptation to climate change (%)**	**Water protection (%)**	**Pollution prevention (%)**	**Circular economy (%)**	**Biodiversity (%)**	**Climate protection**	**Adaptation to climate change**	**Water protection**	**Pollution prevention**	**Circular economy**	**Biodiversity**	**Minimum protection**	**Taxonomy-compliant share of sales in 2022 (%)**	**"Enabling activities" category**	**"Transition activities" category**
A. Taxonomy-compliant economic activities																		
A.1. Taxonomy compliant	0	0	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	0		
A.2. Non-taxonomy compliant																		
6.6 Road freight transport	1.6	0.4	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a			
B. Non-taxonomy eligible economic activities	366.6	99.6	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a			
Total (A+B)	**368.2**	**100**																

CapEx

			Criteria for a material contribution						DNSH (Do No Significant Harm) Kriterien									
Economic activities	Absolute CapEx (EUR thousand)	Share of CapEx (%)	Climate protection (%)	Adaptation to climate change (%)	Water protection (%)	Pollution prevention (%)	Circular economy (%)	Biodiversity (%)	Climate protection	Adaptation to climate change	Water protection	Pollution prevention	Circular economy	Biodiversity	Minimum protection	Taxonomy-compliant CapEx share 2022 (%)	"Enabling activities" category	"Transition activities" category
A. Taxonomy-compliant economic activities																		
A.1. Taxonomy compliant	0	0	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	0		
A.2. Non-taxonomy compliant																		
6.5 Transportation by motorcycles, passenger cars and light commercial vehicles.	108.3	1,9	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a			
7.4 Installation, maintenance and repair of charging stations for electric vehicles.	30.2	0,5	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a			
8.1 Data processing, hosting and related activities	502.3	1,9	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a			
Total	**640.8**	**11.4**	**n.a**	**n.a**	**n.a**	**n.a**	**n.a**	**n.a**	**n.a**	**n.a**	**n.a**	**n.a**	**n.a**	**n.a**	**n.a**			
B. Non-taxonomy eligible economic activities	4,966.3	88.6	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a			
Total (A+B)	**5,607.1**	**100**																

According to the EU Taxonomy Regulation, capital expenditure (CapEx) is an addition to property, plant and equipment and intangible assets during the financial year under review, before depreciation, amortization and any revaluations for the financial year and excluding changes in fair value (IAS 16, 38, 40, 41, IFRS 16). They also include additions to property, plant and equipment and intangible assets resulting from business combinations (application of IFRS). Total capital expenditure for the TSC Group for the financial year 2022 amounts to EUR 5,607.1 thousand.

Of these capital expenditures, 11.4% are considered taxonomy-eligible.

The following activities were identified:

- 6.5 Transportation by motorcycles, passenger cars and light commercial vehicles
- 7.4 Installation, maintenance, and repair of charging stations for electric vehicles
- 8.1 Data processing, hosting, and related activities

A large part of the capital expenditure relates to the acquisition of IT systems as well as to long-term leasing of employee vehicles. The further construction of new charging stations for the fully or partially electrically powered employee vehicles is also included in the reporting.

OpEx

			Criteria for a material contribution						DNSH (Do No Significant Harm) criteria									
Economic activities	**Absolute OpEx (EUR thousand)**	**Share of OpEx (%)**	**Climate protection (%)**	**Adaptation to climate change (%)**	**Water protection (%)**	**Pollution prevention (%)**	**Circular economy (%)**	**Biodiversity (%)**	**Climate protection**	**Adaptation to climate change**	**Water protection**	**Pollution prevention**	**Circular economy**	**Biodiversity**	**Minimum protection**	**Taxonomy-compliant OpEx share 2022 (%)**	**"Enabling activities" category**	**"Transition activities" category**
A. Taxonomy-compliant economic activities																		
A.1. Taxonomy compliant	0	0	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	0		
A.2. Non-taxonomy compliant																		
4.29 Electricity generation from fossil, gaseous fuels	9.6	0.1	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a			
6.4 Operation of personal mobility equipment, bicycle transport logistics	19.7	0.3	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a			
6.5 Transportation by motorcycles, passenger cars and light commercial vehicles	814.5	10.4	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a			
7.2 Renovation of existing buildings	243.0	3.1	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a			
8.1 Data processing, hosting and related activities	2,388.3	30.6	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a			
Total	**3,475.1**	**44.5**	**n.a**	**n.a**	**n.a**	**n.a**	**n.a**	**n.a**	**n.a**	**n.a**	**n.a**	**n.a**	**n.a**	**n.a**	**n.a**			
B. Non-taxonomy eligible economic activities	4,334.7	55.5	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a			
Total (A+B)	**7,809.8**	**100**																

According to the definition of the EU taxonomy, total operating expenses comprise the direct, non-capitalized costs associated with the day-to-day maintenance of the assets of property, plant and equipment on the part of the Company or third parties and necessary for the continuous and effective functioning of these assets.

The total operating expenses of the TSC Group for 2022 amount to EUR 7,809.8 thousand.

44.5% of this operating expenditure can be attributed to the following taxonomy eligible economic activities:

- 4.29 Electricity generation from fossil gaseous fuels
- 6.4 Operation of personal mobility equipment, bicycle transport logistics
- 6.5 Transportation by motorcycles, passenger cars and light commercial vehicles
- 7.2 Renovation of existing buildings
- 8.1 Data processing, hosting and related activities

Examples here are the costs of maintaining the combined heat and power plants, which generated heat and electricity for warehouses, and costs for the „Jobrad", where employees are provided with a bicycle on request by means of minor leasing contracts via the employer. Operating and maintenance costs for the IT systems account for the largest share.

GRI Index

The TSC Group has reported on the information provided in this GRI Index for the period from January 1, 2022 to December 31, 2022 with reference to the GRI Standards.

GRI Standard	Angabe		Seite
GRI 3: Material topics	3-1	Procedure for determining material topics	S. 29
	3-2	List of material topics	S. 30
	3-3	Management of material topics	S. 31
GRI 205: Anti-corruption	205-2	Communication and training on anti-corruption policies and procedures	S. 41
GRI 305: Emissions	305-1	Direct GHG emissions (Scope 1)	S. 34
	305-2	Indirect energy-related GHG emissions (Scope 2)	S. 34
	305-3	Other indirect GHG emissions (Scope 3)	S. 35
GRI 308: Supplier environmental assessment	308-1	New suppliers that were screened using environmental criteria	S. 33
GRI 401: Employment	401-1	New hires and employee turnover	S. 39
GRI 403: Occupational health and safety	403-1	Occupational Safety and Health Management System	S. 38
	403-2	Hazard identification, risk assessment and incident investigation	S. 38
	403-3	Occupational health services	S. 38
	403-5	Employee training on occupational safety and health	S. 38
	403-8	Employees covered by an occupational safety and health management system	S. 38
	403-9	Work-related injuries	S. 39
GRI 405: Diversity and equal opportunity	405-1	Diversity in governance bodies and among employees	S. 39
GRI 406: Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	S. 41
GRI 408: Child labour	408-1	Sites and suppliers with significant risk for incidents of child labor	S. 41
GRI 409: Forced or compulsory labour	409-1	Establishments and suppliers with significant risk for incidents of forced or compulsory labour	S. 41
GRI 414: Supplier social assessment	414-1	New suppliers that were screened using social criteria	S. 41
GRI 416: Customer health and safety	416-2	Infringements related to the impact of products and services on health and safety	S. 41
GRI 418: Customer privacy	418-1	Justified complaints regarding the breach of customer data protection and loss of customer data	S. 41

Social Chain Share

Social Chain Share

The Social Chain share on the capital market

After the successful listing in the Prime Standard of the German Stock Exchange (Deutsche Börse) in November 2021, 2022 was a disappointing year for Social Chain AG. Against the backdrop of multiple crises and a heavily burdened consumer climate, the share price has developed very negatively and reflects a disappointing business performance. The management of Social Chain AG reacted with a consequent course of restructuring and thus set the basis for a recovery of the share price.

Capital measures

Following three substantial capital measures carried out in 2021, Social Chain AG refrained from further capital measures in the reporting year. The convertible bond issued at the beginning of April 2021 with a volume of EUR 25 million has a term of three years and an interest rate of 5.75% p.a. The conversion price is EUR 32.50. No bonds were converted in the reporting year.

The number of Social Chain shares issued was 15.53 million. The average trading volume was 18,002 (previous year: 7,895) shares per trading day. The volume peaked at 93,968 shares (previous year: 84,000) in exchange trading.

Stock market year 2022 and share price

2022 was a turbulent year for the financial markets worldwide, with global stock markets suffering from Russia‹s war of aggression on Ukraine, the resulting rise in energy prices and a sharp increase in inflation. In the first three quarters of 2022, Germany‹s leading index DAX fell by 25% compared with the beginning of the year. After the low in September, the leading index rose slightly again, reducing the year-on-year decline to around 12%.

The Social Chain share price fell over the course of the year from EUR 35.80 to EUR 4.95 at the end of the year. Worldwide, retail and e-commerce stocks in particular came under significant pressure. This was due to increased overall economic uncertainty and the resulting decline in consumer confidence. The Social Chain share was also unable to escape this development. However, analysts see considerable recovery potential for the share in their valuations. An up-to-date overview of the share can be found at www.socialchain.ag in the Investor Relations section.

Development of the Social Chain share in 2022

Combined Group Management Report

1 Fundamentals of the Group

1.1 General information

The Social Chain AG (hereinafter also referred to as „TSC AG", „Social Chain AG", „Company" or „Parent Company") is a stock corporation domiciled in Germany with its registered office at Alte Jakobstr. 85/ 86, 10179 Berlin. It is registered in the Commercial Register of the Local Court of Berlin under HRB 128790 B.

TSC AG is the parent company of directly and indirectly held subsidiaries and directly and indirectly holds shares in associated companies and joint ventures (hereinafter also referred to as the „TSC Group" or the „Group"). The Company acts as a holding company for the Group.

The shares of TSC AG have been admitted to trading in the Prime Standard (regulated market segment with additional follow-up obligations) of the Frankfurt Stock Exchange since November 12, 2021. Previously, the Company was listed on the Regulated Unofficial Market.

This report combines the Group Management Report of the TSC Group with the management report of TSC AG. It should be read in conjunction with the Consolidated Financial Statements and the annual financial statements, including the Notes. The Consolidated Financial Statements and the annual financial statements are based on a number of assumptions and accounting policies, which are presented in more detail in the respective Notes. The Consolidated Financial Statements have been prepared in accordance with IFRSs as adopted by the European Union. The annual financial statements of TSC AG were prepared in accordance with the German Commercial Code (HGB).

The Combined Group Management Report contains forward-looking statements concerning the business, financial development and earnings. These statements are based on assumptions and forecasts that are derived from currently available information and current assessments. They are subject to numerous uncertainties and risks. The actual course of business may therefore deviate substantially from the expected development. TSC AG assumes no obligation beyond the statutory requirements to update forward-looking statements.

The combined Group Management Report for the financial year 2022 is presented in euros (EUR), the functional currency of TSC AG. Unless otherwise stated, all values are rounded commercially to millions of euro (EUR million) with one decimal place, so rounding differences may occur and the percentages presented may not precisely reflect the figures to which they relate. The combined Group Management Report has been prepared for the reporting period from January 1 to December 31, 2022.

1.2 Business model

Business model

Social Chain AG develops and markets innovative products for the everyday life of consumers: Household, leisure, fitness, entertainment. The focus is on trend products for broad consumer groups, which are scaled via a modern omnichannel commerce structure. The TSC Group is operationally divided into the three Commerce segments „Core Brands", „Brand Chain" and „MAXX Group" as well as the fourth segment, the social media agency business „Social Marketing". In February 2023, a restructuring was carried out in the fourth segment, which is discussed below.

The Core Brands

The Core Brands form the main brands of the TSC Group. These independent companies have their own brand concept, a fixed customer base and brand awareness. The Core Brands segment is composed of classic and emerging brands. The focus of the Core Brands is on Europe's largest beauty convention, the influencer magnet GLOW by dm, and the traditional German barbecue brand LANDMANN. Other up-and-coming brands include high-end interior brand URBANARA, food brand CLASEN BIO and coffee and tea utensil specialist BEEM.

The Brand Chain

In the Brand Chain segment, the focus is on „emerging brands" that are in the process of becoming D2C brands. These included: N8WERK with kitchen and household products, the home & living brand Lumaland, FitEngine for fitness equipment and HOBERG, the partner for outdoor projects. These D2C brands of the TSC Group are sold both in the company's own online stores and via social commerce and all relevant online marketplaces.

The MAXX Group

The MAXX Group comprises the goods-carrying business of DS Produkte, as well as the brands of the start-up founders from the VOX start-up show „Die Höhle der Löwen". The product families Kochwerk, GOURMETMAXX, CLEANMAXX, EASYMAXX, VITALMAXX, BRATMAXX and MAXMEE are solidly established in stationary retail and teleshopping. Merchandise for major brands, such as FC Bayern, is also grouped in this segment.

Social marketing

In the Social Marketing segment, the TSC Group relied on an integrated model of social media marketing and social media publishing in the 2022 financial year. The TSC Group offered a combination of its own reach and agency services primarily to external business customers. In recent years, the Social Chain Agency UK and Social Chain Agency US had designed numerous award-winning advertising campaigns for major brands of other companies. As part of the restructuring of the Social Marketing segment, this traditional agency business was sold in February 2023 in order to focus the resources of Social Chain AG on the profitable growth of its own brands and products. In this report, Social Chain Agency UK and Social Chain Agency US are reported under discontinued operations.

The „Social Marketing" segment currently consists of the performance marketing agency drtv.agency GmbH (an established player in consulting for data-driven campaigns in TV, print and radio) and the German Social Chain Germany GmbH (specialist for social media campaigns in performance marketing), sib Silvester in Berlin Veranstaltungen GmbH (events) and DEF Media GmbH (productions).

1.3 Group structure and organization

TSC AG is the parent company of the TSC Group and acts as the holding company for the Group. As the Group's holding company, TSC AG is responsible for managing the Group, strategic development, central management functions and the provision of services for affiliated companies.

As of December 31, 2022, the Group comprises 55 (previous year 68) fully consolidated companies and 4 (previous year 5) associated companies or joint ventures. An overview of the consolidated companies can be found in section 1.5.1 of the Notes to the Consolidated Financial Statements.

In the financial year 2022, the Executive Board of Social Chain AG was composed of Wanja S. Oberhof as Chief Executive Officer (CEO), Christian Senitz (March 1, 2021 to April 30, 2022) and Andreas Schneider (since June 1, 2022) as Chief Financial Officer (CFO), and Ralf Dümmel (December 8, 2021 to November 15, 2022) as Chief Product and Services Officer (CPO). Wanja S. Oberhof resigned from his position as CEO effective January 24, 2023. Dr. Georg Kofler has been Chairman of the Executive Board of TSC AG since January 24, 2023. In addition to strategic corporate development, the CEO is responsible for M&A, investor relations, legal and social media. The CFO is responsible for Finance, IT, Human Resources and Corporate Social Responsibility. The Chief Product Officer organized the product development area, sales and distribution as well as the management of the Höhle der Löwen investments. This area of responsibility has been transferred to the CEO as of November 2022.

Supervisory Board

Henrike Luszick – Chairwoman

Henning Giesecke – Vice Chairman

Sebastian Stietzel – Member of the Supervisory Board

Management Board

Dr. Georg Kofler – CEO

Andreas Schneider – CFO

The company is headquartered in Berlin, with additional locations in Manchester, Huntingdon, New York, Budapest, Hong Kong, Jawor in Poland and Stapelfeld near Hamburg in the financial year 2022. As of December 31, 2022, the company employed 1,124 full-time equivalent employees (previous year 1,271).

1.4 Strategy and management system

Social Chain AG produces and markets trend products for the consumer market and scales them through efficient omnichannel commerce. For future growth, Social Chain AG focuses on the constant innovation of its product range, the further digitalization of its omnichannel structures and the internationalization of its topseller strategy.

With innovative products and problem solvers for everyday life in home, leisure, fitness and entertainment, Social Chain AG launches well over 400 new products per year, carries over 14,000 items in its range and owns extensive property and trademark rights.

The strategic mission is to link the established omnichannel sales network of retail, teleshopping, digital marketplaces, and the Group‘s own web stores with all forms of social marketing. The focus will be on establishing a digital flagship store that sells all of the Group‘s brands. The future lies in the expansion of this network and the evaluation of innovative channels, such as the virtual marketplaces of the Web 3.0. To achieve this, the continuous expansion of professional data management and the company‘s own IT and logistics structure is elementary.

Acquisitions may also be part of our growth strategy, particularly with regard to our product and brand portfolio, as well as further internationalization. As part of a buy-and-build strategy, we look out for companies with products that enrich our portfolio for the mass market or that open up new sales channels for the existing range. An additional source of innovation and growth are the numerous investments in startups from the well-known TV format „Die Höhle der Löwen“.

In addition to the acquisition, Social Chain AG is divesting unprofitable sales and streamlining its portfolio. This restructuring is expected to be completed by the middle of the year. Profitability is the focus.

In order to manage the TSC Group as a whole as well as its segments and verticals (cash generating units), three key financial indicators are used to achieve the strategic goals: Revenues, gross margin and earnings before interest, taxes, depreciation and amortization (EBITDA).

The Group is currently still being managed using non-financial performance indicators. These indicators vary greatly depending on the segment. Non-financial performance indicators are currently only available for our retail segments (Core Brands, Brand Chain, MAXX Group), subdivided into B2C and B2B (retail), whose development is analysed on an ongoing basis. The most important non-financial performance indicators in the B2C area are the total number of direct customers, the number of orders, and the average shopping cart value. The number of customers indicator also distinguishes between direct-to-consumer customers and customers of online marketplaces. The most important non-financial performance indicator in the B2B area is market coverage in Germany by customer group. There are currently no non-financial performance indicators in our Social Marketing segment.

1.5 Research and development

TSC AG's research and development comprises the three pillars: product development, customer need anticipation and the innovation pipeline driven by startups and investments.

The product development and product management department are responsible for the new and further development of retail products and their modifications. New product development focuses on products that are not yet available on the market in this form. Conversions and enhancements, on the other hand, are aimed at improving products that already exist on the market. The focus here is on improving product features and pricing on the one hand, and on creating mass appeal for previous niche products on the other. The product development department, in cooperation with the legal department, is also responsible for patent research and applications.

Significant impetus for the development work stems from market observation and research. Information is gathered both on the basis of software-supported analysis tools, on social media, in communities, and conventionally, e.g., through trade fair visits, networking, patent and trade research, and customer feedback. The aim is to anticipate customer needs and translate them into products. In committees explicitly defined for product development, consisting of product developers, product managers and sales managers, this information comes together for action planning. Product ideas are also generated outside the product development department, for example through the ongoing innovative capacity of the startups in which the TSC Group holds a stake. By investing in founders and products from the VOX start-up show „Die Höhle der Löwen" (The Lion's Den) and working closely with them, new impetus flows into development.

Another important area of development is the continuous expansion and optimization of the technology landscape. At its core is the central Enterprise Resource Planning (ERP) system, which integrates finance, logistics, procurement and sales. Among other things, the development effort is intended to ensure deeper insights into data, avoid risks and render processes simpler and more agile. The investments for the ERP system amounted to EUR 1.5 million in 2022.

2 Economic Report

2.1 Macroeconomic and industry-specific conditions

Region Europe and UK

Our core markets are in Germany, France, Poland, the UK and other European countries. According to the „IMF“ (International Monetary Fund), economic activity in these markets, but also worldwide, was heavily impacted by inflation in 2022, the Russian war of aggression against Ukraine and the Covid-19 pandemic in China. At 3.5%, economic growth in the euro region was significantly lower than in 2021, when it was still 5.3%.[1]

Economic growth in our core markets

Change in %	2022	2021
World	**3.4**	**6.2**
Euro Region	**3.5**	**5.3**
France	2.6	6.8
Germany	1.9	2.6
Poland	5.4	6.8
United Kingdom	**4.1**	**7.6**

Fig. 1

Russian pipeline gas exports decreased by 80% (year-over-year) through mid-September 2022, with subsequent full supply cuts to several countries, including Germany and Poland. As a result, natural gas and electricity prices have skyrocketed. Coal prices more than tripled year-on-year through September 2022 as Europe sought substitutes for natural gas-based power generation.[2] As of September 2022, there was no further gas supply via Nordstream 1.[3]

High temperatures and low precipitation led to exceptionally low river levels in 2022 (including on the Rhine), which increased the cost of inland supplies, including coal, oil and other materials. Low river levels also affected hydropower generation and the normal operation of nuclear power plants, including in France, where other factors also played a role.[2]

Changes in monetary policy to curb inflation, reduced credit availability and higher risk prices resulted in tighter financial conditions, which are now more restrictive than before the pandemic in the euro area and emerging Europe. Higher mortgage and consumer interest rates worsened financing conditions for companies and households.[2]

Germany

According to „destatis“, consumer prices in Germany have increased by an annual average of 7.9% in 2022 compared to 2021 due to the significant price increases for energy products and food since the start of the war in Ukraine. In 2021, the year-on-year increase was still 3.1%. Monthly inflation rates were high throughout 2022, even exceeding the 10 percent mark in September. It was not until December that the inflation rate decreased to 8.6%[4] due to lower energy prices.

Energy products increased in price by 34.7% on average over the year. Goods in general became 13.5% more expensive on average in 2022 compared with the previous year, largely driven by higher prices for consumer goods (+18.0%), which include energy products and food. Prices for consumer durables increased by 5.3%, with furniture and lighting, among other things, becoming significantly more expensive (+7.9%).[4]

1 https://www.imf.org/-/media/Files/Publications/WEO/2023/Update/January/English/text.ashx
2 https://www.imf.org/-/media/Files/Publications/REO/EUR/2022/October/English/text.ashx
3 https://www.bundesnetzagentur.de/DE/Gasversorgung/aktuelle_gasversorgung/Rueckblick/start.html
4 https://www.destatis.de/DE/Presse/Pressemitteilungen/2023/01/PD23_022_611.html

Fig. 1 https://www.imf.org/-/media/Files/Publications/WEO/2023/Update/January/English/Data/WEOJanuary2023update.ashx

Gross Domestic Product Germany

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Change vs. previous year in %.	2.0	2.6	-4.1	1.1	1.0	3.0	2.1	1.2	2.2	0.6	0.6	4.0	4.0

Fig. 2

Consumer climate

Even though private consumer spending in 2022 experienced an upswing compared with the previous year, the second half of the year was characterized by a sharp decline in consumer sentiment, which did not reverse until the end of the year.

The main reason for the sharp decline was the crash in income expectations. According to „GFK“ (Market Research Institute – Growth from Knowledge), this indicator stood at -67.7 points in September 2022. Since the beginning of the surveys for unified Germany in 1991, no lower value was measured. Many households were forced to spend or set aside significantly more for energy. Savings were made on other expenses, such as new purchases.[5]

The consumer climate only recovered slightly at the end of the year. The indicator stood at -40.1 points in December 2022. In particular, income expectations improved to -43.4 points in December, 24.3 points better than in September of the same year. The German government‘s relief packages to curb energy costs showed their effect. Furthermore, the first wage settlements for 2023 gave consumers hope that the loss of purchasing power would not be as high as previously feared.[6]

Consumer Climate Germany 2022 (GfK)

Fig. 3

5 https://www.gfk.com/de/presse/starke-kaufkrafteinbussen-lassen-konsumklima-weiter-abstuerzen

6 https://www.gfk.com/de/presse/konsumklima-steigt-zum-dritten-mal-in-folge

Fig. 2 https://www.destatis.de/DE/Presse/Pressemitteilungen/2023/01/PD23_020_811.html

Fig. 3 https://www.gfk.com/hubfs/website/editorial_ui_pdfs/20221221_PM_Konsumklima_Deutschland_dfin.pdf

Online trade

Online trading in goods is an important business segment for the TSC Group. It was unable to match 2021 in 2022; nominally, industry sales fell by 8.8% according to „bevh“ (Bundesverband E-Commerce und Versandhandel Deutschland). Compared with the year 2019, before the Covid-19 pandemic, however, there is still a plus of 24.5%. In 2022, buying restraint was clearly noticeable among multi-channel retailers, with some online sales shifting back to stationary retail. Sales were better at online pure players, i.e., companies that sell products solely in online retail. Here, the share of e-commerce expanded most noticeably within 2 years of the Covid-19 pandemic and the war in Ukraine.[7]

Retail

The retail sector is an important partner for the TSC Group‘s sales. In general, price-adjusted sales in this sector were 0.6% lower in 2022 than in the previous year. Increased consumer prices are also primarily responsible for this, as can be seen from the development over the year.

Fig. 4

According to „destatis“, real sales in the first half of the year were still 3.1% higher than in the previous half year, but sales in the second half of the year declined by 4.1% compared with the same period in 2021.[7]

It is worth noting that, in contrast, real non-food retail sales increased by 2% in 2022 compared to the previous year. Compared to 2019, before the Covid-19 pandemic, it even constitutes a sales increase of 8.8%.[8]

Advertising and media

The advertising and media landscape is a key business area for the TSC Group. The advertising industry in general has grown moderately again in Germany, to approximately EUR 48.66 billion in 2022 (+2.8%) being the first time in three years above the level of the pre-crisis year 2019, as the umbrella organization of the advertising industry states in its preliminary annual survey.[9]

7 https://www.bevh.org/fileadmin/content/05_presse/Pressemitteilungen_2023/260122_PM.pdf
8 https://www.destatis.de/DE/Presse/Pressemitteilungen/2023/01/PD23_039_45212.html
9 https://zaw.de/werbemarkt-2022-mit-leichtem-plus-sorgenvoller-ausblick-auf-2023/

Fig. 4 https://de.statista.com/statistik/daten/studie/2425/umfrage/gfk-konsumklima-index/

2.2 Business performance

2.2.1 Earnings development

The 2022 financial year was characterized by four key focus areas: realigning and focusing on high-margin business areas, streamlining the investment portfolio with the aim of further increasing the profitability of the Group, reducing overhead costs, and restructuring and optimizing Group financing.

Due to the intended divestments of individual businesses, these will be reported as discontinued operations as of December 31, 2022. All income statement figures for the financial year 2021 relate to the Group's continuing operations unless explicitly stated otherwise.

Consolidated sales from continuing operations increased from EUR 241.6 million in 2021 by EUR 126.3 million to EUR 367.9 million. This development is mainly attributable to inorganic growth, in particular the DS Group, which contributed to the Group result for a full year for the first time in 2022, with sales of EUR 221.0 million (previous year: EUR 21.6 million).

EBITDA from continuing operations increased from EUR -23.7 million in 2021 by EUR 34.5 million to EUR 10.7 million in the financial year 2022. This includes EUR 39.2 million from the deconsolidation of the KoRo Group as a result of the successful buy-and-build strategy and EUR 2.1 million from the deconsolidation of the CLASEN BIO Group.

The consolidated result from continuing operations in the reporting year amounts to EUR -106.8 million (previous year EUR -72.5 million) and is primarily attributable to impairments.

The increase in sales is also reflected in the development of the most significant non-financial performance indicators.

Particularly noteworthy here is the newly served stationary trade business as a result of the acquisition of the DS Group (B2B business of the MAXX Group segment). In 2022, the Group achieved market coverage of 87.5% in Germany for the 5 largest customer groups (discounters, drugstores, DIY stores, grocery stores and teleshopping stations).

In contrast, the number of orders in the B2C area of the eCommerce business, here relating to the Core Brands and Brand Chain segments, decreased by 21.7% from 2.33 million orders in 2021 to 1.82 million orders in 2022, primarily due to company disposals. The customer base decreased by 11.8% from 1.69 million consumers at the end of 2021 to 1.49 million consumers at the end of 2022 in the same period.

The average basket value decreased from EUR 66.29 in 2021 to EUR 56.59 in 2022 compared to the previous year, mainly due to the changed product mix with the addition of DS products.

Liabilities to banks (excluding current accounts) were reduced by a total of EUR 41.7 million to EUR 113.0 million, and the credit line which is mainly required for working capital financing was secured on a long-term basis. In total, 90.0% of liabilities to banks were non-current as of the reporting date, compared to 12.7% in the previous year.

The Group's operating cash flow from continuing and discontinued operations amounted to a cash outflow of EUR -24.2 million (previous year EUR -38.0 million), the cash flow from investing activities amounted to a cash inflow of EUR 47.9 million (previous year EUR -99.5 million), so that free cash flow, defined as the total of operating and investing cash flow, amounted to EUR 23.8 million (previous year EUR -137.5 million).

2.2.2 Disposals

In the 2022 financial year, the Executive Board of the TSC Group continued to streamline the investment portfolio with the aim of increasing the profitability of the Group as a whole. For this reason, numerous companies were sold.

In March 2022, the TSC Group sold the majority of its shares in the KoRo Group. In October 2022, all shares in the CLASEN BIO Group were sold. Further disposals relate to Vonmählen GmbH, Lüneburg, Mabyen GmbH, Düsseldorf, and bytepark GmbH, Berlin.

For further details, please refer to the disclosures in the Notes to the Consolidated Financial Statements in section 1.5.3.

2.2.3 Discontinued operations and companies held for sale

As part of the further streamlining of the investment portfolio, some of the following companies have already been sold in 2023 or are to be sold in the first half of 2023:

- Ravensberger Group (Core Brand segment)
- The Fitness Chain Group (Brand Chain segment)
- DEF Media GmbH, Berlin (Social Marketing segment)
- sib Silvester in Berlin Veranstaltungen GmbH, Berlin (Social Marketing segment)
- Social Chain Ltd (Social Marketing segment)
- Social Chain USA, Inc. (Social Marketing segment)
- mint performance marketing Inc. (Social Marketing segment)

Measures to implement the planned disposals have been actively initiated. The assets and liabilities of these companies have accordingly been classified as held for sale in the balance sheet as of December 31, 2022.

The business of the following operations will be discontinued in the future and has therefore been included in income from discontinued operations in the income statement both in the current financial year 2022 and retrospectively in the financial year 2021:

- Social Media UK
- Social Media US
- Influencer business Social Media Germany

For further information, please refer to Note 3.9 Income from discontinued operations in the Notes to the Consolidated Financial Statements.

2.3 Position of the Group

2.3.1 Earnings of the Group

The Group's earnings developed as follows:

in EUR million		2022		2021[1]		Change
Revenues	367.9	100.0%	241.6	100.0%	126.3	52.26%
Material expenses[2]	-265.4	-72.1%	-147.4	-61.0%	-118.1	80.12%
Gross profit (gross margin)	**102.5**	**27.9%**	**94.3**	**39.0%**	**8.2**	**8.72%**
EBITDA	**10.7**	**2.9%**	**-23.7**	**-9.8%**	**34.5**	**<100%**
Depreciation, amortization and impairment	-114.0	-31.0%	-46.4	-19.2%	-67.5	>100%
Financial result	-13.4	-3.6%	-2.7	-1.1%	-10.7	>100%
Income taxes	9.9	2.7%	0.4	0.2%	9.5	>100%
Net income from continuing operations	**-106.8**	**-29.0%**	**-72.5**	**-30.0%**	**-34.3**	**47.28%**
Income from discontinued operations	-21.1	-5.7%	-9.1	-3.7%	-12.1	>100%
Group result	**-127.9**	**-34.8%**	**-81.6**	**-33.7%**	**-46.3**	**56.81%**

1 The figures differ from those reported in the 2021 Consolidated Financial Statements as the income and expenses of the discontinued operations have been reclassified retrospectively to income from discontinued operations for comparative purposes. Please also refer to Note 3.9.

2 Including changes in inventories

In 2022, the revenue of the TSC Group increased by EUR 126.3 million to EUR 367.9 million. The prior-year revenues are only comparable with the revenues of the 2021 financial year to a limited extent for the following reasons:

- The DS Group was acquired on December 8, 2021. In the financial year 2022, revenues of the DS Group in the amount of EUR 221.0 million are included. In the financial year 2021, only the revenues for the month of December in the amount of EUR 21.6 million are included.
- The KoRo Group was deconsolidated at the end of March 2022. Therefore, the financial year 2022 only includes revenues of the KoRo Group for three months in the amount of EUR 19.8 million. In the financial year 2021, the KoRo Group contributed EUR 61.6 million to consolidated revenues.
- The Carl-Wilhelm-Clasen Group („Clasen Bio Group“) was deconsolidated at the end of September 2022. Therefore, in the financial year 2022, revenues of the Clasen Bio Group for only nine months amounting to EUR 41.7 million are included. In the financial year 2021, the Clasen Bio Group contributed EUR 57.2 million to consolidated revenues.

Compared to the previous year, the material expenses increased by EUR 118.1 million to EUR 265.4 million. This is particularly attributable to the acquisition of the DS Group in December 2021.

In total, the Group generated a gross profit in the amount of EUR 102.5 million which corresponds to an increase of 8.7 % or EUR 8.2 million compared to the previous year. In contrast, the gross profit margin decreased from 39.0 % in the previous year to 27.9 % The reasons for this are, on the one hand, the wholesale business added with the DS Group, which generally has lower gross margins than the end customer business. In addition, the material expenses ratios have risen, primarily due to higher inbound freight costs as a result of disrupted supply chains, which can only be passed on to end customers with a time lag.

EBITDA increased from EUR -23.7 million in the financial year 2021 by EUR 34.5 million to EUR 10.7 million In addition to the higher gross profit, this is mainly due to the gains from the deconsolidation of the KoRo Group in the amount of EUR 39.2 million recognized in other operating income as a result of the successful buy-and-build strategy of the Group and the CLASEN BIO Group in the amount of EUR 2.1 million (see also section 1.5.3 in the Notes to the Consolidated Financial Statements). This was offset by higher personnel expenses and other operating expenses. The increases are due on the one hand to the acquisition of the DS Group, which was not included in the previous year, and on the other hand to higher expenses for outgoing freight due to general price increases. EBITDA includes income from foreign currency translation of EUR 15.2 million (previous year: EUR 2.5 million) and expenses from foreign currency translation of EUR 8.9 million (previous year: EUR 0.8 million) resulting from both the foreign currency revaluation of assets and liabilities with the closing rate at the reporting date and the revaluation of foreign currency derivatives.

The increase in expenses for depreciation, amortization and impairment losses on continuing operations by EUR 67.5 million to EUR 114.0 million in the financial year 2022 (previous year EUR 46.4 million) is mainly due to impairments of goodwill amounting to EUR 86.1 million (previous year EUR 39.1 million) and of intangible assets, property, plant and equipment and rights of use totalling EUR 8.4 million (previous year EUR 0.0 million). These impairment losses result both from adjusted medium-term planning, due to changed market conditions, and from higher discount rates due to higher market interest rates. Primarily affected are the goodwill of the vertical in the congruent segment MAXX Group (EUR 58.3 million), the goodwill of the vertical BEEM (EUR 12.3 million), the goodwill of the vertical Landmann (EUR 10.9 million.), the goodwill (EUR 3.4 million) and other non-current assets (EUR 5.8 million) of the CLASEN BIO vertical, non-current assets of the vertical Other (EUR 1.9 million) and the goodwill of the GLOW vertical (EUR 0.6 million) (all five verticals are part of the Core Brands segment). Furthermore, scheduled amortization of intangible assets, property, plant and equipment and rights of use increased from EUR 7.4 million in financial year 2021 to EUR 19.5 million in financial 2022, resulting from the non-current assets acquired as part of the DS Group acquisition. For further details on impairment losses and amortization expenses, please refer to sections 4.1 to 4.3 in the Notes to the Consolidated Financial Statements.

In the financial result, interest income decreased from EUR 1.6 million in the previous year to EUR 0.8 million. Interest expenses increased to EUR 17.3 million (previous year EUR 8.5 million). On a net basis, the Group generated income from the fair value measurement of financial assets in the amount of EUR 3.6 million (previous year EUR 6.2 million). The income in the current financial year mainly relates to the shares in KoRo (EUR +5.4 million), reduced by expenses from the valuation of the shares in VYTAL Global GmbH (EUR -1.6 million) and Planty of Meat GmbH (EUR -1.5 million). The income in the previous year related to value adjustments of call options held on minority interests in the amount of EUR 3.9 million and income from value adjustments on investments held in the amount of EUR 2.3 million.

In total, the financial year 2022 was concluded with a net loss from continuing operations in the amount of EUR -106.8 million compared to EUR -72.5 million in the previous year.

The result from discontinued operations in the amount of EUR -21.1 million (previous year EUR -9.1 million) is characterized in particular by the impairment losses in the amount of EUR 13.3 million attributable to the discontinued operations of Social Media UK and Social Media US (previous year EUR -5.9 million in the business unit Influencer Social Media Germany).

The total net loss of the TSC Group in the financial year 2022 amounts to EUR -127.9 million (previous year EUR -81.6 million.).

2.3.2 Financial position of the Group

Capital structure

The TSC Group is financed both by debt and by equity. The core objective of this financial year was to restructure and optimize the financing of the entire Group, both in terms of the total financing volume and the maturity structure.

As a result of refinancing with banks and shareholders in the fourth quarter of 2022, liabilities to banks and other lenders were reduced by EUR 27.8 million to EUR 176.2 million, repayments in the amount of EUR 290.4 million were offset by new borrowings in the amount of EUR 264.2 million as well as increases from interest compounding and currency effects in the amount of EUR 1.6 million.

Significant portions of the financing were transferred from short-term to long-term loans. Overall, non-current liabilities to banks and other lenders increased by EUR 96.4 million, while current liabilities to banks and other lenders decreased by EUR 124.3 million. In this context, liabilities to banks (excluding current accounts) were reduced by a total of EUR 41.7 million to EUR 113.0 million, and a credit line mainly required for working capital financing was secured on a long-term basis. In total, 90.0% of the liabilities to banks (excluding current account liabilities) were non-current as of the reporting date, compared with 12.7% in the previous year.

For a detailed presentation of the development of the Group's financing activities, please refer to Note 4.15.

As part of financial management, foreign currency risks are hedged with forward exchange contracts and derivatives. These are mainly transactions in USD, which are continuously monitored regarding the targeted transaction volume.

The Group's equity as of December 31, 2021 amounts to EUR 66.7 million compared to EUR 196.6 million in the previous year. The equity ratio amounted to 15.9 % (previous year 31.0 %). For further information on the development of equity, please refer to section 2.3.3 Net assets of the Group.

Investments

In the financial year 2022, Social Chain AG invested EUR 3.6 million (previous year EUR 4.7 million) in intangible assets and EUR 2.0 million (previous year EUR 3.3 million) in property, plant and equipment. The investments in intangible assets serve to improve the Group-wide utilization of processes and information and relate to ERP implementation costs.

Liquidity

The Group's cash flow developed as follows:

in EUR million	2022	2021[1]
Cash flow from operating activities	-24.2	-38.0
Cash flow from investing activities	47.9	-99.5
Cash flow from financing activities	-38.8	144.8
Net change in cash and cash equivalents	-15.1	7.3
Effects of exchange rate changes on financial resources	0.1	0.1
Financial resources at the beginning of the period	16.8	9.4
Cash and cash equivalents at the end of the period	**1.9**	**16.8**

1 The figures differ from those reported in the Consolidated Financial Statements for 2021 as an error correction was made to the consolidated statement of cash flows in the current financial year. Please also refer to Note 1.9.

The Group's cash outflow from operating activities in the financial year 2022 amounted to EUR -24.2 million (in the previous year: EUR -38.0 million.). The cash outflows result from the negative consolidated result, which is offset by positive changes in working capital of EUR 6.5 million (previous year: -16.5 million).

The cash inflow from investing activities in the amount of EUR 47.9 million in the financial year 2022 (previous year cash outflow in the amount of EUR -99.5 million.) included, on the one hand, cash inflows from the disposals of the KoRo Group, Vonmählen GmbH, Mabyen GmbH and the investment in air up group GmbH, Munich, totalling EUR 36.3 million, and, on the other hand, the sale of the property in Stapelfeld under a sale-and-lease-back agreement for EUR 11.7 million. In the financial year 2021, cash flows from investing activities mainly included cash outflows for acquisitions (net of cash acquired) in the amount of EUR -103.8 million, which mainly relate to the cash portion of the acquisition of the DS Group.

The cash outflow from financing activities for the financial year 2022 amounted to EUR -38.8 million (previous year cash inflow of EUR 144.8 million) and resulted mainly from the balance of repayments of loans in the amount of EUR 290.4 million and new borrowings in the amount of EUR 264.2 million. Furthermore, lease liabilities in the amount of EUR 6.5 million was repaid and interest in the amount of EUR 8.7 million was paid. In the previous year, cash flow from financing activities was characterized by the issuance of new shares against cash contributions (EUR 52.0 million), the issuance of a convertible bond (EUR 25.0 million) and the raising of loans in the amount of EUR 100.6 million, which was offset by the repayment of loans in the amount of EUR 26.0 million. The interest paid amounts to EUR 2.8 million.

Overall, cash and cash equivalents decreased by EUR 15.1 million from EUR 16.8 million in the previous year to EUR 1.9 million as of December 31, 2022.

2.3.3 Net assets of the Group

The net assets of the Group developed as follows:

in EUR million	2022		2021		Change	
Non-current assets	231.9	55.2%	368.9	58.3%	-137.0	-37.1%
Current assets	188.4	44.8%	264.4	41.7%	-76.0	-28.7%
Assets	**420.2**	**100.0%**	**633.3**	**100.0%**	**-213.0**	**-33.6%**

The development of the balance sheet in the financial year 2022 is particularly characterized by the impairment losses recognized on goodwill and the reduction in outstanding receivables owing to the optimization of the receivables management.

Non-current assets amounting to EUR 231.9 million (previous year EUR 368.9 million) mainly comprise goodwill in the amount of EUR 89.0 million (previous year EUR 201.4 million), intangible assets amounting to EUR 40.7 million (previous year EUR 60.8 million), rights of use in the amount of EUR 55.7 million (previous year EUR 54.3 million), financial assets in the amount of EUR 32.2 million (previous year EUR 26.5 million), property, plant and equipment in the amount of EUR 5.6 million (previous year EUR 20.5 million) and deferred tax assets amounting to EUR 7.8 million (previous year EUR 4.6 million).

The reduction in goodwill by EUR 112.4 million mainly results from impairment losses in the amount of EUR 98.7 million and reclassifications to assets held for sale amounting to EUR 12.9 million. The impairment losses result on the one hand from adjusted medium-term plans, which were made due to changed market conditions, and on the other hand from higher discount rates as a result of higher market interest rates. They relate to the goodwill of the vertical in the congruent segment MAXX Group (EUR 58.3 million), the goodwill of the BEEM vertical (EUR 12.3 million), the goodwill of the Landmann vertical (EUR 10.9 million), the goodwill (EUR 3.4 million) and other non-current assets (EUR 5.8 million) of the CLASEN BIO vertical, non-current assets of the Other vertical (EUR 1.9 million) and the goodwill of the GLOW vertical (EUR 0.6 million). All five verticals are part of the Core Brands segment. Further impairments relate to the goodwill of the Social Media US (EUR 6.4 million) and Social Media UK (EUR 6.2 million) verticals reported under assets held for sale. Both verticals are part of the Social Marketing segment. For further details on impairment losses and amortization expenses, please refer to sections 4.1 to 4.3 in the Notes to the Consolidated Financial Statements.

The decrease in intangible assets by EUR 20.1 million results from scheduled amortization amounting to EUR 11.8 million, impairment losses in the amount of EUR 2.2 million and reclassifications to assets held for sale in the amount of EUR 8.9 million. An opposite effect was caused by investments in the amount of EUR 3.6 million.

The increase in rights of use results from additions in the amount of EUR 19.2 million which were offset by scheduled depreciation of EUR 7.2 million and impairments in the amount of EUR 3.3 million. The addition mainly relates to a sale and leaseback transaction. The Group sold a property in Stapelfeld in June 2022 and has since leased this property back from the buyer.

The increase in non-current financial assets by EUR 5.7 million to EUR 32.2 million resulted from two transactions being the addition of the shares in KoRo remaining in the Group amounting to EUR 11.6 million and, with an opposite effect, the disposal of the shares in air up group GmbH, Munich, with a carrying amount of EUR 8.2 million as of December 31, 2021. Furthermore, net write-ups on other investments in the amount of EUR 4.3 million were recognized.

The share of non-current assets in total assets amounts to 55.2 % (previous year 58.3 %).

Current assets amounting to EUR 188.4 million (previous year EUR 264.4 million) comprise inventories, trade receivables, cash and cash equivalents, and other assets.

Compared to the previous year, inventories decreased by EUR 28.8 million to EUR 79.0 million. Trade receivables decreased by EUR 25.1 million compared to the previous year mainly due to the settlement of receivables from the sale of COVID pandemic products and intensified receivables management. Furthermore, assets from customer rights of return decreased by EUR 15.3 million. There was a corresponding decrease in refund liabilities in other financial liabilities.

Assets held for sale in the amount of EUR 30.6 million include the assets of the companies held for sale. This relates in particular to the assets of Social Chain Ltd. (EUR 14.1 million), Social Chain USA, Inc. (EUR 6.8 million) and Ravensberger Matratzen GmbH (EUR 3.6 million). The previous year‘s figure of EUR 22.8 million mainly relates to the assets of KoRo Handels GmbH, Berlin, (EUR 19.6 million) as well as the shares in FFLV valued at equity (EUR 0.9 million) and the loans granted to the FFLV Group (EUR 2.2 million).

All other items of the assets changed only insignificantly.

The liabilities of the Group are as follows:

in EUR million		2022		2021		Change
Equity	66.7	15.9%	196.6	31.0%	-129.9	-66.1%
Non-current liabilities	231.2	55.0%	135.6	21.4%	95.6	70.5%
Current liabilities	122.4	29.1%	301.1	47.5%	-178.7	-49.4%
Liabilities	**420.2**	**100.0%**	**633.3**	**100.0%**	**-213.0**	**-33.6%**

The Group‘s equity developed as follows:

in EUR million		2022		2021		Change
Subscribed capital	15.5	23.3%	15.5	7.9%	0.0	0.0%
Capital reserve	336.2	504.2%	335.3	170.6%	0.8	0.3%
Accumulated other equity (OCI)	0.8	1.2%	1.5	0.8%	-0.7	-46.3%
Retained earnings	-6.4	-9.6%	-4.4	-2.2%	-2.0	44.6%
Loss carried forward	-280.0	-419.9%	-153.3	-78.0%	-126.7	82.6%
Non-controlling interests	0.6	0.8%	2.0	1.0%	-1.4	-71.8%
Equity	**66.7**	**100.0%**	**196.6**	**100.0%**	**-129.9**	**-66.1%**

As of December 31, 2022, the Group reports equity in the amount of EUR 66.7 million (previous year EUR 196.6 million). The equity ratio amounted to 15.9 % (previous year 31.0 %).

The following capital increases were made in the financial years 2021 and 2022:

- On January 18, 2021, the share capital was increased by EUR 0.1 million and the capital reserve by EUR 1.9 million through the contribution of the shares in Clasen Bio in exchange for the issue of new shares.
- On April 7, 2021, the capital reserve was increased by EUR 3.5 million through the issue of convertible bonds. For further information on the convertible bond, please refer to the disclosures in section 4.15 of the Notes to the Consolidated Financial Statements.

- On July 12, 2021, the share capital was increased by EUR 0.01 million and the capital reserve by EUR 0.2 million by contributing 12.5% of the shares in MINT in exchange for the issue of new shares.
- On November 24, 2021, a capital increase against cash contribution was carried out. This increased the share capital by EUR 1.1 million and the capital reserve by EUR 51.5 million.
- On December 16, 2021, the share capital was increased by EUR 2.9 million and the capital reserve by EUR 109.1 million by issuing shares as consideration for the acquisition of the DS Group.
- Furthermore, the share capital increased by EUR 0.1 million and the capital reserve by EUR 1.9 million due to the conversion of convertible bonds into shares of the Company in the financial year 2021.
- Transaction costs recognized in capital reserves reduced capital reserves by EUR 0.6 million in the financial year 2021

The recognition of equity-settled share-based payment increased capital reserves by EUR 0.8 million (previous year EUR 0.8 million).

Retained earnings amounted to EUR -6.4 million (previous year EUR -4.4 million) as of December 31, 2022 and mainly comprise the difference between the purchase price paid for the non-controlling interests in drtv. agency GmbH, Stuttgart, acquired in December 2022, and the carrying amount of the non-controlling interests recognized.

The Group‘s liabilities include financial liabilities, trade accounts payable, provisions and non-financial liabilities.

The increase in non-current liabilities by EUR 95.6 million is attributable to the increase in non-current financial liabilities by EUR 104.3 million and to the decrease in deferred tax liabilities by EUR 8.2 million.

The change in non-current financial liabilities mainly results from refinancing transactions with both banks and shareholders in the fourth quarter. In addition to the net reduction in liabilities to banks and other lenders in the amount of EUR 27.8 million, significant portions of the financing liabilities were transferred from short-term to long-term loans. Overall, non-current liabilities to banks and other lenders increased by EUR 96.4 million, whereas current liabilities to banks and other lenders decreased by EUR 124.3 million. Liabilities to banks (including current accounts) were reduced by a total of EUR 36.4 million to EUR 121.0 million, and the credit line mainly required for working capital financing was secured for the long term. Furthermore, non-current lease liabilities decreased by EUR 6.6 million.

Current liabilities are dominated by the decrease in refund liabilities by EUR 17.2 million and trade payables by EUR 33.8 million and the decrease in liabilities to banks and loans by EUR 124.3 million as well as the increase in liabilities held for sale by EUR 5.2 million. With regard to the change in current liabilities to banks and other lenders, please refer to the disclosures on refinancing under non-current financial liabilities.

2.3.4 Earnings of the reportable segments

Core Brands

Earnings in the Core Brands segment developed as follows.

in EUR million		2022		2021[1]		Change
Revenues	133.8	100.0%	160.9	100.0%	-27.1	-16.84%
thereof external sales	129.0	96.4%	159.8	99.3%	-30.8	-19.27%
Material expenses[2]	-96.6	-72.2%	-101.8	-63.3%	5.2	-5.11%
Gross profit (gross margin)	**37.2**	**27.8%**	**59.1**	**36.7%**	**-21.9**	**-37.06%**
EBITDA	**-15.9**	**-11.9%**	**-6.5**	**-4.0%**	**-9.4**	**>100%**

1 The figures differ from those reported in the 2021 Consolidated Financial Statements as the income and expenses of the discontinued operations have been reclassified retrospectively to income from discontinued operations for comparative purposes. Please also refer to Note 3.9.

2 Including changes in inventories

Net sales in the Core Brands segment decreased in the financial year 2022 by EUR 27.1 million to EUR 133.8 million. This is mainly attributable to three effects.

- The core brands „LANDMANN“ and „BEEM“ were acquired in December 2021 as part of the DS acquisition. In the financial year 2022, revenues of these two core brands totalling EUR 37.6 million were considered. In the financial year 2021, revenues for one month only amounting to EUR 1.6 million of the core brands „BEEM“ and „LANDMANN“ were included.
- The KoRo Group was deconsolidated at the end of March 2022. Therefore, the financial year 2022 only includes revenues of the KoRo Group for three months in the amount of EUR 19.8 million. In the financial year 2021, the KoRo Group contributed EUR 61.6 million to consolidated revenues.
- The core brand „CLASEN BIO“ generated revenues of EUR 43.3 million in 2022, EUR 13.9 million lower than in 2021.

Compared to the same period of the previous year, the material expenses decreased by EUR 5.2 million. The core brands „LANDMANN“ (EUR +23.8 million), „BEEM“ (EUR +5.3 million), „KoRo“ (EUR -23.1 million), „CLASEN BIO“ (EUR -6.5 million) and „Ravensberger Matratzen“ (EUR -3.0 million) were the main contributors in particular. The disproportionate increase in the material expenses compared to the revenue development mainly results from generally lower margins in the wholesale business of the newly acquired DS Group compared to the higher end customer margins of the end customer business of the TSC Group, which was solely operated in the previous year.

In total, the Core Brands segment generated gross profit of EUR 37.2 million which corresponds to a reduction of -37.1 % or EUR -21.9 million compared to the financial year 2021.

EBITDA in the Core Brands segment decreased from EUR -6.5 million in 2021 by EUR -9.4 million to EUR -15.9 million This decline is mainly due to a decrease in EBITDA of the core brand „URBANARA“ by EUR -4.1 million and the negative EBITDA of the two core brands „BEEM“ and „LAND-

MANN“, which were newly added in the previous year as part of the DS acquisition in December, with an almost balanced EBITDA in December. EBITDA in financial year 2022 is attributable to the core brands „LANDMANN“ (EUR -4.7 million), „URBANARA“ (EUR -3.4 million), „CLASEN BIO“ (EUR -2.3 million), „BEEM“ (EUR -1.5 million), „KoRo“ (EUR -1.5 million) and „Ravensberger Matratzen“ (EUR -1.2 million).

MAXX Group

The earnings in the MAXX Group segment developed as follows.

in EUR million		2022		2021[1]		Change
Revenues	168.4	100.0%	19.3	100.0%	149.1	>100%
thereof external sales	140.9	83.7%	16.4	85.0%	124.5	>100%
Material expenses[2]	-134.7	-80.0%	-13.1	-67.9%	-121.6	>100%
Gross profit (gross margin)	**33.7**	**20.0%**	**6.2**	**32.1%**	**27.5**	**>100%**
EBITDA	**-0.9**	**-0.5%**	**2.7**	**14.0%**	**-3.6**	**<100%**

1 The figures differ from those reported in the 2021 Consolidated Financial Statements as the income and expenses of the discontinued operations have been reclassified retrospectively to income from discontinued operations for comparative purposes. Please also refer to Note 3.9.

2 Including changes in inventories

The MAXX Group was included in the Group in December 2021 as part of the DS acquisition. Therefore, the figures of the previous year are not comparable with the figures of the current financial year.

Brand Chain

The earnings situation in the Brand Chain segment developed as follows.

in EUR million	2022		2021[1]		Change	
Revenues	58.2	100.0%	37.6	100.0%	20.6	54.79%
thereof external sales	55.0	94.5%	37.5	99.7%	17.5	46.67%
Material expenses[2]	-28.3	-48.6%	-17.2	-45.7%	-11.1	64.53%
Gross profit (gross margin)	**29.9**	**51.4%**	**20.4**	**54.3%**	**9.5**	**46.57%**
EBITDA	**-11.1**	**-19.1%**	**-1.7**	**-4.5%**	**-9.4**	**>100%**

1 The figures differ from those reported in the 2021 Consolidated Financial Statements as the income and expenses of the discontinued operations have been reclassified retrospectively to income from discontinued operations for comparative purposes. Please also refer to Note 3.9.

2 Including changes in inventories

Revenues in the Brand Chain segment increased in the financial year 2022 by EUR 20.6 million to EUR 58.2 million. This is mainly due to the acquisition of Brand Chain GmbH as part of the DS acquisition in December 2021 (EUR +43.2 million). In contrast, the sales revenues of the Lumaland and DoYourSports companies decreased (EUR -22.9 million) and thus led to an overall loss in the financial year 2022.

Compared to the same period of the previous year, the material expenses increased accordingly by EUR 11.1 million The increase in the material expenses ratio from 45.7 % in the previous year to 48.6 % in the financial year 2022 results from the changed product mix due to the addition of the Brand Chain business, from inventory write-downs in the course of the repositioning of the Lumaland and DoYourSports brands as part of the integration into the Brand Chain, and from increased expenses, particularly with regard to inbound freight, which are only passed on to end customers with a time lag.

In total, the Brand Chain segment generated gross profit in the amount of EUR 29.9 million which corresponds to an increase of 46.6 % or EUR 9.5 million compared to 2021.

EBITDA in the Brand Chain segment decreased from EUR -1.7 million in the financial year 2021 by EUR -9.4 million to EUR -11.1 million in the financial year 2022.

Social Marketing

The earnings in the Social Marketing segment developed as follows.

in EUR million		2022		2021[1]		Change
Revenues	42.3	100.0%	27.4	100.0%	14.9	54.38%
thereof external sales	41.5	98.1%	26.2	95.6%	15.3	58.40%
Material expenses[2]	-34.3	-81.1%	-18.6	-67.9%	-15.7	84.41%
Gross profit (gross margin)	**8.0**	**18.9%**	**8.8**	**32.1%**	**-0.8**	**-9.09%**
EBITDA	**-0.7**	**-1.7%**	**-0.4**	**-1.5%**	**-0.3**	**75.00%**

1 The figures differ from those reported in the 2021 Consolidated Financial Statements as the income and expenses of the discontinued operations have been reclassified retrospectively to income from discontinued operations for comparative purposes. Please also refer to Note 3.9.

2 Including changes in inventories

Revenues in the Social Marketing segment increased in the financial year 2022 by EUR 14.9 million to EUR 42.3 million This was due to a partial recovery of business after the Covid-19 pandemic in 2021 and a related return in demand for TV media services in particular.

Compared to the same period of the previous year, material expenses increased by EUR 15.7 million.

Overall, the Social Marketing segment generated gross profit in the amount of EUR 8.0 million which is slightly below the level of the previous year.

EBITDA in the Social Marketing segment decreased slightly compared to the previous year and totalled EUR -0.7 million negative.

2.3.5 Overall statement on the position of the Group

The 2022 financial year was characterized by the post-merger integration of the DS Group and the restructuring of the TSC Group. Focusing on high-margin business areas and optimizing the structure of Group financing were also key issues. The TSC Group operated in a particularly challenging market environment in 2022 due to the consumer restraint triggered by Russia‘s attack on Ukraine.

Despite the difficult market environment and the internal realignment, the Group is developing in line with the adjusted expectations and the targets set with regard to the restructuring. Due to the acquisition of the DS Group in December 2021, the Group was able to almost double its revenues in the financial year 2022 compared to the prior-year period. The positive EBITDA results in particular from higher gross profit as well as gains from the deconsolidation due to the sale of the KoRo Group, which developed successfully. The negative net result is mainly due to impairment losses on goodwill and intangible assets, property, plant and equipment, and rights of use.

The sales of EUR 535 million originally planned for 2022 with a significant positive EBITDA in the mid-double-digit million range were recently adjusted to sales of EUR 380 million with an EBITDA margin in the single-digit million range (approx. 2% EBITDA margin) due to a significant deterioration in market conditions and a correspondingly lower-than-expected business performance, as well as due to company disposals not originally planned. Sales of EUR 368 million with an EBITDA margin of approx. 2.9% were achieved and thus being slightly worse in terms of sales and slightly better in terms of EBITDA than last expected.

The overall financial position was characterized by the reduction and optimization of debt and the successful refinancing of the Group.

2.4 Supplementary management reporting to the annual financial statements of TSC AG

The Management Report of TSC AG has been combined with the Group Management Report of the TSC Group. The following statements are based on the statutory annual financial statements of TSC AG (the „Company“), which were prepared in accordance with the provisions of the German Commercial Code (the „HGB“) and the German Stock Corporation Act (the „AktG“). The annual financial statements and the management report are published in the Federal Gazette.

TSC AG is the parent company of the TSC Group and operates from its corporate headquarters in Berlin, Germany.

The Company‘s business activities include responsibility for overall strategy, financing activities, in particular raising capital and financing subsidiaries, and management services for subsidiaries.

Management services are provided by central functions such as IT, HR, Legal and Finance.

As the statutory financial statements of TSC AG were prepared in accordance with the German Commercial Code (HGB) and the Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS), there are differences with regard to recognition and measurement principles. These differences primarily relate to financial instruments, deferred taxes and the recognition of transaction costs within equity, the accounting treatment of leases (IFRS 16), the convertible bond and the call and put options on non-controlling interests. In addition, there may be differences in the presentation of income and expenses in the income statement.

2.4.1 Earnings of the Company

The Company's earnings in the financial year 2022 were impacted by the sale of shares in the KoRo Group and CLASEN BIO Group and significant impairment losses in investees.

in EUR million	2022	2021	Change
Revenues	4.9	2.8	2.1
Own work capitalized	0.1	0.1	0.0
Other operating income	18.4	4.6	13.8
Personnel expenses	-7.2	-5.5	-1.6
Depreciation	-41.5	-0.4	-41.1
Other operating expenses	-23.6	-20.0	-3.6
Other interest and income	2.9	2.2	0.7
Write-downs of financial assets	-84.1	-8.0	-76.1
Interest and similar expenses	-3.8	-2.7	-1.1
Other taxes	-0.5	-	-0.5
Annual result	**-134.4**	**-27.0**	**-107.4**

TSC AG's revenues increased by EUR 2.1 million to EUR 4.9 million in the 2022 financial year. As TSC AG has a pure holding and central service function within the Group, this relates almost exclusively to revenues with subsidiaries from group recharges.

The increase in other operating income resulted mainly from the sale of the shares in the KoRo Group and the sale of the property rights of Lumaland Vertriebs GmbH.

The increase in personnel expenses is due to the higher number of employees. The Company hired additional employees during the year as a result of the originally planned ongoing expansion, with the result that the average number of employees rose from 43 to 60 compared with the previous year.

The significant increase in depreciation and amortization of EUR 41.1 million is primarily due to write-downs of loans to associated companies amounting to EUR 38.7 million (previous year: EUR 0.3 million). Furthermore, write-downs on receivables from affiliated companies in the amount of EUR 2.2 million are included in the write-downs.

Other operating expenses increased from EUR 20.0 million in the previous year to EUR 23.6 million which is mainly due to the loss on disposal from the sale of the shareholding in the CLASEN BIO Group in the 2022 financial year and offset by extensive legal and consulting costs in connection with the uplisting and the acquisitions in the previous year.

The write-downs on financial assets relate to the write-down of the investment in The Social Chain Group AG in the amount of EUR 55.7 million, the investment in TSCDS Holding GmbH in the amount of EUR 20.6 million, the investment in Ravensberger Holding GmbH amounting to EUR 3.9 million and the investment in URBANARA GmbH amounting to EUR 3.9 million (previous year: write-down of the investment in the FFLV Inc. group amounting to EUR 1.7 million, the investment in Ravensberger Holding GmbH amounting to EUR 6.2 million and the investment in Möbelfreude Vertriebs GmbH amounting to EUR 0.1 million).

The higher interest income resulted from higher volumes of short-term loans granted to affiliated companies.

The increase in interest expenses is attributable in the amount of EUR 1.3 million to interest expenses from the convertible bond with a nominal amount of EUR 25.0 million issued on April 7, 2021. Furthermore, interest expenses in the amount of EUR 0.4 million were incurred due to the bearer bond issued on January 28, 2022, with a nominal amount of EUR 5 million. In addition, higher liabilities to affiliated companies and higher liabilities to shareholders were the cause of the increase.

Overall, in line with the above explanation, the net result for the year fell significantly from EUR -26.9 million to EUR -134.4 million.

2.4.2 Financial position of the company

The Company refinanced itself in 2022 primarily through the issuance of a bearer bond in the amount of EUR 5.0 million (previous year: issuance of a convertible bond in the amount of EUR 25.0 million and the issuance of 1.1 million new shares in the context of a cash capital increase in the amount of EUR 52.6 million). Liabilities to banks of TSC AG increased by EUR 3.2 million to EUR 7.1 million (previous year: EUR 3.9 million) due to a new financial loan.

TSC AG's equity amounted to EUR 142.0 million as of December 31, 2022, compared to EUR 276.4 million in the previous year. The equity ratio amounted to 60.0% (previous year: 78.3%).

Cash and cash equivalents amounted to EUR 0.5 million as of December 31, 2022 (previous year: EUR 3.1 million).

2.4.3 Net assets of the company

The net assets of TSC AG developed as follows:

in EUR million	2022	2021	Change
Intangible assets	2.7	2.6	0.1
Property, plant and equipment	0.3	0.3	-0.1
Financial assets	214.8	280.6	-65.8
Fixed assets	**217.7**	**283.5**	**-65.8**
Receivables and other assets	18.1	66.3	-48.1
Securities	0.0	0.0	0.0
Cash on hand and bank balances	0.5	3.1	-2.6
Current assets	**18.7**	**69.4**	**-50.7**
Prepaid expenses	**0.2**	**0.2**	**0.0**
Total	**236.7**	**353.1**	**-116.4**

The decrease in financial assets by EUR -65.8 million to EUR 214.8 million mainly results from write-downs on financial assets in the amount of EUR 84.1 million. As an opposite effect, financial assets increased by EUR 20.0 million due to the voluntary payment into the capital reserve of TSCDS Holding GmbH.

The equity and liabilities of TSC AG developed as follows:

in EUR million	2022	2021	Change
Equity	**142.1**	**276.4**	**-134.4**
Contributions made to implement the resolved increase	**1.1**	**-**	**1.1**
Provisions	**2.0**	**5.9**	**-3.9**
Bonds	**25.0**	**22.6**	**2.5**
Liabilities to banks	7.1	3.9	3.2
Trade payables	2.1	5.2	-3.1
Liabilities to affiliated companies	25.6	10.4	15.2
Other liabilities	31.0	28.6	2.4
Liabilities	**90.9**	**70.7**	**20.1**
Deferred tax liabilities	**0.5**	**-**	**0.5**
Total	**236.7**	**353.1**	**-116.4**

Liabilities were characterized in particular by the disposals of shares in the KoRo Group and CLASEN BIO Group carried out in 2022 as well as significant value adjustments to associated companies. The resulting increase in the net loss for the year to EUR -134.4 million is the reason for the decline in equity to EUR 142.0 million.

The increase in the bond item results from the fact that the Company issued a bearer bond with a value of EUR 5.0 million for the first time on January 28, 2022. The bearer bond has a term of 1.5 years. As of December 31, 2022, partial repayments of the bearer bond amounting to EUR 2.0 million had already been made.

2.4.4 Overall statement on the position of the company

The year 2022 was characterized by the sale of the shares in the KoRo Group and the CLASEN BIO Group, as well as significant impairments on associated companies.

3 Opportunities and risk report

Identifying and promptly seizing opportunities while mitigating risks are essential for our Group. We define opportunities and risks as events which, if they occur, will lead to positive or negative deviations from our corporate objectives.

As an international company, the TSC Group is exposed to a large number of macroeconomic, financial, industry-specific and company-specific risks and opportunities. The present risk and opportunity report presents the risks and opportunities that are considered material for the TSC Group.

The permanent identification and exploitation of opportunities are important elements in ensuring sustainable growth. Opportunities are considered in conjunction with possible risks and are only pursued if they more than compensate for the risks associated with them, risk management is possible, and any risk effects can be regarded as limited.

3.1 Opportunities

Using the definition of an opportunity as a positive deviation from our business objectives and our targets, we have identified material opportunities with the potential to exceed our targets:

- Participation in the further growth of online trade
- Acquisition of companies to optimize the business model
- Omnichannel sales with data-driven targeting, marketing and sales channels
- Expansion of internationalization D2C and Retail
- Innovations in sales and product portfolio

The individual opportunities listed will be explained in more detail below:

Participation in the further growth of online commerce
Online retailing has been growing steadily in all sectors for years and this trend is also forecast for the next few years. In contrast, the growth in new customers via other sales channels, such as stationary retail, is showing a lower growth rate in terms of customers and revenues. The TSC Group serves different business areas, including Home & Living, Beauty, Health and Housewares, and can therefore participate disproportionately in the strong market growth of online retailing, as well as in the market trend due to the diversity of brands and products.

Acquisition of companies to optimize the business model
In addition to organic growth, the TSC Group‘s business model continues to envisage the acquisition and sale of companies in the medium term. By combining newly acquired companies with existing intangible assets, we leverage our strengths. The aim of the acquisitions is to establish the retail and D2C business in Europe which will create opportunities to increase sales and earnings at a disproportionately high rate.

Omnichannel sales with data-driven targeting, marketing and sales channels
The combination of distribution via retail, web stores, digital marketplaces and social commerce offers the opportunity for each product to receive the best scalable distribution. Intelligent use of the information obtained from these sales channels offers the opportunity to combine all data from the respective activities in compliance with legal and data protection regulations. Appropriate BI systems enable trends to be identified at an early stage, product development to be managed in line with the target group, and sales to be channel-optimized – accompanied by social media marketing. The TSC Group will continue to invest in the development of suitable IT systems and processes in the coming years in order to take advantage of this special opportunity.

Expansion of internationalization D2C and Retail

The TSC Group primarily implements its business model in Germany, the United Kingdom, France, Poland and other European countries. Locations available in these countries make it possible to expand sales of additional product ranges. The combination of social media marketing, products with social media affinity and physical conventions such as Glow, as well as the established infrastructure of the DS Group, provide a solid basis for the expansion of internationalization of the direct sales channels as well as the retail sector.

Innovations in sales and product portfolio

The TSC Group has product innovation teams with many years of experience. Products are continuously refined – through feedback from our customers in the retail sector, end consumers and social media. A global network of suppliers which we have built up over decades supports the TSC Group in identifying new trends and products. This combination offers the opportunity to rapidly identify new trends and, with a high degree of innovation, to design products and the associated sales channels. Examples here include innovative companies and products that were discovered and further developed via the VOX start-up show „Die Höhle der Löwen". Or the products in the new D-A-S-H category (shower, fittings, solar and heating), in which new trends for saving energy were discovered promptly and the appropriate products were launched on the market.

3.2 Risks and risk management

Organization and tasks of risk management

For the TSC Group, the early identification, analysis and management of potential risks is an elementary component of corporate strategy, resulting from the realization that the consistent application of the principles of a functioning risk management system also gives rise to the possibility of identifying and exploiting opportunities. In order to identify risks and opportunities at an early stage and manage them consistently, we rely on a risk management system which also includes the system for early detection in accordance with Section 91 (2) of the German Stock Corporation Act (AktG). The risk management system governs the identification, recording, assessment, documentation and reporting of risks. The overall risk is thus kept within acceptable limits at all times.

Social Chain AG has implemented a risk management system that is continuously being developed.

The Company's risk management process includes in detail:

- Identification of risks, description of their nature, causes and effects;
- Analysis of the identified risks in terms of their probability of occurrence and potential financial impact;
- Risk management/risk control through measures that reduce hazards and/or probabilities of occurrence or make the consequences controllable;
- Risk monitoring using parameters that provide information about current risks (risk indicators);
- Risk records in order to document all processes that take place in connection with risk analysis and assessment.

The risk management department coordinates risk management activities, aggregates risks up to Group level, reports risks, monitors the completeness of the required risk reports, and maintains and further develops the software tool used for risk records and management.

The operational management of specific risks is mainly the responsibility of the respective risk owners in the Group areas concerned. This includes the early detection and identification of risks, their assessment, the definition of suitable countermeasures, the management and monitoring of these measures, and appropriate documentation and reporting processes.

The internal control system comprises all regulations and measures, principles and procedures to mitigate identified risks and achieve corporate objectives. In particular, it is designed to ensure the security and efficiency of business transactions, the effectiveness, efficiency and adequacy of accounting, compliance with the relevant legal requirements, and the reliability of financial reporting.

The Executive Board is responsible for risk management, compliance management and the internal control system in the Group. The Supervisory Board monitors their effectiveness.

The Executive Board of TSC AG is not aware of any circumstances arising from its involvement with or from the reporting on the risk management system and the internal control system that materially limit the adequacy or effectiveness of these systems.

Assessment of identified risks

The assessment of identified risks is based on a 3x3 field matrix. Risks are analyzed and assessed in relation to two dimensions:

- Potential impact: The financial loss resulting from the occurrence of a risk.
- Probability of occurrence: The probability of a risk occurring within a predefined period of time.
- The combination of the potential impact and the probability of occurrence allows each individual risk to be assigned to one of three risk assessment classes (low, medium, high).
- This type of presentation in a risk matrix facilitates the comparison and prioritization of risks and contributes to improved transparency of the Group‘s risk exposure.
- As risks are subject to constant change, the development of risks already identified and the possible emergence of previously irrelevant risks are monitored and the appropriateness and effectiveness of the measures selected to deal with risks are regularly reviewed.

Identified risks

- A total of 17 risks have been identified for the financial 2022 that could have a material adverse effect on our business, financial position (including effects on assets, liabilities, and cash flows), earnings, and reputation.
- In the following, we describe these risks (sorted by risk groups and stating the risk assessment class determined for the respective risk). The order in which the risks are presented is independent of their materiality/relevance. The prefixed markings of the respective risks (R1, R2, etc.) serve to illustrate the classification of the individual risks in the risk matrix presented which follows the risk description.

R1: Emergence of new financially strong competitors (risk group: strategic risk; risk rating class: medium)
Social commerce is a dynamic market segment. New financially strong companies can enter the market and change the market with high investments. These may include:

- Established retail companies that align their model more closely with social commerce
- E-commerce companies that align their business model with social commerce using high investments
- Financial investors with large funds.

The TSC Group is monitoring the changes in the market.

R2: Risks from investment and divestment decisions (risk group: strategic risk; risk rating class: medium)
The TSC Group pursues a buy-and-build strategy in order to exploit market opportunities and grow profitably in the relevant markets nationally and internationally, both organically and through acquisitions.

The acquisition of companies can give rise to significant risks that have a material adverse effect on the Group's financial position and earnings. Amongst others

- the expected sales and earnings targets will not be achieved
- Problems arise during integration
- legal, tax or regulatory risks arise
- technological or other relevant developments reduce the purpose of the acquisition and
- market assumptions and competitive situation present themselves differently

In view of the large number of acquisitions, risks such as those listed above cannot be completely ruled out.

In addition, a significant portion of the purchase price of the acquired companies may be attributable to goodwill and other intangible assets. This may give rise to a significant accounting risk if individual risks described above materialize and carrying amounts have to be impaired.

Moreover, the situation may occur,

- that the TSC Group is unable to identify acquisition or investment opportunities that meet its strategic objectives; or
- such opportunities are identified but the Group is unable to negotiate acceptable terms.

This may have a negative impact on the Group's growth targets. In this context, particular mention should be made of put and call options relating to non-controlling interests and their valuation risk.

In addition to risks from acquisitions, there are also risks from the sale of Group companies. Sales of companies generally include extensive guarantee clauses, which can give rise to downstream risks. In addition, it cannot be ruled out that companies may be sold below carring amount or acquisition cost.

For all transactions, Social Chain avails itself of the professional support of renowned consultants (legal, tax and economic due diligence) and also reduces potential risks through the use of the central Group departments „Legal“ and „Finance“.

R3: Risks from product defects
(risk group: Regulatory and legal risks; risk rating class: Medium)
The success of the social commerce business depends on the quality, price and adherence to promised product features of the products sold.

Against the background of the sale of a large number of different products, it cannot be completely ruled out that defective products may be sold in individual cases and that this may lead to returns or recalls in retail, reputational damage, delisting, liability claims, contractual penalties or even fines.

The Social Chain Group has taken appropriate organizational measures to reduce the risks described above. Conformity assessment procedures are carried out as early as the product development process, and all relevant laws, regulations, directives and standards are viewed and checked. In addition, products and advertising claims are also reviewed with respect to the competition law during this process. As part of the supplier selection process, quality management, compliance with the Code of Conduct, environmental issues and occupational safety are reviewed through audits. Product sites are subject to continuous production monitoring by our own employees in China and in the EU. Finally, incoming goods and quality controls are carried out on a regular basis.

To protect against liability claims, the trading companies also have comprehensive product liability insurance.

R4: New regulatory requirements for data privacy
(risk group: Regulatory and legal risks; risk rating class: Medium)
As a social commerce company, the TSC Group needs to collect and process customer data, including personally identifiable information, in order to complete orders, collect payments and interact effectively with customers. In this regard, the Group is subject to numerous laws and regulations based on the confidentiality, integrity and availability of personal data, including in particular all aspects of data protection and privacy (e.g. GDPR). Violations of the GDPR, as a well-known example, can lead to significant penalties.

Data protection regulations for the Internet could affect our strategy for collecting and using personal data in our marketing efforts and activities. The GDPR imposes strict conditions and limitations on the processing, use and transfer of personal data. We must comply with these regulations in the European Union and the United Kingdom, as well as other regulations in other countries where we do business.

Local authorities may interpret the relevant data protection laws restrictively and, despite the greatest possible care in the context of this dynamic environment, there is no guarantee that we will be able to comply with such restrictive approaches promptly at all times. Any failure by us to comply with applicable regulations could result in fines and other sanctions. For example, the GDPR provides that data protection breaches may be punishable by fines of up to EUR 20 million (in the European Union (GPB 17.5 million in the UK)) or 4% of the annual worldwide turnover of the person who committed the breach, whichever is greater, depending on the circumstances.

Even if we as a TSC Group do not use the data collected in the verticals of our Commerce business, we may still be held liable for non-compliance with the GDPR or other applicable data protection regulations in the verticals of our Commerce business.

In addition, there remains a degree of legal uncertainty in the European Union regarding cookie banner settings on our websites, which may result in non-compliant use of cookies that may be subject to significant fines.

We may incur significant costs to ensure compliance with data privacy regulations, which vary in the different geographic areas in which we operate.

To mitigate these risks, the Legal department, the Data Privacy Officers, and the Data & IT team continuously monitor data privacy requirements and developments, support the creation and implementation of appropriate documentation and processes, and provide suitable advice, expertise, and training. This monitoring also includes close cooperation and coordination, particularly with IT security teams, to help protect customer data by implementing appropriate technical and organizational measures.

R5: Change in regulatory requirements
(risk group: Regulatory and legal risks; risk rating category: Low)
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 reductions in sales. Potential risk scenarios include additional costs associated with customs duties, product safety, working conditions, product offering, consumer protection, changes in the use of social media content, labeling requirements for advertising, and new packaging materials.

Current risk drivers result from regulatory adjustments, such as the planned Whistleblower Protection Act, the implementation of the Omnibus Directive into national law, as well as the potential applicability of the Supply Chain Sourcing Obligations Act to TSC AG and the TSC Group and the requirements arising from this Act for suppliers as well. In addition, the emerging regulatory challenges include, in particular, stricter environmental and climate protection regulations, such as the Packaging Act.

In summary, the risk is that regulatory changes of any kind affect the Group in such a way that its current business model can no longer be continued as before (e.g. ban on certain products or distribution channels).

The TSC Group monitors the regulatory environment through its central legal department, which informs the operating units at an early stage about changes in legal provisions.

R6: Risks from non-compliance with ESG/CSR standards
(risk group: Regulatory and legal risks; risk rating category: Low)
The TSC Group has made compliance with all ESG and CSR standards a high priority. Today, investors in the capital market and the Group rightly expect consistent procedural and organizational assurance of compliance with these standards.

The TSC Group increasingly wants and needs to meet ESG and CSR standards and expectations related to environmental concerns (e.g., climate change and sustainability), social concerns (e.g., diversity and human rights), and corporate governance concerns (e.g., relations to employee in business and investment decisions).

The density of regulation in the aforementioned areas is steadily increasing, resulting in rising demands on companies, among other things.

Therefore, it cannot be ruled out that new or existing requirements may not be identified immediately or may not be assessed appropriately. This may result in individual ESG and CSR standards not being met and the expectations of stakeholders or the public not being adequately fulfilled. Non-compliance with the standards may not only make it more difficult to access investment sources and business opportunities, but may also damage the Group‘s reputation and upset investors, customers and other stakeholder groups.

Furthermore, compliance with certain ESG and CSR standards may lead to additional costs. Future changes in regulatory and legal requirements related to climate change may affect the Group‘s growth and financial results.

Finally, the Group may be negatively impacted by an inappropriate selection of suppliers, particularly with regard to CSR regulations. The Group has installed appropriate organizational regulations (Code of Conduct) for supplier selection and an ethics policy. These are available on the website.

R7: Logistics risks (risk group: market risk; risk rating class: low)
The TSC Group offers various product categories through its sales channels. The products are produced and procured nationally and internationally. In order for the Social Chain Group to realize the planned sales, the goods must be delivered to the warehouses in Germany in the agreed time, quantity and quality.

It cannot be ruled out that supply chains may be interrupted, or delivery disruptions may occur due to events in the procurement and/or supply countries, possibly also in connection with pandemics, natural disasters or armed conflicts. Supply chain interruptions and disruptions may also necessitate prolonged storage of goods, which may both drive up costs and lead to spoilage of goods. In addition, the fulfillment of contracts (e.g., agreed delivery dates) cannot be guaranteed or met. This may lead to loss of customers, damage to reputation, delisting by distributors and claims for damages.

Macroeconomic developments and uncertainties regarding international transport routes may lead to higher container costs, so that a further increase in delivery costs cannot be ruled out.

Since 2020, there have been increasing logistics bottlenecks and rising transport costs, especially for container shipments from Asia, which are important for the Social Chain Group. We have minimized the effects of this negative development as far as possible, in particular through a broad portfolio of suppliers, sufficient stockpiling of goods, and close cooperation with various logistics partners.

In addition, the acquisition of the DS Group in the financial year 2021 resulted in opportunities for cost optimization and risk reduction with regard to logistics, particularly from the bundling of logistics locations and more efficient use of space. The leverage of these synergy effects, which is already well advanced, is expected to have a positive impact as early as the 2023 financial year and will thus be able to compensate for part of the increase in transport costs.

R8: Demand slumps (risk group: market risk; risk rating class: low)
Like many other companies, the TSC Group is highly dependent on consumer behavior. In the case of the TSC Group, this applies above all to its main market, Germany.

Sales may decline in particular as a result of economic fluctuations, e.g. recessions. Currently, the numerous economic consequences of the war in Ukraine (uncertain energy supply, price drivers for numerous everyday products and services) are particularly worthy of mention and have led to a significant worsening of the consumer climate.

In addition, the possible failure to recognize current consumer trends or the failure to adapt the Group's business activities to them in a timely manner may have a negative impact on the Group's growth and sales. For example, there may be a change in or less interest in the Group's D2C products or conventions such as the „Glow" beauty convention may become less attractive. Bans on events or significant changes in the general conditions for holding events (e.g. reduction in the number of visitors permitted) can also lead to declines in sales.

The TSC Group has a wide spectrum of activities and is not dependent on a single company or a single product. Multiple revenue streams and a broad product range avoid high dependencies and have proven to be largely robust even in crisis situations. Nevertheless, the noticeable decline in private consumption and thus the drop in demand is a major challenge for the TSC Group, the negative effects of which we are attempting to curb by taking appropriate countermeasures.

R9: Lack of suitable managers and employees (risk group: industry risk; risk rating category: high)
The profitable growth of a group of companies requires suitable managers and qualified employees. Entrepreneurial spirit, creativity and management skills are required to achieve the goals. The TSC Group is a group with many young, talented founders. There is a risk that the founders and employees may not desire to work for the TSC Group on a permanent basis or may not develop their skills as desired.

There is also a risk that it will not be possible to recruit the qualified employees needed and suitable for the organizational and administrative requirements and the planned development of the Group.

The TSC Group creates an entrepreneurial environment conducive to talent management and constantly monitors managers and employees. Remote workplaces and open structures also allow to approach talented employees nationally in order to avoid location-dependent shortages of qualified employees.

R10: Market dominance of social media platforms and changes in the algorithm (risk group: industry risk; risk rating category: medium)
The well-known social media platforms regularly change their business model or implement algorithm changes. Recognizing these changes, understanding the potential impact of these changes, and responding to them quickly are essential to the Group‘s business model.

It cannot be ruled out that the reach of one‘s own social media activities is lost, channels are blocked or followers lose interest in the content.

In addition, the large suppliers are increasingly squeezing out smaller companies and expanding their market power, also through acquisitions. American and Chinese suppliers dominate the market worldwide.

The TSC Group recognizes the potential risks described above through its large number of well-trained and experienced in-house social media employees and can respond accordingly.

R11: Risks from criticism in social media that damage brand and image (risk group: industry risk; risk rating category: medium)
Social Chain operates its own social media channels, markets products via social media, and produces social media content.

Social media platforms enable customers and users to participate in content, ratings and opinion-forming among others. In individual cases, a customer may spread negative reviews of the Group‘s products or services via social media, resulting in a „shitstorm”. If the Group or a subsidiary does not respond or does not respond appropriately, it can have a significant negative impact on reputation and sales.

Social Chain has a large number of experienced social media employees who monitor its own social media channels as well as brand and product activities in the social media realm. Social media tools and permanent monitoring reduce potential risks.

R12: Insufficient innovative strength in online stores and changes in sales platforms (risk group: industry risk; risk rating category: Low)
In order to meet the growing and changing requirements for D2C products and services and to exploit market opportunities, innovative adjustments to the various stores of the individual Group companies are regularly required. Neglect of the necessary adjustments or inadequate implementation of such measures can lead to customer losses and subsequently to significant revenue losses. In addition, changes to sales platforms such as Amazon can have a negative impact on sales and profitability due to changes in algorithms and commissions.

The sales departments permanently monitor the development of sales, the functionality of the online stores and the connection to the marketplaces. Algorithm changes or non-functioning online stores or interfaces are identified promptly and the necessary measures are implemented in cooperation with the central IT department. Software updates and the monitoring of new technological developments reduce the risks.

R13: Impairment losses on goodwill and other intangible assets (risk group: financial risk; risk rating category: high)
The TSC Group was created, among other things, through the acquisition of companies and a large number of contributions of shares in companies in return for the issue of new shares. Furthermore, companies were acquired against cash and purchase prices were paid that exceeded the reported equity. Valuation reports were prepared for each transaction and valuations were made on the basis of the DCF method.

The positive difference was allocated to tangible and intangible assets using the purchase price allocation (PPA) method and the remaining difference was recognized as goodwill in the consolidated balance sheet. The recoverability of the reported assets and goodwill depends on the achievement of the underlying multi-year business plan. It cannot be ruled out that individual companies or assets will not achieve their targets and budgeted figues as assumed, resulting in impairment losses on goodwill or recognized intangible assets.

The TSC Group continuously monitors the results and development of all companies and assets and can take countermeasures at an early stage in the event of negative developments.

R14: Financing risk (risk group: financial risk; risk rating category: high)
The TSC Group uses various sources and instruments of financing to obtain the funds necessary to conduct its business and maintain an efficient capital structure. In this context, the Group‘s parent company (or the Group‘s finance team) coordinates efforts to secure these sources of funding. All financing is obtained as cost-efficiently as possible.

The desired timing and scope of (re)financing activities are planned as part of the existing framework of annual planning and forecasting and validated through weekly reconciliations.

On the one hand, the assumptions and premises used to calculate (re-)financing requirements may prove to be incorrect for various reasons (e.g. default on receivables, sales falling short of expectations, increases in procurement, transport or other costs, legal claims and lower proceeds from planned divestments). In the event of economically significant and persistent deviations, this may lead to an increase in (re)financing requirements.

On the other hand, it may also happen that sources of financing are no longer available or are only available on less favorable terms. The availability and cost of financing depend on both internal factors (such as performance, capital structure decisions and compliance with contractually defined financial covenants) and external factors such as the global economic situation and the financial markets. If these factors deteriorate significantly, the ability to meet (re)financing needs may decrease and/or become more costly.

The risk described here occurs when the alternatives for meeting (re)financing needs become excessively expensive or unavailable altogether.

R15: Risk of inventory write-downs (risk group: financial risk; risk rating category: medium)
The TSC Group distributes a wide range of different products. In order to ensure rapid delivery of the products distributed (and thus to achieve a basic prerequisite for customer satisfaction), it is important to keep sufficient stock of the items so that inventory – even under favorable conditions – already reaches significant financial dimensions.

In addition to the associated logistical challenges and the problem of tying up capital, one of the main business problems is determining the optimum inventory level: Ideally, there should be no significant bottlenecks in inventory levels, but at the same time the inventory level should not be unnecessarily oversized.

This already difficult optimization task is made even more complex by other aspects that have to be taken into account:

- In the course of the Covid-19 pandemic, the TSC Group – like many other competitors – increasingly had to contend with delivery problems and disruptions in the logistics chains. In order to contain the associated risks to some extent, the TSC Group has had to increase warehouse ranges in some cases.
- The Russian war of aggression on Ukraine is still affecting consumers' purchasing power in several ways. This sales-inhibiting effect must be estimated as accurately as possible in terms of intensity and duration in order to adjust inventories accordingly.
- Part of the product range is related to the show „Die Höhle der Löwen. How the sales of a new product will develop after the corresponding show has been broadcast can only be predicted to a limited extent in advance. If inventory levels are too low at the time of the product launch, this can have a negative impact on the product launch. On the other hand, a large inventory is also a risk if the market acceptance of a new product is below expectations.

In view of the large number of different inventory items, the comparatively high value of the inventory, and the three additional challenges mentioned above, there is a significant risk that parts of the inventory may no longer be saleable or may only be saleable at a significant discount.

Ongoing forecasting and disposition procedures are used to regularly determine this risk, and any necessary write-downs are made.

R16: Price change, default, and liquidity risks, as well as risks from cash flow fluctuations (risk group: financial risks; risk rating category: low)
The TSC Group is subject to the risk of payment defaults and the general risk of price changes.

The default risk varies depending on the type of transaction:

- In social commerce (B2C), the default risk is almost completely eliminated by advance payment or the integration of payment providers such as Klarna or PayPal (assumption of default risk).
- In the B2B trading business, which is mainly handled by the DS companies, payment defaults are possible in principle, but these companies take out credit default insurance to mitigate the risk or use collection service providers such as Markant, which cover around 90% of net receivables. In this respect, there is only a low risk of significant payment defaults.

The high purchasing volume in Asia leads to price change and currency risks. Part of the USD volume required for purchasing is therefore hedged by the finance department.

Changes in procurement prices affect the purchase-to-pay process. Since selling prices to retailers are regularly negotiated on a longer-term basis, changes on the procurement side can lead to a deviation from the planned contribution margins.

Default risk relates to financial accounting and reporting as well as order-to-cash processes, as there may be late or non-payment of receivables, which may result in a write-down. The exchange rate risk that arises from contracts concluded in foreign currencies concerns the finance department, as it monitors exchange rates.

R17: Threat to cyber security (risk group: IT risk; risk rating class: medium)
Cybersecurity risks from internal or external attacks as well as internal control vulnerabilities can affect key aspects of our customer-related applications, warehouse IT systems, payment systems, and internal IT systems. Prominent cybersecurity risks include outages due to distributed denial of service (DDoS)/ ransomware attacks, data loss due to security breaches, faulty process flows due to integrity breaches, or a combination thereof.

As a well-known company, the TSC Group is a potential target due to its size, valuable data, and dependence on IT systems. To counter cyber-security threats, the Group maintains security and compliance efforts by investing in new technologies and specialized internal resources.

Central IT continuously monitors relevant areas and maintains processes to ensure data security.

The following diagram shows the classification of the above-mentioned risks in the individual fields of the 9-field risk matrix.

	Unlikely: Max. 1 occurrence / 5 years	**Possible: Min. 1 occurrence / year**	**Probable: Min. 1 occurence / month**	Number of Risks
High impact: > EUR 1.5 million	R1, R2, R3, R17	R13, R14	–	6 Risks
Average impact: 250 EUR thousand – 1.5 million	R5, R6, R7, R8, R12, R16	R4, R10, R11, R15	R9	11 Risks
Low impact: < 250 T EUR thousand	–	–	–	0 Risks
Number of Risks (by probability of occurrence)	10 Risks	6 Risks	1 Risks	Total: 17 Risks

Risk Assessment: Low Medium High

Overall assessment of opportunities and risks by the Executive Board
The assessment of individual risks in the financial year 2022 has changed in individual cases due to the development of external conditions, changes in our business portfolio, the effect of our own countermeasures, and the adjustment of our risk assessment. Furthermore, as a result of our risk analyses, we have reduced our sales and earnings expectations so that some of the main risks have already been taken into account in our planning. The overall risk situation of the Social Chain Group therefore remains at a comparable level to the previous year.

Based on the current assessments of the possible financial impact and the probability of occurrence of the risks explained in this report, the Executive Board does not currently see any significant threat to the Company's ability to continue as a going concern. However, the macroeconomic environment, which is currently associated with numerous uncertainties, makes it necessary to monitor closely further developments in this regard – in the event of a further sustained deterioration in economic conditions – may result in a reassessment of the going concern assessment.

4 Internal control and risk management system in relation to the accounting process

The accounting-related internal control system (ICS) is an integral part of the comprehensive company-wide control and risk management system. Its objective as a sub-area of the TSC Group's general ICS is to ensure the reliability and transparency of financial reporting. To achieve this objective, the TSC Group has implemented suitable structures, processes and controls. They are designed to ensure that the results of the accounting process are accurate and available on time.

The identification and assessment of risks to the integrity of financial reporting is implicit and based on the experience of the responsible persons.

The TSC Group's ICS is based predominantly on process-integrated, organizational safeguards, such as the separation of functions with corresponding access restrictions in the IT area or payment guidelines. Process-integrated controls reduce the probability of errors occurring or support the detection of errors that have occurred.

The accounting-related ICS is designed by the Executive Board and its effectiveness is monitored by the Supervisory Board. As the parent company, TSC AG prepares the Consolidated Financial Statements of the Group.

This process is preceded by the financial reporting of the Group companies included in the Consolidated Financial Statements. Both processes are monitored by a stringent internal control system which ensures both the correctness of the accounting and compliance with the relevant legal requirements. The cross-divisional key functions are primarily controlled centrally, while the Group companies prepare their financial statements locally and in accordance with local legal requirements.

The main rules and instruments used in the preparation of the Consolidated Financial Statements are:

- Clearly defined segregation of duties and assignment of responsibilities between the areas involved in the accounting process,
- Involvement of external experts where necessary, such as for the fair value measurement of financial instruments and stock options, for assistance with purchase price allocations, and the performance of goodwill impairment tests.
- Use of suitable IT financial systems and application of detailed authorization concepts to ensure task-appropriate authority while observing principles of separation of functions.
- System-implemented controls and other process controls for accounting in the companies and for consolidation in the context of the Consolidated Financial Statements, and for other relevant processes at Group and company level.
- Consideration in the financial statements of risks recorded and assessed in the risk management system to the extent required by existing accounting rules.

5 Forecast Report

The development of the TSC Group in almost all its activities is also dependent on the overall economic development and the resulting consuming power. Although the TSC Group was able to react promptly to the changes caused by the pandemic and expects to continue to identify and respond to changes at an early stage in the future, the difficulty in foreseeing the effects of geopolitical developments in the wake of the Russian war of aggression against Ukraine means that the ability to forecast future developments is significantly limited compared with a situation without global crises. Nevertheless, there are several indicators that allow a conditional forecast.

5.1 Macroeconomic and industry-specific conditions

The outlook for overall economic development in the financial year 2023 and subsequent years continues to be characterized by increased uncertainty. In its „World Ecomomic Outlook" of January 2023, the IMF (International Monetary Fund) forecasts global economic growth of 2.9% for 2023 with inflation remaining high at 6.6%, compared with 8.8% in the previous year. In the advanced economies, inflation is expected to average 4.6% in 2023.[1]

The IMF expects a GDP (gross domestic product) growth rate of 0.7% for the euro zone in 2023. Above all, the Russian war of aggression against Ukraine and the subsequent cuts in Russian gas supplies, among other things, are decisive for this weak growth, especially for those countries that are more dependent on gas supplies. The ECB's (European Central Bank) decision to further raise base interest rates further strains the financial situation and has a negative impact on economic growth. For the UK, the IMF expects GDP to decline by 0.6% in 2023.[2]

The forecasts on the consumer climate in Germany for 2023 are difficult to interpret due to conflicting analyses. On the one hand, Rolf Bürkl, consumer expert at GfK (market research institute – Growth from Knowledge), explains in a press release from February 2023 that the consumer climate has increased noticeably despite the weakening global economy and high inflation rates and is thus on the path to recovery. Lower energy prices and the experts' assessment that a recession can be avoided also give grounds for optimism. Nevertheless, the same press release points out that the consumer climate remains at a low level, indicating that private consumption cannot contribute positively to economic development in Germany. The March 2023 consumer climate is given as a measured value of -30.5 points.2 By comparison, the consumer climate was -6.9 points in January 2022, had reached a low of -67.7 points in September 2022 and recovered slightly to -40.1 points in December 2022.[3]

The bevh (Bundesverband E-Commerce und Versandhandel Deutschland – German E-Commerce and Distance Selling Trade Association) expects slightly stronger growth for online retailing compared with the total market. For 2023, the association forecasts growth of 4.8% in Germany in a press release from January 2023.[4] In the retail sector, the HDE (Handelsverband Deutschland -German Retail Association) expects a price-adjusted decline in sales of 3%. The HDE also regards online retail as a growth driver.[5]

For the advertising market, the ZAW (Zentralverband der deutschen Werbewirtschaft ZAW e.V. – Central Association of the German Advertising Industry) forecasts a rather difficult first half of 2023, characterized among other things by the generally tense economic situation. The situation is not expected to ease until the second half of the year, provided the geopolitical situation and the economy improve.[6]

1 https://www.imf.org/-/media/Files/Publications/WEO/2023/Update/January/English/text.ashx
2 https://www.gfk.com/hubfs/website/editorial_ui_pdfs/20230224_PM_Konsumklima_Deutschland_dfin.pdf
3 https://www.gfk.com/de/presse/starke-kaufkrafteinbussen-lassen-konsumklima-weiter-absteuerzen
4 https://www.bevh.org/fileadmin/content/05_presse/Pressemitteilungen_2023/260122_PM.pdf
5 https://einzelhandel.de/presse/aktuellemeldungen/14050-hde-prognose-fuer-2023-preisbereinigt-gehen-die-umsaetze-im-einzelhandel-um-drei-prozent-zurueck
6 https://zaw.de/werbemarkt-2022-mit-leichtem-plus-sorgenvoller-ausblick-auf-2023/

5.2 Expected economic development of the TSC Group

The current uncertain macroeconomic environment means that visibility of the future impact on the TSC Group's business development remains low. The forecast for the relevant financial performance indicators is therefore still subject to uncertainty for the Group.

In order to better prepare itself for the current uncertain environment, the TSC Group used the year 2022 to realize synergies from the acquisition of the DS Group as well as to systematically streamline the portfolio by divesting companies that do not belong to the core business. The focus here is on profitable companies, even in exchange for foregone sales. Based on the restructuring measures successfully implemented to date and further measures planned for 2023, management expects sales of approximately EUR 270 to 290 million with a gross margin of 38.0% and positive EBITDA of EUR 8 to 10 million in 2023.

Adjusted for the sale of the Clasen Bio Group in 2022, the Core Brands business will grow by approximately 2% year-on-year. The Brand Chain business, which focuses on e-commerce, is expected to generate stable sales compared to the previous year, while management anticipates a 9% year-on-year decline in sales for the Maxx Group business due to the current general conditions and a portfolio streamlining focused on high margins. Adjusted for the US and UK business, Social Agency expects sales to be at the level of the previous year.

The expected positive cash flow from operating activities supplemented by cash inflows from the sale of companies as part of the portfolio streamlining will be used to further reduce the TSC Group's financial liabilities. The TSC Group responds to the current uncertain environment and potential further increases in interest rates in doing so. Based on current planning, the Group has sufficient liquidity.

The forecast is based on the assumption of stable exchange rates and no further portfolio adjustments.

Due to the restructuring, the non-financial performance indicators will continue to be aligned with the changed scope of companies in the Group. It is expected that they will develop similarly to the financial performance indicators for the companies remaining in the Group, but will represent a reduced volume overall, as comparability with the current year is no longer possible.

5.3 Overall statement on forecast reporting

The TSC Group is well positioned as a product and brand house in combination with an omnichannel sales structure and its integrated social media and publishing expertise, proving to be robust and adaptable even in economic crises.

The current geopolitical situation continues to give rise to uncertainties and risks with regard to the development of the global economy and the sectors in which our Group operates. Our planning reflects the current studies on growth in the respective sectors at the time the financial statements were prepared.

We continuously monitor and analyze developments and derive specific countermeasures for ourselves in order to minimize any negative effects or, where necessary, to take them into account in our regular forecasts of Group earnings.

6 Explanatory report of the Executive Board pursuant to Section 176 (1) sentence 1 of the German Stock Corporation Act (AktG) on the disclosures under takeover law pursuant to Sections 289a (1) and 315a (1) of the German Commercial Code (HGB)

Composition of the share capital
The share capital of TSC AG amounted to EUR 15,527,775.00 as of the balance sheet date December 31, 2022. It was divided into 15,527,775 no-par value bearer shares, each representing a pro rata amount of EUR 1.00 of the share capital. The share capital is fully paid in. There are no other classes of shares, namely preferred shares or shares with ancillary obligations.

With the approval of the Annual General Meeting, the Company issued convertible bonds (WKN A3E5FE / ISIN DE000A3E5FE7) with a total volume of EUR 25,000,000.00 in the financial year 2021, which can be converted by the beneficiaries into ordinary shares of the Company at a current conversion price of EUR 32.50 at any time up to their final maturity date. As of the balance sheet date December 31, 2022, convertible bonds with a total volume of EUR 2,412,000.00 have been converted against the issuance of 74,204 new shares.

Restrictions affecting voting rights or the transfer of shares
Each share entitles the holder to cast one vote at the Annual General Meeting. There are no restrictions on voting rights or the transfer of shares under the Articles of Association.

Direct or indirect shareholdings in the capital exceeding 10% of the voting rights

Name / Company	Type of shareholding
Dr. Georg Kofler, Berlin, Germany	indirect
Georg Kofler GmbH Group, Munich, Germany	direct
DA CAPO Vermögensverwaltung GmbH, Munich, Germany	indirect (direct less than 10%)
FORTUNA Beteiligungsgesellschaft mbH, Munich, Germany	direct
Dr. Hanno Hagemann, Timmendorfer Strand, Germany	indirect (direct less than 10%)
Daniela Hagemann, Timmendorfer Strand, Germany	indirect (direct less than 10%)
DA Invest GmbH, Bad Segeberg, Germany	direct

The above information is based exclusively on the latest voting rights notifications received by TSC AG pursuant to the German Securities Trading Act (WpHG), which TSC AG has published accordingly.

Shares with special rights
TSC AG has not issued any shares with special rights.

Control of voting rights with regard to employee participation
There is no capital participation of employees disabling the employees to directly exercise their control rights.

Statutory provisions and provisions of the Articles of Association on the appointment and dismissal of members of the Executive Board and on amendments to the Articles of Association

The appointment and dismissal of the Executive Board are governed by sections 84 and 85 of the German Stock Corporation Act (AktG).

Amendments to the Articles of Association of TSC AG are governed by the statutory provisions in sections 119 (1) no. 5, 133 and 179 (1) and (2) of the German Stock Corporation Act (AktG). In deviation from the aforementioned statutory provisions, pursuant to Article 9 (3) of the Articles of Association of TSC AG, the Supervisory Board is authorized to adopt resolutions on amendments to the Articles of Association that relate only to the wording.

The Articles of Association of TSC AG do not contain any other provisions that deviate from or supplement the statutory regulations.

Authority of the Executive Board to issue shares

By resolution of the Annual General Meeting on August 29, 2017, the share capital of the Company is conditionally increased by up to EUR 200,000.00 by issuing up to 200,000 no-par value registered shares. (Conditional Capital 2017/I). Based on the resolution of the Annual General Meeting on August 19, 2019, the Conditional Capital resolved on August 29, 2017 was reduced to EUR 76,000.00. The Conditional Capital 2017/I serves exclusively to fulfill subscription rights that are or were granted on the basis of the authorization of the Annual General Meeting on August 29, 2017 under agenda item 9, amended by the resolution of the Annual General Meeting on August 28, 2018 under agenda item 7. The conditional capital increase will only be carried out to the extent that the holders of subscription rights issued under the Lumaland Stock Option Plan 2017 exercise their right to subscribe for shares in the Company and the Company does not deliver treasury shares or grant a cash settlement to fulfill the subscription rights.

By resolution of the Annual General Meeting on August 19, 2019, the Executive Board is authorized, with the consent of the Supervisory Board, to grant up to 242,000 subscription rights by August 18, 2024, entitling the holders to subscribe for a total of up to 242,000 no-par value registered shares, each representing a notional interest in the share capital of EUR 1.00 (Conditional Capital 2019/II). The Conditional Capital 2019/II serves exclusively to fulfill subscription rights granted on the basis of the authorization of the Annual General Meeting of August 19, 2019 in accordance with the resolution on agenda item 11. The conditional capital increase will only be carried out to the extent that the holders of subscription rights issued under the Lumaland Stock Option Plan 2019 exercise their right to subscribe for shares in the Company and the Company does not deliver treasury shares or grant a cash settlement to fulfill the subscription rights.

By resolution of the Annual General Meeting on May 11, 2020, the share capital is conditionally increased by up to EUR 700,971.00 through the issuance of up to 700,971 no-par value registered shares (Conditional Capital 2020/II). The conditional capital increase serves exclusively to fulfill subscription rights granted on the basis of the authorization of the Annual General Meeting on May 11, 2020 in accordance with the resolution on agenda item 3. The conditional capital increase will only be carried out to the extent that the holders of subscription rights issued under the Social Chain Stock Option Plan 2020 exercise their right to subscribe for shares in the Company and the Company does not deliver treasury shares or grant a cash settlement to fulfill the subscription rights.

By resolution of the Annual General Meeting on July 30, 2021, the share capital has been conditionally increased by up to a total of EUR 125,877.00 (Conditional Capital 2021/I). The conditional capital increase serves exclusively to fulfill subscription rights granted on the basis of the authorization of the Annual General Meeting of July 30, 2021 in accordance with the resolution on agenda item 7. The conditional capital increase will only be implemented to the extent that the holders of subscription rights issued under the Social Chain Stock Option Plan 2021 exercise their right to subscribe for shares in the Company and the Company does not deliver treasury shares or grant a cash settlement to fulfill the subscription rights.

By resolution of the Annual General Meeting on June 8, 2022, the Executive Board was authorized, with the approval of the Supervisory Board, to increase the share capital on one or more occasions by June 7, 2027, by up to a total of EUR 7,763,887.00 against cash contributions and/or contributions in kind (Authorized Capital 2022/I). As of December 31, 2021, the Authorized Capital 2022/I still existed in the full amount of EUR 7,763,887.00. On March 1, 2023, the Executive Board, with the approval of the Supervisory Board, resolved to partially utilize the Authorized Capital 2022/I. Thereafter, the Authorized Capital still exists in the amount of EUR 7,536,319.00.

By resolution of the Annual General Meeting on June 8, 2022, the share capital is conditionally increased by up to EUR 6,211,110.00 through the issuance of up to 6,211,110 no-par value registered shares (Conditional Capital 2022/II). The conditional capital increase serves exclusively to grant new shares to holders of conversion or option rights that are granted or have already been granted (i) on the basis of the authorization of the Annual General Meeting on May 11, 2020 in accordance with the resolution on agenda item 2 or (ii) on the basis of the authorization of the Annual General Meeting on June 8, 2022 in accordance with the resolution on agenda item 8 by the Company or by companies in which the Company directly or indirectly holds a majority interest.

By resolution of the Annual General Meeting on June 8, 2022, the share capital has been conditionally increased by up to a total of EUR 407,929.00 (Conditional Capital 2022/I). The conditional capital increase serves exclusively to fulfill subscription rights to shares of the Company granted to members of the Executive Board of the Company, to members of the management of affiliated domestic and foreign companies, and to employees of the Company and its affiliated domestic and foreign companies on the basis of the authorization of the Annual General Meeting of June 8, 2022 in accordance with the resolution on agenda item 7. The conditional capital increase will only be carried out to the extent that the holders of subscription rights issued under the Social Chain Stock Option Plan 2022 exercise their right to subscribe for shares in the Company and the Company does not deliver treasury shares or grant a cash settlement to fulfill the subscription rights.

By resolution of the Annual General Meeting on December 11, 2020, the Executive Board is further authorized, with the consent of the Supervisory Board, to acquire treasury shares of TSC AG. The authorization is restricted to treasury shares with a notional interest in the share capital of up to 10%. The authorization may be exercised in full or in partial amounts, on one or more occasions. The authorization is valid until December 10, 2025.

Significant agreements of the Company that are conditional upon a change of control following a takeover bid

There is a special termination right of the loan syndicate under the syndicated loan agreement of DS Group for EUR 125 million in the event that one or more persons acting in cooperation, who are not expressly permitted to do so under the syndicated loan agreement, acquires more than 30% of the voting rights in the Company.

Compensation agreements concluded by the Company with the members of the Executive Board or employees in the event of a takeover bid

There are no compensation agreements made by the Company with members of the Executive Board or employees in the event of a takeover bid.

7. Subsequent Event

For a description of significant events occurring after the reporting period, please refer to the disclosures under 13 „Events after the balance sheet date“ in the Notes.

8. Compensation Report

The compensation report pursuant to Section 162 of the German Stock Corporation Act (AktG) is made publicly available on TSC AG's website at https://thesocialchain.ag/investor-relations/corporate-governance. The remuneration report is not part of the audit of the financial statements by the auditor.

9. Non-financial statement (sustainability report)

With regard to the non-financial information, reference is made to the statements in the separate combined sustainability report of TSC AG and its subsidiaries, including the non-financial statement (Sections 289b, 315b of the German Commercial Code (HGB)), as part of the annual report in the sustainability report. The non-financial statement is not part of the audit of the financial statements by the auditor.

10. Corporate Governance Statement

The corporate governance statement pursuant to Sections 289f / 315d of the German Commercial Code (HGB), including the declaration of compliance pursuant to Section 161 of the German Stock Corporation Act (AktG), is made publicly available on TSC AG's website at https://thesocialchain.ag/investor-relations/corporate-governance. The corporate governance statement is not part of the audit of the financial statements by the auditor.

Dr. Georg Kofler   Andreas Schneider

Berlin, April 27, 2023

Consolidated financial statements

Consolidated income statement
for the period from 1 January to 31 December 2022

in EUR thousand	Note	01.01. – 31.12.2022	01.01. – 31.12.2021[1]
Revenues	3.1	367,932	241,637
Change in inventories		2,853	673
Capitalized internally generated assets		211	555
Other operating income	3.2	66,536	4,342
Material expenses	3.3	-268,292	-148,046
Personnel expenses	3.4	-57,107	-37,363
Net loss allowance from trade receivables and contract assets	4.10	-981	-575
Other operating expenses	3.5	-100,420	-84,961
Earnings before interest, taxes, depreciation and amortization (EBITDA)		**10,731**	**-23,738**
Depreciation, amortization and impairment	4.1 – 4.3	-113,980	-46,436
Earnings before interest and taxes (EBIT)		**-103,249**	**-70,175**
Financial income	3.6	13,858	9,023
Financial expenses	3.6	-26,807	-10,030
Share of profit or loss of associates and joint ventures	3.7	-455	-1,738
Earnings before taxes (EBT)		**-116,652**	**-72,919**
Income taxes	3.8	9,893	425
Net income from continuing operations		**-106,760**	**-72,495**
Income from discontinued operations	3.9	-21,122	-9,060
Group result		**-127,881**	**-81,554**
Thereof attributable to			
Shareholders of the parent company		-126,664	-80,724
Non-controlling interests		-1,218	-831
Earnings per share from continuing operations (basic/diluted) (in EUR)	3.10	-6.79	-6.13
Earnings per share from discontinued operations (basic/diluted) (in EUR)	3.10	-1.37	-0.77
Earnings per share (basic/diluted) (in EUR)	3.10	-8.16	-6.91

1 The values deviate from those in the Consolidated Financial Statements 2021 as the income and expenses of the discontinued operations have been reclassified retrospectively to income from discontinued operations for comparative purposes. Please also refer to Note 3.9.

Consolidated statement of comprehensive income

for the period from 1 January to 31 December 2022

in EUR thousand	01.01. – 31.12.2022	01.01. – 31.12.2021
Group result	-127,881	-81,554
Fair value measurement of financial instruments at fair value through other comprehensive income (FVOCI)	0	-115
thereof taxes	0	94
Other comprehensive income not reclassified to profit or loss in subsequent periods	**0**	**-115**
Foreign currency conversion	-690	1,755
Other comprehensive income to be reclassified to profit or loss in subsequent periods	**-690**	**1,755**
Other comprehensive income	**-690**	**1,640**
Total comprehensive income	**-128,572**	**-79,915**
Thereof attributable to		
Shareholders of the parent company	-127,354	-79,084
Non-controlling interests	-1,218	-831

Consolidated balance sheet
as of 31 December 2022

in EUR thousand	Note	31.12.2022	31.12.2021
Intangible assets	4,1	40,666	60,805
Goodwill	4,1	88,980	201,413
Property, plant and equipment	4,2	5,586	20,460
Right-of-use assets	4,3	55,745	54,269
Investment property	4,3	618	0
Associates and joint ventures accounted for using the equity method	3,7	353	893
Non-current trade and other receivables		0	0
Other non-current financial assets	4,4	32,163	26,447
Deferred tax assets	4,7	7,752	4,602
Non-current assets		**231,863**	**368,891**
Inventories	4,8	79,001	107,832
Current contract assets	4,9	0	2,059
Trade accounts receivable and other receivables	4,10	49,474	74,567
Other current financial assets	4,4	7,369	6,453
Current income tax receivables	4,5	1,665	77
Other current non-financial assets	4,6	11,322	34,115
Cash and cash equivalents	4,11	8,976	16,443
Assets held for sale	4,12	30,564	22,809
Current assets		**188,371**	**264,357**
Assets		**420,235**	**633,248**

in EUR thousand	Note	31.12.2022	31.12.2021
Share capital	4,13	15,528	15,528
Capital reserve	4,13	336,164	335,323
Accumulated other comprehensive income (OCI)	4,13	796	1,486
Retained earnings	4,13	-6,389	-4,418
Profit/Loss carried forward	4,13	-279,983	-153,319
Equity attributable to shareholders of the parent company		**66,116**	**194,600**
Non-controlling interests	4,13	554	1,946
Equity		**66,670**	**196,546**
Non-current financial liabilities	4,15	218,028	113,769
Non-current provisions	4,17	12	166
Non-current income tax liabilities	4,5	0	241
Other non-current non-financial liabilities	4,16	106	194
Deferred tax liabilities	4,7	13,062	21,235
Non-current liabilities		**231,207**	**135,604**
Trade payables	4,14	34,957	68,730
Other current financial liabilities	4,15	54,759	197,451
Current provisions	4,17	2,425	3,795
Current income tax liabilities	4,5	3,944	2,324
Current contract liabilities	4,9	2,308	4,348
Other current non-financial liabilities	4,16	9,457	15,100
Liabilities held for sale	4,12	14,507	9,350
Current liabilities		**122,358**	**301,097**
Total Equity and Liabilities		**420,235**	**633,248**

Consolidated Statement of Changes in Equity

for the period from 1 January to 31 December 2022

			Accumulated other Equity (OCI)						
in EUR thousand	**Share capital**	**Capital reserve**	**Foreign currency translation reserve**	**Reserve from the valuation of financial instruments**	**Retained earnings**	**Loss carried forward**	**Equity attributable to equity holders of the parent**	**Non-controlling interests**	**Total**
As of 01.01.2021	**11,348**	**167,206**	**-376**	**222**	**-9,088**	**-72,837**	**96,477**	**2,204**	**98,680**
Group result	0	0	0	0	0	-80,724	-80,724	-831	-81,554
Other comprehensive income	0	0	1,755	-115	0	0	1,640	0	1,640
Total comprehensive income	**0**	**0**	**1,755**	**-115**	**0**	**-80,724**	**-79,084**	**-831**	**-79,915**
Capital increase	4,105	162,543	0	0	0	242	166,890	0	166,890
Issue of convertible bonds	0	3,483	0	0	0	0	3,483	0	3,483
Transaction costs after taxes	0	-642	0	0	0	0	-642	0	-642
Conversion of convertible bonds into shares	74	1,943	0	0	0	0	2,017	0	2,017
Change in scope of consolidation and non-controlling interests	0	0	0	0	-1,392	0	-1,392	623	-769
Distributions	0	0	0	0	0	0	0	-50	-50
Share-based payments	0	790	0	0	0	0	790	0	790
Written put options on NCI	0	0	0	0	6,062	0	6,062	0	6,062
As of 31.12.2021	**15,528**	**335,323**	**1,379**	**107**	**-4,418**	**-153,319**	**194,600**	**1,946**	**196,546**
Group result	0	0	0	0	0	-126,664	-126,664	-1,218	-127,881
Other comprehensive income	0	0	-690	0	0	0	-690	0	-690
Total comprehensive income	**0**	**0**	**-690**	**0**	**0**	**-126,664**	**-127,354**	**-1,218**	**-128,572**
Change in scope of consolidation and non-controlling interests	0	0	0	0	-1,971	0	-1,971	-175	-2,145
Share-based payments	0	841	0	0	0	0	841	0	841
As of 31.12.2022	**15,528**	**336,164**	**689**	**107**	**-6,389**	**-279,983**	**66,116**	**554**	**66,670**

Consolidated Cash Flow Statement
for the period from 1 January to 31 December 2022

in EUR thousand	01.01. – 31.12.2022	01.01. – 31.12.2021[2]
Group result	**-127,881**	**-81,554**
Income taxes[1]	-10,237	-104
Earnings before income taxes[1]	**-138,118**	**-81,658**
Financial result[1]	13,692	3,792
Amortization of intangible assets[1]	11,773	4,279
Depreciation of property, plant and equipment, rights-of-use assets, and investment property[1]	9,137	4,592
Impairments[1]	107,730	44,978
Net loss allowance from trade receivables and contract assets[1]	1,561	629
Impairment losses on inventories	3,973	81
Gain (-) / loss (+) on disposal of property, plant and equipment	-760	-16
Gain (-) / loss (+) on disposal of subsidiaries	-40,869	-
Share-based payment expenses	1,013	3,558
Other non-cash income (-) and expenses (+)	516	-1,697
Changes in working capital		
Decrease (+) / increase (-) in inventories	6,317	-23,889
Decrease (+) / increase (-) in contract assets	177	-673
Decrease (+) / increase (-) in trade receivables and other current receivables	16,432	1,167
Decrease (+) / increase (-) in other financial assets	-3,437	-3,639
Decrease (+) / increase (-) in other non-financial assets (excluding contract assets)	9,850	-20,223
Increase (+) / decrease (-) in trade payables	-12,372	20,474
Increase (+) / decrease (-) in other financial liabilities	-16,709	-11,066
Increase (+) / decrease (-) in other non-financial liabilities (incl. contract liabilities)	8,600	29,795
Increase (+) / decrease (-) in provisions	-1,037	-5,513
Change in income tax assets and liabilities	-1,153	-2,933
Other changes in working capital	-460	-
Cash flow from operating activities	**-24,145**	**-37,962**

1 from continuing and discontinued operations
2 The figures for the financial year 2021 have been adjusted due to an error correction. Please refer to Note 1.9.

in EUR thousand	01.01. – 31.12.2022	01.01. – 31.12.2021[2]
Proceeds from disposals of property, plant and equipment	11,805	2,271
Proceeds from disposals of intangible assets	829	213
Proceeds from disposals of securities	0	9,274
Cash paid for additions to securities	-4	-
Cash paid for the acquisition of companies and business units, less cash and cash equivalents acquired	-553	-103,763
Proceeds from disposals of companies and business units, less cash and cash equivalents acquired	36,270	9
Cash paid for investments in property, plant and equipment	-2,005	-3,281
Cash paid for investments in intangible assets	-3,602	-4,213
Proceeds from the redemption of loans issued	5,873	-
Payments for the acquisition of loans	-826	-
Dividends received	105	-
Interest received	18	-
Cash flow from investing activities	**47,910**	**-99,488**
Proceeds from capital increases against cash contributions	0	52,032
Proceeds from the issue of convertible bonds and other debt instruments	5,000	25,045
Payments for the redemption of convertible bonds and other debt instruments	-2,500	-
Proceeds from loans granted	264,199	100,562
Payments for the repayment of loans	-290,430	-26,037
Payments for the redemption of lease liabilities	-6,446	-2,941
Interest paid (incl. interest portion from leases)	-8,646	-2,838
Disbursements for restricted cash (loan collateral)	-0	-996
Dividends paid to non-controlling shareholders	-	-50
Cash flow from financing activities	**-38,823**	**144,778**
Net change in cash and cash equivalents	-15,058	7,327
Effects of exchange rate changes on cash and cash equivalents	95	131
Cash and cash equivalents at the beginning of the period	16,820	9,361
Cash and cash equivalents at the end of the period	**1,856**	**16,820**

2 The figures for the financial year 2021 have been adjusted due to an error correction. Please refer to Note 1.9.

1 Basics

1.1 General information on the company and the Group

The Social Chain AG (hereinafter also referred to as „TSC AG", „the Company" or „the Parent Company") is a stock corporation domiciled in Germany with its registered office at Alte Jakobstraße 85/86, 10179 Berlin. It is registered in the commercial register of the Berlin Local Court under HRB 128790 B.

TSC AG is the parent company of directly and indirectly held subsidiaries and directly and indirectly holds shares in associated companies and joint ventures (hereinafter also referred to as the „TSC Group" or the „Group"). The Company mainly serves as a holding company for the Group.

The shares of TSC AG have been admitted to trading in the Prime Standard (regulated market segment with additional follow-up obligations) of the Frankfurt Stock Exchange since November 12, 2021. Previously, the Company was listed on the Regulated Unofficial Market.

Social Chain AG develops and markets innovative products for end consumers: problem solvers for everyday life for the home, leisure, fitness, entertainment. Based on continuous innovation, Social Chain AG launches well over 400 new products per year, carries a total of 14,000 items in its inventory and owns a wide range of property and trademark rights. Decisive for marketing and sales is a self-established, finely tuned structure of omnichannel commerce. This includes stationary retail, teleshopping, digital marketplaces, the company's own digital flagship store, all forms of social marketing and, in the future, the virtual marketplaces of Web 3.0.

Professional data management and an in-house IT and logistics infrastructure ensure operational excellence. On this basis, Social Chain AG succeeds year after year in producing bestselling articles that sell millions of items. Trend products for an audience of millions – the entrepreneurial formula for success. An additional source of inspiration, innovation and growth are the numerous investments in startups, including many successes from the well-known TV format „Die Höhle der Löwen".

For future growth, Social Chain AG focuses on the constant innovation of its product range, the further digitization of its omnichannel structures, and the consistent internationalization of its topseller strategy.

1.2 Declaration of compliance

The Consolidated Financial Statements for the financial year ended December 31, 2022 have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the Interpretations issued by the IFRS Interpretations Committee (IFRS IC), as adopted by the European Union (EU). In addition, the provisions of Section 315e (1) of the German Commercial Code (HGB) have been considered.

The accounting policies applied in the preparation of these Consolidated Financial Statements have been consistently applied throughout the periods presented. They are explained in Note 1.7. In addition, the Group has applied the IFRS standards and IFRS interpretations presented in Note 1.4.1 for the first time in the financial year 2022.

1.3 Accounting principles

The Consolidated Financial Statements for the year ended December 31, 2022 have been prepared on a going concern basis.

The Group's financial year comprises twelve months and ends on December 31 of each year.

The Consolidated Financial Statements are prepared in euro (EUR), the functional currency of TSC AG. Unless otherwise stated, all values are rounded to thousand euro (EUR thousand) using commercial rounding principles, so that rounding differences may occur and the percentages presented may not exactly reflect the figures to which they relate.

The Consolidated Financial Statements have been prepared using the acquisition cost principle. This does not apply to certain financial assets and liabilities (including derivative financial instruments) and share-based payments, which are measured at fair value.

Assets and liabilities are classified as current and non-current. They are classified as current if they are due within one year or less. Current assets and liabilities also include trade receivables and payables that are sold, consumed and realized as part of the normal operating cycle, even if they are not expected to be realized within twelve months of the balance sheet date. Where assets and liabilities have both a current and a non-current portion, they are divided into their maturity components and reported as current and non-current assets and liabilities, respectively, in accordance with the balance sheet item presentation.

The consolidated income statement is prepared using the total cost method.

In the statement of cash flows, cash flow from operating activities is determined using the indirect method. Whereas the cash flow from investing activities and cash flow from financing activities are determined using the direct method.

The Consolidated Financial Statements as of December 31, 2022 are prepared by the Executive Board and approved by resolution of the Executive Board.

1.4 Application of new and revised IFRS requirements

1.4.1 First time application of IFRS standards and IFRS interpretations

In the financial year 2022, the Group applied for the first time the following new or revised IFRS standards and IFRS interpretations that have already been adopted by the EU and whose application is mandatory for financial years beginning on January 1, 2022:

- Amendments to IFRS 3 Business Combinations – Amendments by Reference to the Conceptual Framework
- Amendments to IFRS 16: Covid-19-Related Lease Concessions after June 30, 2021.
- Amendment to IAS 16 Property, Plant and Equipment – Revenue before Intended Use
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Costs of Fulfilling a Contract
- Miscellaneous – Annual Improvements 2018 – 2020.

These new or revised IFRS standards and IFRS interpretations had no or no material impact on the Consolidated Financial Statements.

1.4.2 Non-mandatory IFRS standards and IFRS interpretations

The following new or revised IFRS standards and IFRS interpretations, which were not yet mandatory in the reporting period or have not yet been adopted by the European Union, will not be applied early. The Group intends to apply these standards when they become mandatory in the EU for the first time.

No material impact on the Consolidated Financial Statements is expected.

Standard / Interpretation	Mandatory application for financial years beginning on	Adoption by the European Union	Effects on the Consolidated Financial Statements
IFRS 16 Amendments to IFRS 16 Leases: Lease Liabilities in Sale and Leaseback	January 1, 2024	Yes	No material effects
IFRS 17 Insurance contracts	January 1, 2023	Yes	No material effects
Amendments to IFRS 17 Insurance Contracts – Initial Application of IFRS 17 and IFRS 9 – Comparative Information	January 1, 2023	Yes	No material effects
Amendments to IAS 1 Classification of liabilities as current or non-current and non-current Liabilities with Covenants	January 1, 2024	Yes	No material effects
Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies	January 1, 2023	Yes	Adjustment of the corresponding disclosures in the Notes
Amendments to IAS 8 Definition of Accounting Estimates	January 1, 2023	Yes	No material effects
Amendment to IAS 12 Deferred Taxes related to Assets and Liabilities arising from a Single Transaction	January 1, 2023	Yes	No material effects

1.5 Composition of the Group

1.5.1 Consolidation Scope

As of December 31, 2022, the Group comprises 55 (previous year 68) fully consolidated companies and 4 (previous year 5) associated companies or joint ventures accounted for using the equity method.

The changes in the scope of consolidation are presented in detail in Notes 1.5.2 and 1.5.3.

List of shareholdings in accordance with section 313 of the German Commercial Code (HGB)

No.	Name and registered office of the company	31 December 2022 Capital share in %[1]
1	The Social Chain AG, Berlin	
	Fully consolidated subsidiaries	
2	#Do your sports GmbH, Berlin	100.00
3	BEEM Asia Limited, Hong Kong, Kowloon	87.55
4	BEEM Germany GmbH, Stapelfeld	100.00
5	Brand Chain B.V., Netherlands, Swalmen (formerly: Social Chain Home & Living B.V.)	100.00
6	Brand Chain GmbH, Bad Segeberg (formerly: in-trading Handelsgesellschaft mbH)	100.00
7	CLASEN FOODS GmbH, Stapelfeld (formerly: DS Care 4 U GmbH, Lüttow-Valluhn)	100.00
8	datalytix.io GmbH, Stuttgart	100.00
9	DEF Media GmbH, Berlin	100.00
10	drtv.agency GmbH, Stuttgart[2]	100.00
11	DS Aviation GmbH, Stapelfeld	100.00
12	DS Direct GmbH, Stapelfeld	100.00
13	DS Holding GmbH, Stapelfeld	100.00
14	DS Impact GmbH, Stapelfeld	100.00
15	DS Marketing GmbH, Stapelfeld	100.00
16	DS MEWITEC GmbH, Stapelfeld	100.00
17	DS Produkte GmbH, Stapelfeld	100.00
18	DS Select GmbH, Stapelfeld	100.00
20	DSQ Hong Kong Ltd, Hong Kong, Kowloon	87.55
21	Excellence Verdon Ltd, Hong Kong, Kowloon	87.55
22	Glow Media Group Limited, United Kingdom, Manchester	100.00
23	LANDMANN Germany GmbH, Stapelfeld	100.00
24	Landmann Hungária Kft, Hungary, Vecses	100.00
25	LANDMANN International GmbH, Stapelfeld	100.00

1 Calculated participation ratios of the Group
2 The exemption provision of Sec. 264 (3) HGB is utilized

No.	Name and registered office of the company	31 December 2022 Capital share in %[1]
26	Landmann Limited, United Kingdom, Huntingdon	100.00
27	Landmann Polska Sp. z o.o., Poland, Jawor	100.00
28	LINKS Logistics GmbH, Berlin	100.00
29	Lions Chain GmbH, Berlin	100.00
30	Lumaland Inc, United States, Muskegon	100.00
31	Lumaland International GmbH, Berlin	100.00
32	Media Chain GmbH, Berlin	100.00
33	Media Chain Group Holding Ltd, United Kingdom, Manchester (formerly: Social Chain Group Limited)	100.00
34	Media Chain Group Limited, United Kingdom, Manchester	100.00
35	Media Chain Products GmbH, Berlin	100.00
36	mint performance marketing Inc, United States, Los Angeles, CA (formerly: Mint Marketing Agency Inc.)	25.00
37	Pacific Trade Connection Ltd, Hong Kong, Kowloon	100.00
38	Ravensberger Holding GmbH, Berlin	100.00
39	RAVENSBERGER Logistik GmbH, Berlin	100.00
40	RAVENSBERGER Matratzen GmbH, Berlin	100.00
41	Shine Conventions GmbH, Berlin	96.99
42	sib Silvester in Berlin Veranstaltungen GmbH, Berlin	96.99
43	Social Chain Germany GmbH, Berlin	85.97
44	Social Chain GmbH, Berlin	100.00
45	Social Chain Ltd, United Kingdom, Manchester	100.00
46	Social Chain USA Inc, United States, New York, NY	100.00
47	Social Moms GmbH, Berlin	100.00

1 Calculated shareholding quotas of the Group
2 The exemption provision of Section 264 (3) of the German Commercial Code is applied

No.	Name and registered office of the company	31 December 2022 Capital share in %[1]
48	The Fitness Chain GmbH, Berlin	100.00
49	The Social Commerce Alliance GmbH, Berlin	100.00
50	TSC Venutures GmbH, Berlin[2]	100.00
51	TSCDS Holding GmbH, Berlin	100.00
52	TSCG AG, Berlin (formerly: The Social Chain Group AG)[2]	100.00
53	URBANARA GmbH, Berlin	100.00
54	Urbanara Home & Living GmbH, Berlin (formerly: sweet dreams GmbH)	100.00
55	Vision Personalservice GmbH, Valluhn	100.00
	Non-consolidated subsidiaries	
56	Joyletics Management GmbH, Berlin	100.00
57	LINKS Operations & Intelligence GmbH, Berlin	100.00
58	Minuma Management GmbH, Berlin	100.00
59	New Video Commerce UK Ltd, United Kingdom, Manchester	100.00
60	puffin GmbH, Lilienthal	100.00
	Associated companies and joint ventures	
61	GentleMonkeys GmbH, Unterföhring	25.00
62	GOMAGO GmbH, Cremlingen	10.00
63	LAX GmbH, Berlin	74.99
64	Schreibathlet GmbH, Idstein	12.50

1 Calculated participation quotas of the Group
2 The exemption provision of Section 264 (3) of the German Commercial Code is applied

No.	Name and registered office of the company	31 December 2022 Capital share in %[1]	Currency	Result in EUR thousand	Equity in EUR thousand
	Other companies				
65	Caps Air GmbH, Hamburg	30.00	EUR	0[3]	63[3]
66	CATLABS GmbH, Grünwald	30.00	EUR	27[2]	134[2]
67	Clou-Innovations GmbH, Berlin	25.10	EUR	-9[3]	-52[3]
68	Detlev Sommer GmbH, Jena	20.00	EUR	-27[3]	-8[3]
69	DeWok GmbH, Pulheim	20.00	EUR	8[3]	7[3]
70	Flexmed AG, Liechtenstein, Triesen	23.00	CHF	29[3]	10[3]
71	FLÜWA GmbH, Osthofen	20.00	EUR	-10[3]	15[3]
72	Fugentorpedo GmbH, Munich	20.00	EUR	7[2]	177[2]
73	GeRoTech-Innovations GmbH, Austria, Vienna	25.00	EUR	0[3]	47[3]
74	Iss doch Wurscht GmbH, Duisburg	25.00	EUR	113[2]	128[2]
75	MY BEAUTY LIGHT GmbH, Kassel, Germany	20.00	EUR	0[3]	359[3]
76	Rokitta's GmbH, Friedrichstadt	35.00	EUR	218[2]	160[2]
77	Rollyzberg GmbH, Berlin	20.00	EUR	0[3]	25[3]
78	simply wet GmbH, Reinfeld	20.00	EUR	-56[3]	-198[3]
79	VapoGroup GmbH, Stuttgart	20.00	EUR	-9[2]	49[2]
80	waschies GmbH, Kulmbach	20.00	EUR	-75[2]	169[2]
81	We Love Product GmbH, Berlin	50.00	EUR	0[3]	23[3]
82	yucona GmbH, Berlin	20.00	EUR	-9[3]	16[3]

1 Calculated participation quotas of the Group
2 Figures are from the 2021 annual financial statements
3 Figures are from the 2020 annual financial statements

Significant accounting judgments and assumptions

The Group's management has determined that the Group controls the following entities, even though TSC AG directly or indirectly holds less than 50% of the voting rights, because TSC AG is exposed to, or has rights to, variable returns from its shareholdings in the entities as a result of specific provisions in the agreements regarding decisions and resolutions and has the ability to affect those returns through its control of the entity.

Controlled companies	Voting rights 2022	Voting rights 2021
mint performance marketing Inc., United States, Los Angeles, CA (formerly: MINT Marketing Agency LLC)	25.00%	25.00%
KoRo Eis GmbH, Berlin[1]	n.a	46.54%

1 Koro Eis GmbH is a subsidiary of Koro Handels GmbH. Koro Handels GmbH holds 80% of the shares in Koro Eis GmbH

The Group's management has determined that the Group either does not control the following companies, although TSC AG directly or indirectly holds more than 50% of the voting rights, because TSC AG does not have the power to control the relevant activities of the respective companies due to specific provisions regarding decisions and resolutions in the agreements or due to insolvency of the companies. Or that the company is not significant to the Group due to the immateriality of its business transactions and was therefore not included in the scope of consolidation, although control existed.

Non-consolidated companies	Voting rights 2022	Voting rights 2021
JOYLETICS mgmt. GmbH, Berlin	100.00%	100.00%
LAX GmbH, Berlin[1]	74.99%	74.99%
LINKS Operations & Intelligence GmbH, Berlin	100.00%	100.00%
Meine Spielzeugkiste GmbH, Berlin	n.a	58.18%
MINUMA mgmt. GmbH, Berlin	100.00%	100.00%
New Video Commerce UK Ltd, United Kingdom, Manchester	100.00%	100.00%
puffin GmbH, Lilienthal	100.00%	n/a

1 There is joint management of the company

The Group's management has determined that the Group has significant influence over the following companies, even though TSC AG directly or indirectly holds less than 20% of the voting rights, because specific arrangements, particularly in the form of cooperation agreements, enable TSC AG to participate in the investee's financial and operating policy decisions.

Significantly influenced companies	Voting rights 2022	Voting rights 2021
Gomago GmbH, Cremlingen	10.00%	10.00%
Schreibathlet GmbH, Idstein	12.50%	12.50%

The Group makes use of the following exemption provisions with regard to the audit and disclosure of annual financial statement documents:

In the financial year 2022, the Group made use of the exemption provision of Section 264 (3) of the German Commercial Code (HGB) for three domestic subsidiaries for the preparation, audit and disclosure of its own annual financial statements and, if applicable, its own management report in accordance with the provisions for corporations. The formal requirements on the part of the respective Group company and of The Social Chain AG have been met. The companies concerned are indicated accordingly in the list of shareholdings. For these companies, the Consolidated Financial Statements of The Social Chain AG are the discharging Consolidated Financial Statements and these are disclosed instead of the annual financial statements.

1.5.2 Business combinations and other additions to the Group

Financial year 2022

Foundations

In July 2022, TSC AG acquired Blitz B22-227 GmbH, Berlin, with a share capital of EUR 25 thousand for EUR 29 thousand and renamed it TSC Ventures GmbH. The purpose of the company is to acquire, hold, manage and sell investments and rights eligible for investment in other domestic and foreign partnerships and corporations. The shareholding quota of TSC AG is 100%.

In June 2022, the TSC Group established DSP Logistics PL Sp.z o.o., Szczecin. The shareholding of the TSC Group amounts to 100%.

Both TSC Ventures GmbH and DSP Logistics PL Sp.z o.o. are allocated to the Other segment.

Share increase of Lumaland Inc.

In June 2022, the existing call option for Lumanland Inc. was exercised and the share in this subsidiary increased from 80% to 100%. The exercise price of EUR 331 thousand and the value of the recognized call option of EUR 1,633 thousand were recognized in retained earnings in the course of consolidation after deduction of the outgoing non-controlling interests in accordance with IFRS 10.23. The exercise price of EUR 331 thousand and the value of the recognized call option of EUR 1,633 thousand were recognized in retained earnings in the course of consolidation after deduction of the non-controlling interests in accordance with IFRS 10.23. Lumaland Inc. is allocated to the Brand Chain segment.

Share increase of drtv.agency GmbH and datalytix.io GmbH

With regard to the subsidiaries drtv.agency GmbH, Stuttgart, and datalytix.io GmbH, Stuttgart, the non-controlling shareholder exercised its contractual put option granted by The Social Chain AG in respect of 49% of the share capital of each of the aforementioned companies in due time before June 30, 2022. The transfer of the shares in rem was in each case subject to the condition precedent of payment of the purchase price, about which there was disagreement until the end of December 2022.

On December 22, 2022, TSC AG concluded a notarized agreement on the acquisition of a total of 49% of the shares in drtv.agency GmbH and 49% of the shares in datalytix.io GmbH. After completion of the transaction, the Company will be the sole shareholder of drtv.agency GmbH and datalytix.io GmbH.

As consideration for the acquisition of drtv.agency GmbH, a cash price of EUR 3 million will be paid. Furthermore, the Company has undertaken to issue new shares for a total issue amount of EUR 3.5 million as part of a capital increase through contributions in kind that is still to be resolved by the Company‘s executive bodies. The new shares are to be issued at an issue price of EUR 15.38 per share. The capital increase will be carried out from a partial utilization of the authorized capital of the Company. The new shares are entitled to dividend payments for the financial year 2023, beginning on January 1, 2023.

drtv.agency GmbH and datalytix.io GmbH are part of the Social Marketing segment and will be fully consolidated in the TSC Group from December 2022.

Financial year 2021

Business combinations

Under the purchase agreement dated October 19, 2021, TSC AG acquired 100% of DS Holding GmbH (together with its subsidiaries the „DS Group"), Stapelfeld. The total purchase price amounts to EUR 212,197 thousand and consists of a cash component of EUR 100,281 thousand and a share component of EUR 111,916 thousand. The value of the share component results from the issuance of 2,855,000 new shares from the authorized capital and is based on the closing price of EUR 39.20 of The Social Chain AG share on December 8, 2021. The financing of the cash components was 50% from own funds. The remaining EUR 50,000 thousand was financed through a short-term loan agreement (term: 9 months; interest rate: 2.75% + 3-month Euribor) with Landesbank Baden-Württemberg. The final closing of the transaction took place on December 8, 2021 („Closing Day"). The DS Group will therefore be included in the Consolidated Financial Statements as of December 8, 2021.

As of December 31, 2021, the DS Group represented an independent segment („Retail (DS Group)") within TSC AG. In organizational terms, Blitz B21-527 GmbH, Berlin was founded for this purpose as of August 26, 2021 and renamed TSCDS Holding GmbH, Berlin as of year-end 2021. The main purpose of TSCDS Holding is to hold all shares in DS Holding GmbH. All shares in TSCDS Holding are held by TSC AG.

As of the acquisition date, trade and other receivables for all DS companies include contractually agreed gross amounts of EUR 78,305 thousand, of which EUR 440 thousand were considered uncollectible. This results in a fair value of EUR 77,865 thousand for the acquired portfolio of trade and other receivables.

In the context of company-specific purchase price allocations, intangible assets in a total amount of EUR 37,618 thousand were identified in the course of the acquisition of the DS Group and revaluation premiums were recognized for inventories (EUR 4,377 thousand) and land (EUR 316 thousand).

Strategically, the Executive Board of TSC AG expects the transaction to generate synergy effects totaling EUR 40 to 50 million in the first three years. Significant growth is expected in Europe and in the US. In addition, the diverse distribution channels of the DS Group increase the sales opportunities of the existing social chain brands.

In the current reporting year, there were no necessary adjustments relating to the business combinations from financial year 2021.

Vonmählen GmbH

Vonmählen GmbH was founded on February 7, 2020 under the name Brilliant 3373 GmbH, Berlin. At this time, the balance sheet only contained the subscribed capital of EUR 25 thousand as well as the paid-in contributions and receivables from outstanding contributions of EUR 25 thousand. On February 11, 2021, Brilliant 3373 GmbH acquired all the assets of Vonmählen GmbH (in liquidation), Lüneburg, as part of an asset deal for a purchase price of EUR 400 thousand. On March 12, 2021, Brilliant 3373 GmbH was renamed Vonmählen GmbH. The purpose of Vonmählen GmbH is the distribution and trading of smartphone accessories.

In the context of company-specific purchase price allocations, the Vonmählen brand in the amount of EUR 529 thousand was identified in the course of the acquisition of Vonmählen GmbH.

MINT Marketing Agency LLC

Under the share purchase agreement dated May 22, 2021, TSC AG acquired 25% of the shares in Mint Marketing Agency LLC for a purchase price of EUR 316 thousand, of which 50% was paid in cash and 50% in treasury shares. Mint Marketing Agency LLC operates a marketing

1.5.3 Disposals and deconsolidations

Financial year 2022

Sale of the KoRo Group

By notarized sale and transfer agreement dated March 15, 2022, TSC AG sold 19,249 of its 26,442 shares in KoRo Handels GmbH, Berlin (KoRo), held directly and indirectly via its subsidiary The Social Chain Group AG. The sale was made as part of the entry of several internationally renowned institutional financial investors and various other angel investors in KoRo, with whom an investment and shareholder agreement was also concluded on this date.

Since the completion of the sale and transfer of the shares, TSC AG continues to hold a significant strategic minority interest in KoRo Handels GmbH and has been given a permanent seat on the newly established Advisory Board chaired by Dr. Georg Kofler.

The TSC Group deconsolidated KoRo Handels GmbH and KoRo Eis GmbH, a wholly owned subsidiary of KoRo Handels GmbH, at the end of the first quarter of 2022. The remaining shares in KoRo Handels GmbH have since been recognized at fair value through profit or loss (FVTPL) as other investments. The deconsolidation gain resulting from the sale and recognized in consolidated profit or loss amounts to EUR 39,174 thousand.

KoRo Handels GmbH and KoRo Eis GmbH were allocated to the Core Brands segment.

Sale of Vonmählen GmbH

In May 2022, the TSC Group sold its shares in Vonmählen GmbH, Lüneburg, for EUR 413 thousand. As part of the deconsolidation, loans of the TSC Group to Vonmählen GmbH in the amount of EUR 489 thousand were written off. This write-down is included in the deconsolidation result.

Vonmählen GmbH was allocated to the Brand Chain segment.

Sale of Mabyen GmbH

In April 2022, the TSC Group sold its shares in Mabyen GmbH, Düsseldorf, for EUR 13 thousand. Mabyen GmbH was allocated to the Brand Chain segment.

Sale of the CLASEN BIO Group

By notarized sale and transfer agreement dated October 4, 2022, TSC AG sold its wholly owned subsidiary Carl Wilhelm Clasen GmbH, Schwarzenbek, together with its subsidiaries LGR Nuss & Trockenfrucht Veredelungs GmbH & Co. KG, Elmenhorst/Lanken, LGR Nuss & Trockenfrucht Veredelungs Verwaltungs GmbH, Elmenhorst/Lanken, and PL FoodCom GmbH, Hamburg, to Brilliant 3855. GmbH (in future CWC Holding GmbH), Berlin, for a total purchase price of EUR 1.00. The sale is subject to the approval of the Supervisory Board.

On the same date, and in preparation for the sale of shares, TSC AG transferred its receivables from loans and group recharges from Carl Wilhelm Clasen GmbH totaling EUR 6.5 million to the free capital reserves of Carl Wilhelm Clasen GmbH.

The CLASEN BIO Group was allocated to the Core Brands segment.

Sale of Social Chain Media and Commerce GmbH

In October 2022, the TSC Group sold its shares in Social Chain Media and Commerce GmbH, Berlin, for EUR 11 thousand. Social Chain Media and Commerce GmbH was allocated to the Social Marketing segment.

Dissolution of Exzellenz Verdon (Ningbo) Trading Co. Ltd.

The company Exzellenz Verdon (Ningbo) Trading Co. Ltd., China, Ningbo was dissolved and deconsolidated in October 2022. Exzellenz Verdon (Ningbo) Trading Co. Ltd. was allocated to the MAXX Group segment.

Sale of bytepark GmbH

By notarized agreement dated December 2, 2022, The Social Chain Group AG, a wholly owned subsidiary of TSC AG, sold all its shares in bytepark GmbH, Berlin. The selling price amounted to EUR 200 thousand. bytepark GmbH was allocated to the Other segment.

Summary of deconsolidations of subsidiaries

The consideration received and the result from deconsolidation break down as follows.

in EUR thousand	KoRo Group	CLASSES BIO	bytepark	Vonmählen	Other
Purchase price	30,999	–	200	413	24
Fair value of the shares remaining in the Group	11,584	–	–	–	–
Total consideration	**42,583**	–	**200**	**413**	**24**
Less net assets sold	-3,639	2,097	-421	-403	59
Non-controlling interests	68	–	–	–	-243
Other effects	163	–	–	–	-30
Deconsolidation result	**39,174**	**2,097**	**-221**	**9**	**-191**

The following assets and liabilities were derecognized in the Group as part of the deconsolidation.w

in EUR thousand	KoRo Group[1]	CLASSES BIO[1]	Bytepark[1]	Vonmählen[1]	Other[1]
Intangible assets	1,031	1,691	–	899	6
Goodwill	3,444	–	–	–	3
Property, plant and equipment	425	1,576	–	108	2
Right-of-use assets	181	3,018	241	41	9
Other non-current assets	115	–	29	–	2
Deferred tax assets	845	1,736	6	184	–
Non-current assets	**6,041**	**8,021**	**276**	**1,232**	**22**
Inventories	9,635	15,678	–	855	1
Trade receivables and other receivables	3,251	3,436	211	734	78
Other current assets	390	2,015	18	203	54
Cash and cash equivalents	3,735	27	407	218	53
Current assets	**17,011**	**21,157**	**636**	**2,010**	**186**
Non-current provisions	2,940	5	2	–	–
Non-current financial liabilities	3,289	6,345	190	633	–
Non-current non-financial liabilities	488	–	1	–	–
Deferred tax liabilities	249	986	–	101	–
Non-current liabilities	**6,967**	**7,337**	**193**	**734**	**–**
Current provisions	262	27	77	91	–
Current financial liabilities	3,291	8,792	60	1,185	185
Trade payables	6,484	15,022	102	834	32
Current non-financial liabilities	2,410	96	58	-6	50
Current liabilities	**12,446**	**23,938**	**297**	**2,104**	**266**
Net assets disposed of	**3,639**	**-2,097**	**421**	**403**	**-59**

1 The assets and liabilities of the deconsolidated companies were included in assets and liabilities held for sale at the date of deconsolidation

The deconsolidations affected the consolidated statement of cash flows as follows.

in EUR thousand	KoRo Group	CLASSES BIO	bytepark	Vonmählen	Other
Cash and cash equivalents received	30,999	–	–	413	13
Cash and cash equivalents disposed of	-3,735	-27	-407	-218	-53
Net cash inflow (+) / outflow (-)	**27,264**	**-27**	**-407**	**194**	**-40**

Sale of the joint venture FFLV Inc.

On March 25, 2022, TSC AG sold its 49% stake in FFLV Inc., a company incorporated under the laws of Delaware, USA, to the previous majority shareholder against payment of a purchase price of USD 1.0 million in accordance with a sale and transfer agreement. With regard to the purchase price payment for the shares in FFLV, instead of immediate payment, a fully secured debenture was declared and agreed by the buyer vis-à-vis TSC AG.

Under the same agreement, SC Fun Inc., a subsidiary of FFLV Inc., sold its 10% interest in A4D Holdings II LLC to the majority shareholder of A4D Holdings II LLC for a purchase price of USD 1.0 million. The purchase price for the stake in A4D Holdings II LLC was fully paid to TSC AG, as a result of which the loans granted to FFLV Inc. (and then by FFLV Inc. to SC Fun Inc.) were repaid by the latter in the same amount, discharging the debts of SC Fun Inc. and FFLV Inc. In the course of the transaction, a loan of USD 1.5 million from TSC AG to A4D Holdings II LLC, including accrued interest, was also fully repaid to TSC AG as of March 31, 2022.

Mergers

In August 2022, the companies Möbelfreude Vertriebs GmbH, smileBaby GmbH, belsonno GmbH and Lumaland Vertriebs GmbH were merged with Urbanara Home & Living GmbH with retrospective effect from January 1, 2022.

1.6 Currency conversion

The Consolidated Financial Statements have been prepared using the functional currency concept. The functional currency is the primary currency of the economic environment in which the Group operates. It is the euro, which is also the presentation currency of the Consolidated Financial Statements. The functional currency of the subsidiaries is generally the local currency of the economic environment in which the subsidiary operates independently.

In the financial statements of the individual Group companies, transactions in foreign currencies are translated into the functional currency using the exchange rates applicable at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the mid-market rates prevailing at the balance sheet date (closing rate). Foreign currency gains and losses are reported in the consolidated income statement under „Other operating income“ or „Other operating expenses“.

In preparing the Consolidated Financial Statements, the assets and liabilities of foreign subsidiaries whose functional currency is not the euro are translated into euro at the exchange rates applicable at the balance sheet date. Income and expenses are translated at the average exchange rate for the period. Exchange differences arising on translation from the functional currency of the subsidiaries into the Group currency are recognized directly in accumulated other comprehensive income until the disposal of the subsidiary.

Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the original transaction.

Goodwill arising on the acquisition of a foreign operation and any adjustments to the carrying amount of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

The exchange rates used for currency translation are as follows.

	Closing rate		Average price	
Currency 1 EUR in	**31.12.2022**	**31.12.2021**	**2022**	**2021**
USD	1.067	1.133	1.021	1.144
GBP	0.887	0.840	0.870	0.848
HKD	8.316	8.833	7.981	8.911
PLN	4.681	4.597	4.728	4.617
HUF	400.870	369.190	410.891	364.275

1.7 Accounting and valuation methods

The Consolidated Financial Statements are based on uniform accounting policies. Where necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies with those of the Group. This also includes the preparation of interim financial statements as of the same reporting date as the Consolidated Financial Statements for subsidiaries with different financial years.

The main accounting and valuation principles are explained below.

1.7.1 Consolidation principles

All material subsidiaries that TSC AG controls in accordance with the provisions of IFRS 10 „Consolidated Financial Statements“ are included in the Consolidated Financial Statements and are fully consolidated. The Group obtains control if it can exercise control over the investee, is exposed to variable returns from its shareholding in the investee and has the ability to use its power over the investee to affect the amount of the investee‘s return. The Company reassesses control if facts and circumstances indicate that one or more of the aforementioned control criteria have changed.

The results of subsidiaries acquired or disposed of during the year are recognized in profit or loss and other comprehensive income with effect from the actual date of acquisition or until the actual date of disposal.

Profit or loss and each component of other comprehensive income are attributed to holders of common shares of the parent and to non-controlling interests, even if this results in a negative balance of non-controlling interests.

All intercompany assets and liabilities, equity, income and expenses, and cash flows arising from transactions between Group companies are fully eliminated on consolidation.

The tax deferrals required by IAS 12 „Income Taxes“ are made on temporary differences arising on consolidation.

1.7.2 Business combinations and goodwill

Business combinations are accounted for using the purchase method in accordance with IFRS 3 „Business Combinations“. The cost of a business combination is measured as the aggregate of the consideration transferred, measured at fair value at the acquisition date, and the non-controlling interest in the acquiree. For each business combination, the Group decides whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred. The assets, liabilities and contingent liabilities identifiable in a business combination are measured initially at their fair values at the acquisition date.

Goodwill is measured as the cost of the acquisition, the amount of any non-controlling interest in the acquiree and the fair value of any previously held equity interest at the date of acquisition exceeding the Group's share of the net assets measured at fair value. If the acquisition cost is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in profit or loss after reassessment (bargain purchase gain).

1.7.3 Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over the decision-making processes.

A joint venture is a joint arrangement whereby the parties that have joint control over the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control over an arrangement that exists only when decisions about the relevant activities require the unanimous consent of the parties that have joint control.

The considerations used to determine significant influence or joint control are similar to those required to determine control of subsidiaries. The Group's investments in associates and joint ventures are generally accounted for using the equity method.

Under the equity method, investments in associates and joint ventures are initially recognized at cost. The carrying amount of the investment is adjusted to reflect changes in the Group's share of the net assets of the associates and joint ventures since the date of acquisition. Goodwill associated with associates and joint ventures is included in the carrying amount of the investment and is neither amortized nor separately tested for impairment.

The income statement includes the Group's share of the profit or loss of associates and joint ventures for the period. Changes in other comprehensive income of these investees are recognized in other comprehensive income of the Group. In addition, changes recognized directly in equity of associates and joint ventures are recognized by the Group to the extent of its interest and, where necessary, presented in the statement of changes in equity. Unrealized gains and losses on transactions between the Group and its associates and joint ventures are eliminated in proportion to the Group's interest in the associates and joint ventures.

The Group's total share of profit or loss of associates and joint ventures is presented in the income statement within the financial result rather than as part of the operating result and relates to earnings after tax and after non-controlling interests in subsidiaries of associates and joint ventures.

The financial statements of associates and joint ventures are prepared as of the same reporting date as the Consolidated Financial Statements. Where necessary, adjustments are made to conform to Group-wide accounting policies.

After applying the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investments in associates and joint ventures. At each reporting date, the Group assesses whether there is objective evidence that the investment in associates and joint ventures may be impaired. If any such indication exists, the amount of the impairment loss is measured as the difference between the asset's recoverable amount and the carrying amount of the investment in the associates and joint ventures, and the loss is recognized in the income statement under „Share of profit or loss of associates and joint ventures".

1.7.4 Fair value measurement in accordance with IFRS 13

Fair value is the price that would be received to transfer an asset or liability in an orderly transaction between market participants at the measurement date under current market conditions, regardless of whether the price is directly observable or estimated using another valuation method.

In accordance with IFRS 13 „Fair Value Measurement“, a measurement hierarchy (fair value hierarchy) has been defined. The fair value hierarchy categorizes the inputs used in the valuation method to measure fair value into three levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.
- Level 2: Valuation parameters that are not the quoted prices included in Level 1, but are directly observable for the asset or liability or can be derived indirectly.
- Level 3: Valuation parameters for the asset or liability that are not based on observable market data.

The Group determines whether transfers have occurred between levels in the hierarchy by reviewing the classification (based on the input factor of the lowest level, which is overall material for the measurement at fair value) at the end of each reporting period.

The general responsibility for monitoring all significant fair value measurements, including Level 3 fair values, rests with the Finance department, which reports directly to the Chief Financial Officer. The finance department consults selected external valuation experts to determine the fair value of significant assets and liabilities. The selection criteria include market knowledge, reputation, independence and compliance with professional standards. In discussions with the external valuation experts, the finance department decides which valuation method and input factors are to be applied in each individual case.

1.7.5 Intangible assets

Acquired intangible assets, including software and licenses, are capitalized at cost.

The recognition of development costs for internally generated intangible assets requires the cumulative fulfillment of the capitalization criteria of IAS 38: the technical feasibility of the development project and a future economic benefit from the development project must be demonstrated and the Company must intend and be able to complete the intangible asset and use or sell it. Furthermore, adequate technical, financial and other resources must be available and the expenditure attributable to the intangible asset during its development must be reliably measurable. Non-capitalizable costs for internally generated intangible assets are recognized in profit or loss in the period in which they are incurred.

Capitalized production costs comprise costs directly attributable to the development process as well as development-related overheads.

Intangible assets with finite useful lives are amortized on a straight-line basis to their residual values. Amortization is based on the following useful lives:

Intangible assets	Useful lives
Internally generated intangible assets	8 – 20 years
Trademarkss	5 – 10 years
Customer relations	1 – 8 years
Patents, concessions and other rights as well as software	3 – 15 years

With the exception of goodwill, the Group currently has no intangible assets with indefinite useful lives.

1.7.6 Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

The cost of an item of property, plant and equipment comprises all costs directly attributable to the acquisition of the asset. Repairs and maintenance are recognized as expenses in the consolidated income statement in the reporting period in which they are incurred. Internally generated items of property, plant and equipment are initially measured at directly attributable production costs and production-related overheads.

Property, plant and equipment are depreciated on a straight-line basis to their residual values over their estimated useful lives. The following useful lives are applied:

Property, plant and equipment	Useful life
Buildings	40 years
Technical equipment and machinery	10 years
Operating and office equipment	1 – 10 years

Land is not depreciated.

The residual values and economic useful lives are reviewed at each balance sheet date and adjusted if necessary. The economic useful lives are based on estimates and largely on experience regarding historical usage and technical development.

Gains and losses on the disposal of assets are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss under other operating income or other operating expenses.

1.7.7 Impairments

In accordance with IAS 36, intangible assets, property, plant and equipment, rights of use and investment property are reviewed at each balance sheet date to determine whether there are any indications of possible impairment, e.g. special events or market developments indicating a potential value impairment.

For intangible assets with indefinite useful lives (including goodwill) and internally generated assets under development, an impairment test must also be performed annually.

The recoverable amount of the asset is determined if there are indications of an impairment or if the annual impairment test is mandatory. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. The recoverable amount must be determined for each asset individually, unless an asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In this case, the recoverable amount must be determined on the basis of a cash-generating unit or „CGU". A CGU is the smallest identifiable group of assets that together generate largely independent cash inflows. This also applies to goodwill which is allocated from the acquisition date to the CGU or group of CGUs that can benefit from the synergies of the business combination and at whose level the goodwill is monitored for internal management purposes.

The CGUs have been identified at the level of the brands („verticals") existing in the Group, as management control is performed at the level of the verticals and in order to better present the synergy effects between the individual companies of the same brand („verticals"). As a result of the acquisition of the DS Group in December 2021 and the integration and strategic realignment of the Group in the financial year 2022, the verticals were adjusted and reallocated in the financial year 2022.

To determine the value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining the value in use, the current and expected future level of earnings as well as technological, economic and general development trends are taken into account on the basis of approved financial plans.

If the carrying amount exceeds the recoverable amount of the asset or CGU, an impairment loss is recognized in profit or loss for the amount by which the carrying amount exceeds the recoverable amount. If, in the case of goodwill, the impairment loss exceeds the carrying amount of the goodwill, the goodwill is initially written off in full and the remaining impairment loss is allocated to the remaining assets of the CGU, unless this results in the assets being carried at a value lower than their fair value less costs of disposal, their value in use or zero.

Impairment losses are reversed to the new recoverable amount, except in the case of goodwill, if the reasons for impairment losses recognized in previous years no longer apply. The upper limit for value recoveries (write-ups) is the amortized cost that would have resulted if no impairment losses had been recognized in previous years.

1.7.8 Leases

TSC Group as lessee

At the inception of the contract, an assessment is made as to whether a contract establishes or contains a lease. This is the case if the contract gives the right to control the use of an identified asset for a certain period of time in exchange for consideration. To assess whether a contract conveys the right to control an identified asset, the definition of a lease under IFRS 16 is used.

At the provision date or upon modification of a contract that includes a lease component, the contractually agreed consideration payable is allocated on the basis of relative stand-alone selling prices. The Group uses the option of not separating the non-lease components for movable assets and instead accounts for the lease and non-lease components as a single lease component. For property, only the basic rent is accounted for in accordance with IFRS 16.

At the provision date, the Group recognizes an asset for the right-of-use granted and a lease liability.

The right-of-use asset is initially measured at cost, which is the present value of the lease liability, adjusted for payments made on or before the commitment date and any lease incentives received, plus any initial direct costs and the estimated costs of dismantling, removing or restoring the underlying asset or the site on which it is located.

Subsequently, the right-of-use asset is amortized on a straight-line basis over the shorter of the lease term and its expected useful life. In determining the expected useful life, consideration is given to whether ownership of the underlying asset will pass to the Group at the end of the lease term or whether the Group is expected to exercise a purchase option. Where necessary, the right-of-use asset is adjusted for impairment and for certain revaluations of the lease liability.

The lease liability is initially recognized at the present value of the lease payments not yet made at the commitment date. The discount rate used is the interest rate implicit in the lease or, if not readily determinable, the incremental borrowing rate. The Group normally uses the incremental borrowing rates as discount rates.

The marginal borrowing rate is composed of a basic interest rate and a credit spread. The risk-free base interest rate is determined for specific maturities and countries on the basis of government bond yields. To derive the credit spread, a company-specific premium was calculated, which is the difference between the risk-free base interest rate and the terms of the loans issued by banks to the Group companies. The marginal borrowing rate is determined annually and adjusted to reflect changes in market conditions.

The lease payments included in the measurement of the lease liability comprise:

- fixed payments, including de facto fixed payments.
- variable lease payments linked to an index or (interest) rate, measured for the first time using the index or (interest) rate applicable on the provision date.
- Amounts expected to be payable under a residual value guarantee.
- the exercise price of a purchase option if the Group is reasonably certain to exercise it; lease payments for a renewal option if the Group is reasonably certain to exercise it; and penalties for early termination of the lease unless the Group is reasonably certain not to terminate prematurely.

The lease liability is remeasured if there is a change in future lease payments due to a change in an index or (interest) rate, if the Group adjusts its estimate of expected payments under a residual value guarantee, if the Group changes its estimate of the exercise of a purchase, extension or termination option, or if there is a change in a de facto fixed lease payment.

Leases of underlying low value assets and short-term leases are not recognized in the balance sheet. The Group recognizes the lease payments relating to these leases as an expense on a straight-line basis over the lease term.

TSC Group as lessor

Leases in which the Group is the lessor are classified as either finance or operating leases, depending on whether substantially all the risks and rewards pertaining to the ownership of an underlying asset are transferred. Sub-leases are also accounted for depending on the classification in accordance with the general requirements, except for low-value leased assets.

Income from sub-leases classified as operating leases is recognized on a straight-line basis over the term of the lease.

1.7.9 Investment property

Investment property is property (land or buildings) held primarily to earn rent or for capital appreciation. The TSC Group holds rights of use from property leases under which the property is fully subleased. These rights of use are reported in the balance sheet as „Investment property“.

The TSC Group applies the cost model, i.e. investment property is measured at cost less accumulated depreciation and impairment losses. Investment property is additionally adjusted for any remeasurement of the lease liability due to new assessment or change in lease terms.

Investment property is depreciated on a straight-line basis over its useful life of 10 years.

The disclosed fair value of investment property is determined by an independent appraiser.

1.7.10 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, immediately available bank balances and short-term deposits with banks, all of which have an original maturity of less than three months.

1.7.11 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and liabilities are only offset if it is legally enforceable at the present time to offset the amounts and there is also an intention to actually offset them. These requirements were not met in the reporting year. Similarly, there are currently no general offsetting agreements or similar arrangements in place, so that there is no offsetting for accounting purposes in the Group, nor can circumstances arise in which offsetting is possible.

Market purchases or sales of financial assets and liabilities are generally recognized on the trade date.

Financial assets and financial liabilities are initially measured at fair value, which is generally the transaction price. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument are only included in the carrying amount if the financial instrument is not measured at fair value through profit or loss. In the case of trade receivables without a significant financing component, the transaction price determined in accordance with IFRS 15 must always be recognized. The subsequent measurement of financial assets and financial liabilities depends on their classification.

Financial assets

The classification of financial assets depends on the underlying business model and the fulfilment of the cash flow criterion (SPPI test). The assessment of the business model relates to the question of how financial assets are managed to generate cash flows. The management can either be aimed at holding, selling or a combination of both. The SPPI test assesses whether the contractual cash flows of a financial asset consist solely of interest and repayments on the outstanding principal balance of the financial asset. The cash flow criterion is always tested at the level of the individual financial asset.

The Group's financial assets are allocated to one of the following categories:

- Financial assets at amortized cost (FAAC)
- Financial assets at fair value through profit or loss (FVTPL)
- Financial assets at fair value through other comprehensive income without recycling (FVOCI, fair value through OCI)

In the financial years 2022 and 2021, there were no financial assets with recycling (debt instruments) measured at fair value through other comprehensive income in the Group.

Financial assets at amortized cost (FAAC)

The most significant category of financial assets for the Group is the category of assets measured at amortized cost. Debt instruments that meet the following two criteria cumulatively are assigned to this category:

- The business model for managing the debt instrument is to „hold" in order to receive the underlying contractual cash flows.
- The resulting contractual cash flows consist solely of interest and repayment of the principal outstanding.

Subsequent measurement is performed using the effective interest method and is subject to the impairment requirements of IFRS 9.

In the Group, trade receivables, loans, other financial assets and cash and cash equivalents are allocated to this category. For further details, please refer to section 6 „Disclosures on financial instruments".

Trade receivables that are sold under a factoring agreement without resulting in a disposal of the receivables under the sale of receivables continue to be classified by the Group under the business model „hold" and therefore under the category FAAC. Under the business model criterion, the Group defines a sale as an actual sale that also results in an accounting derecognition. According to the Group's interpretation, a purely legal sale without disposal does not constitute a "selling" business model within the meaning of IFRS 9. Receivable portfolios that are generally subject to the possibility of factoring with disposal of the corresponding receivables are allocated to the „hold and sell" category and measured at fair value through profit or loss (FVTPL).

Financial assets at fair value through profit or loss (FVTPL)
This category includes financial assets held for trading, financial assets designated at fair value, and financial assets designated at fair value through profit or loss. A trading purpose exists if a short-term purchase or sale is intended. Derivative financial assets that are not part of a hedging relationship are always classified as held for trading. Financial assets that do not meet the cash flow criterion are always measured at fair value through profit or loss, regardless of the underlying business model. The same measurement applies to financial assets that are subject to a „selling" business model.

The fair value option for financial assets at fair value through profit or loss is currently not exercised in the Group.

Any changes in the fair value of these instruments are recognized in profit or loss.

Financial assets at fair value through other comprehensive income (FVOCI)
For equity instruments that are not held for trading and are not contingent consideration as defined by IFRS 3, there is an irrevocable option (fair value option) upon initial recognition to measure these equity instruments at fair value through other comprehensive income (FVOCI). To date, the Group has only measured one equity instrument at fair value through other comprehensive income (FVOCI). This instrument remains in the ownership of the Group as of December 31, 2022.

Gains or losses arising from the fair value measurement of these equity instruments are recognized in accumulated other comprehensive income (OCI) and are not reclassified to profit or loss on disposal (no recycling). Dividends from such instruments are recognized in profit or loss. Equity instruments measured at fair value through other comprehensive income are not subject to the impairment regulation.

Impairment of financial assets
Financial assets measured at amortized cost (FAAC), contract assets in accordance with IFRS 15, lease receivables, loan commitments and financial guarantees are subject to the impairment model as defined by IFRS 9.5.5, according to which the Group recognizes an impairment loss for these assets on the basis of the expected credit loss (ECL). Expected credit losses are the difference between the contractual cash flows and the expected cash flows, measured at present value using the original effective interest rate. The expected cash flows also include proceeds from the sale of collateral and other loan collateral that form an integral part of the respective contract.

Expected credit losses are recognized in three stages.

- Level 1: All assets for which there has been no significant increase in the risk of default since initial recognition are allocated to Level 1. The allowance is measured in the amount of the expected 12-month credit loss.

- Level 2: If an asset has experienced a significant increase in default risk after initial recognition, but its credit rating has not been impaired, it is assigned to Level 2. The allowance is determined in the amount of the expected credit losses for the entire remaining life of the asset. The Group generally assumes that there is a significant increase in credit risk if payments at least 30 days overdue. This principle may be overruled if, in a particular case, reliable and justifiable information indicates that the credit risk has not increased.

- Level 3: If there are objective indications of impairment, the underlying assets are to be assigned to Level 3. Objective indication of impairment is assumed to exist in the event of an overdue payment of more than 90 days overdue unless there is reliable and justifiable information in each individual case that a longer arrear is more appropriate. In addition, a refusal to pay and the like are regarded as objective indications.

The most relevant assets for the Group for the application of the expected credit loss model are trade receivables. The Group applies the simplified approach in accordance with IFRS 9.5.5.15 for such assets. Accordingly, the loss allowance is always measured as the amount of the lifetime expected credit losses.

If there are objective indications that the receivables due are not fully recoverable (e.g. opening of insolvency proceedings or significant payment delays on the part of the debtor), a loss allowance is recognized on an individual basis.

For further details on the calculation of impairment losses, please refer to Note 7.1 „Credit and default risk“.

For the other assets within the scope of the IFRS 9 impairment model that are subject to the general approach, financial assets are grouped based on common credit risk characteristics or individual default information is used to measure expected losses. In each case, the calculation is based on current default probabilities as of the respective reporting date.

Derecognition of financial assets

Financial assets are derecognized when the contractual rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all risks and rewards associated with ownership of the asset.

Financial liabilities

The Group classifies financial liabilities into one of the following categories:

- Financial liabilities at amortized cost (FLAC)
- Financial liabilities measured at fair value through profit or loss (FLPL)

Financial liabilities at amortized cost are measured using the effective interest method. Being most significant for the Group they include in particular bonds and other securitized liabilities, liabilities to banks, loan payables, and trade payables.

The category of financial liabilities at fair value through profit or loss generally includes all financial liabilities held for trading and financial liabilities for which the fair value option has been exercised.

Financial liabilities are derecognized when the liability is extinguished, i.e. the contractual obligation is discharged, cancelled or expires.

Utilized overdraft facilities are reported under other current financial liabilities.

Derivative financial liabilities for which there is no hedging relationship are classified as held for trading and are therefore measured at fair value through profit or loss.

The fair value option for financial liabilities is currently not exercised in the Group.

Financial liabilities are derecognized when the liability has been settled, i.e. the contractual obligation is discharged, cancelled or expires.

Derivative financial instruments

Within the Group, derivative financial instruments are used to manage risks from interest rate fluctuations and currency risks. Derivative financial instruments are measured at fair value through profit or loss. Attributable transaction costs are recognized in profit or loss in the period in which they are incurred. Derivative financial instruments are recognized in the consolidated statement of financial position under „other financial assets“ or „other financial liabilities.

The Group does not currently apply hedge accounting.

1.7.12 Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of raw materials, supplies and merchandise includes the purchase price and ancillary acquisition costs less trade discounts received. The conversion costs of manufactured unfinished and finished goods include not only material, manufacturing and special direct costs of production, but also appropriate parts of manufacturing overheads and production-related depreciation. The cost of individual inventory items is determined based on weighted average costs.

Net realizable value is defined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

1.7.13 Provisions

A provision is recognized when the Group has a present (legal or constructive) obligation as a result of a past event, the outflow of resources with economic benefits to settle the obligation is probable and the amount of the obligation can be estimated reliably. Provisions are recognized at the expected settlement amount. Non-current provisions are discounted to the balance sheet date using appropriate market interest rates.

1.7.14 Share-based payment

Equity-settled share-based payment transactions
The Group has launched option programs for management, executives and other key employees. In accordance with IFRS 2, the options are recognized as equity-settled share-based payments.

The fair value of the share-based payment is determined at the grant date by applying Monte Carlo simulations, taking into account the terms and conditions upon which the employee options were granted, and is recognized as personnel expense on a straight-line basis over the vesting period (based on the Group's estimate of the number of shares that may become exercisable) with a corresponding posting in a contra equity account. The vesting period generally begins on the grant date of the award. However, expense recognition may also occur at an earlier date if the employee's service commences prior to the formal approval of the share-based payment award.

No expense is recognized for share-based payment awards that become non-exercisable, except for equity-settled share-based payment plans whose exercise is subject to a market condition or a non-exercise condition. Such equity instruments are regarded as exercisable regardless of whether a market condition or a non-exercise condition occurs, provided that all other performance or service conditions are met.

At the end of each reporting period, the Company estimates the number of options and shares that are expected to become exercisable based on non-market exercise conditions and recognizes the changes in profit or loss.

Share-based payment with cash settlement
The Group has issued virtual shares in the financial year 2021. In accordance with IFRS 2, the virtual shares are recognized as cash-settled share-based payments. The Group measures the fair value of the liability arising from the virtual shares at each reporting date and at the settlement date. Changes in the fair value are recognized as personnel expenses. The liability is recognized over the vesting period (if applicable).

The fair value of the obligation is determined by applying Monte Carlo simulations, taking into account the terms and conditions upon which the virtual shares were granted.

1.7.15 Revenues

Revenue is measured in accordance with the provisions of IFRS 15 based on the consideration expected to be received in a contract with a customer. The Group recognizes revenue when it transfers control of a good or service to a customer.

In the Core Brands, Brand Chain and MAXX Group (transaction business) segments, retail products are sold to end customers and retailers through various distribution channels. The performance obligation consists of the delivery of the product ordered by the customer. Consequently, revenue is recognized at the point in time when control is transferred to the end customer upon delivery of the goods. The transaction price is determined at the time the contract is concluded and does not include any variable components at that time. In general, customers have a statutory 14-day right of return. In some cases, the Group grants customers an extended right of return. As the customer in the transaction business is entitled to a right of return in any case, refund liabilities are recognized at the relevant reporting dates. A claim for return of the products is capitalized as other asset.

There are three main business models within the social marketing segment:

In the production business, TV productions and commercials are produced for TV stations. Furthermore, the Group develops various IT applications on behalf of customers in the form of websites, apps, etc., and offers web hosting services. Production contracts with customers generally provide for development and preparatory work, as well as all materials to be supplied and/or created to produce an entire season of a series. Generally, such productions constitute separately identifiable goods. Same as individual productions, series productions represent a single performance obligation within the meaning of IFRS 15. Revenues are recognized over the production period in accordance with the performance progress, as there is no alternative use for the company and the company generally has an enforceable claim to payment for the service already provided at all times. The input-based method is generally used to measure performance progress.

In the agency business, the Group generates revenue mainly from the execution of advertising campaigns. This comprises a range of different services provided over a fixed period of time. Generally, campaigns are agreed for a relatively short period of time. Revenue is recognized over a period of time and over the term of the contract as the customer receives and simultaneously consumes the benefits of the services provided. In the agency business, the Company also concludes management contracts with influencers. These contracts have a term of several years, during which the Company provides services with the aim of promoting the influencers' career. Revenue recognition for these contracts is also on a time-period basis.

The event business involves the organization of trade shows and other events. The main customer contracts generally provide for three performance obligations: (i) provision/subletting of the event space, (ii) granting of the right to use the Company's brands, and (iii) name sponsorship. Revenue is recognized over the period of the event or the respective term of the contract.

If payments are received before the contractual service has been rendered, they are recognized as a contract liability. If revenue is recognized prior to payment, a contract asset is recognized. The respective transaction price of individual customer contracts generally corresponds to the contractually stipulated fixed consideration. Due to the business model of the respective companies, there are generally no (substantial) costs for obtaining or fulfilling the customer contracts.

1.7.16 Income taxes

Income tax expense represents the total of current tax expense and deferred taxes.

Current taxes
Current tax expense is calculated based on taxable income for the year. Taxable income differs from the net income in the consolidated statement of comprehensive income due to expenses and income that are taxable or tax deductible in later years or never. The Group's liability for current taxes is calculated using applicable tax rates or will apply at the reporting date.

Deferred taxes
In accordance with IAS 12, deferred taxes are determined on the basis of the internationally customary balance sheet based liability method. Under this method, deferred tax assets and liabilities are recognized for all temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet, as well as for tax loss carryforwards.

Deferred tax assets on deductible temporary differences and on loss carryforwards are only recognized if there is sufficient taxable income in future assessment periods against which the deductible temporary differences and loss carryforwards can be offset. The probable utilization of tax loss carryforwards in subsequent periods is based on a 5-year period.

Deferred tax liabilities on temporary differences are always recognized.

Deferred tax assets and liabilities are also recognized on temporary differences arising on acquisitions, with the exception of temporary differences on goodwill provided that these are not recognized for tax purposes.

Deferred taxes are calculated on the basis of the tax rates applicable in future years to the extent that they have already been enacted by law or the legislative process is substantially complete. Changes in deferred taxes in the balance sheet generally result in deferred tax expense or income. To the extent that certain items resulting in a change in deferred taxes are recognized directly in equity, the change in deferred taxes is also recognized directly in equity.

Deferred tax assets and deferred tax liabilities in the same tax jurisdiction are offset against each other if the maturities correlate.

1.7.17 Government grants

Government grants, including non-monetary grants at fair value, are only recognized if there is reasonable assurance that:

(a) the entity will comply with the conditions attached thereto; and

(b) the grants are awarded.

Grants are recognized as income over the periods in which the corresponding expenses for which they are intended to compensate are incurred. Grants received to compensate for expenses already incurred or to provide immediate financial support irrespective of future expenses are recognized in profit or loss in the period in which the entitlement arises.

The Group has taken out low-interest loans from the public sector. For further information, please refer to Note 4.15 Other financial liabilities.

1.7.18 Assets held for sale and discontinued operations

An asset or group of assets is classified as held for sale if its carrying amount is realized primarily through a sale transaction rather than through continuing use. The asset (or disposal group) must be currently available for immediate sale on terms that are usual and customary for sales of such assets, and the sale must be highly probable. The asset is measured at the lower of its carrying amount and fair value less costs of disposal.

A discontinued operation is a component of an entity that has been disposed of, is classified as held for sale, or has ceased operations. Discontinued operations are components of an entity that can be clearly distinguished from the rest of the entity in terms of operation and for other purposes. Gains or losses of discontinued operations are presented separately in accordance with IFRS 5.

Further explanations are provided in Notes 3.9 and 4.12. All other disclosures in the Notes contain amounts from continuing operations unless otherwise stated.

1.8 Critical estimates and judgments

In applying the accounting policies, management has made judgments that have a significant effect on the amounts recognized in the Consolidated Financial Statements. This requires management to make certain assumptions and estimates in the preparation of the Consolidated Financial Statements that affect the reported amounts of assets and liabilities, income and expenses, and contingent liabilities for the reporting period. The assumptions and estimates are based on premises that reflect the current state of knowledge. In particular, the expected future business performance is based on the circumstances prevailing at the time of preparation of the Consolidated Financial Statements, as well as on the future development of the business environment, which is considered to be realistic. As a result of developments in this environment that deviate from the assumptions and are beyond the control of management, the amounts reported may differ from the originally expected estimated values.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within following financial reporting periods are outlined below.

Allowance for doubtful accounts

Management bases its estimates of the amount of valuation allowances on the principle of individual assessment. The estimates of the need for specific valuation allowances are in part subjective assessments regarding the creditworthiness and default risk of customers. They are therefore subject to inherent valuation uncertainties.

Recognition of deferred tax assets and deductible temporary differences

Deferred tax assets are recognized for tax loss carryforwards and deductible temporary differences to the extent that it is considered probable that the associated tax benefits will be realized through future taxable profits based on management‘s profit forecasts for the Group companies. The forecasts are subject to uncertainties.

Provisions

Provisions differ from other liabilities regarding uncertainties as to the timing or amount of expenditure required in the future. Due to differing economic and legal assessments and the difficulties of determining a probability of occurrence, there are significant recognition and measurement uncertainties.

Share-based payment

The Group determines the expense arising from option programs on the basis of the fair value at the grant date. The estimation of the fair value requires the determination of the most appropriate valuation method, which depends on the terms and conditions of the option program. It is also necessary to determine the input factors for the valuation model (share price, exercise price, risk-free interest rate, expected volatility and term).

Impairment of intangible assets, property, plant and equipment, rights of use and investment property

In determining the impairment of intangible assets, property, plant and equipment, rights of use and investment property, estimates are made that relate, among other things, to the cause, timing and amount of the impairment. Impairment is based on a variety of factors. Generally, changes in current competitive conditions, expectations of growth in the Group‘s markets, increases in the cost of capital, changes in the future availability of financing, technological obsolescence, discontinuance of services, current replacement costs, purchase prices paid in comparable transactions and other changes in circumstances that indicate impairment are considered. Management is required to make significant judgments in identifying and testing for indications of impairment, estimating future cash flows, determining the fair values of assets (or groups of assets), the applicable discount rates, the respective useful lives and the residual values of the assets concerned. In addition, further planning uncertainties are included in the determination of fair values, reflecting the risks of macroeconomic developments. This could have a negative impact on future earnings.

Recoverable amount of cash-generating units

The determination of the recoverable amount of a cash-generating unit involves estimates by management. The methods used to calculate the recoverable amount include discounted cash flow methods and methods based on market prices. The valuations based on discounted cash flows are based on forecasts derived from financial plans approved by management and which are also used for internal purposes. The planning horizon selected reflects the assumption for short- to medium-term market developments and is chosen in order to obtain a stable business outlook for the company that is necessary for the calculation of the perpetual annuity.

Cash flows beyond the internal medium-term planning are calculated using appropriate growth rates. These growth rates are determined individually for each cash-generating unit. The growth rates applied are based on long-term real growth and the long-term inflation expectations of the countries in which the respective unit operates. In order to achieve the sustainable growth rates assumed for the perpetuity period, additional sustainable investments specifically derived for each cash-generating unit are taken into account. The key assumptions on which the calculation of the recoverable amount is based include the following mainly internally determined assumptions, which are based on past experience, supplemented by current internal expectations and supported by external market data and estimates: Revenue development, customer acquisition and retention costs, churn rates, capital expenditure, market shares, and growth rates (growth discount in perpetuity). Discount rates are determined on the basis of external variables derived from the market, taking into account the risks associated with the cash-generating unit (market and country risks). Future changes in the assumptions may have a significant impact on the fair values of the cash-generating units. Possible changes in these assumptions owing to future developments in the macroeconomic situation, competition and regulatory intervention may have a negative impact.

Discontinued operations
In the absence of more specific definitions of major lines of business or geographical areas of operations (IFRS 5.32), the classification and subsequent presentation of these discontinued operations is a matter of judgment on a case-by-case basis.

1.9 Error correction

Consolidated Cash Flow Statement 2021

The Consolidated Statement of Cash flows for the financial year 2021 has been adjusted for the following items.

Acquisition DS Group

- TSCDS Holding GmbH, a wholly owned subsidiary of TSC AG, which served as the acquisition vehicle for the DS Group, took out a loan of EUR 50,000 thousand in December 2021. This loan was used for the payment of the purchase price for the DS Group. In the cash flow statement, the borrowing of the loan was incorrectly reported in cash flow from operating activities instead of cash flow from financing activities.

- The Group's additions to the assets and liabilities of the acquired DS Group were partially misallocated within cash flows from operating activities.

- Other

- In the financial year 2021, the TSC Group sold its shares in Synbiotic SE for EUR 9,274 thousand. In the cash flow statement, the cash inflow was shown in the cash flow from operating activities and not in the cash flow from investing activities.

- The cash-settled share-based payment was misallocated within cash flows from operating activities.

There is no impact on the income statement, statement of comprehensive income, balance sheet, cash and cash equivalents or statement of changes in equity.

in EUR thousand	2021 as reported	Correction acquisition DS Group	Correction of share-based payment	Correction sale shares Synbiotic	Other corrections	2021 corrected
Group result	**-81,554**	**–**	**–**	**–**	**–**	**-81,554**
Income taxes (continuing and discontinued operations)	-104	–	–	–	–	-104
Earnings before taxes	**-81,658**	**–**	**–**	**–**	**–**	**-81,658**
Reconciliation of pre-tax earnings to net cash flows						
Financial result (continuing and discontinued operations)	3,776		–	–	16	3,792
Depreciation of property, plant and equipment and right-of-use assets (continuing and discontinued operations)	4,620	–	–	–	-28	4,592
Amortization of intangible assets (continuing and discontinued operations)	4,209	–	–	–	70	4,279

Impairment losses (continuing and discontinued operations)	44,978
Net impairment loss on trade receivables and contract assets (expected future credit losses, ECL)	–
Impairment of inventories	–
Gain (-) / loss (+) on disposal of fixed assets	-2,565
Gain (-) / loss (+) on disposal of subsidiaries	–
Expenses for share-based payments	790
Other non-cash income (-) and expenses (+) (continuing and discontinued operations)	-72
Changes in working capital	
Decrease (+)/increase (-) in inventories	-20,135
Decrease (+)/increase (-) in contract assets	-715
Decrease (+)/increase (-) in trade and other receivables	5,911
Decrease (+)/increase (-) in other financial assets	–

5 Wesentliche Ereignisse nach dem Quartalsstichtag

in der Zeit vom 1. Juli bis zum 30. September 2022

Decrease (+)/increase (-) in other non-financial assets (excluding contract assets)	-20,525	–	–	–	302	-20,2[illegible]

in EUR thousand	2021 as reported	Co acquis
Proceeds from capital increases against cash contributions	52,032	
Cash outflows from capital reductions	–	
Proceeds from the issue of convertible bonds and other debt instruments	25,045	
Payments for the redemption of convertible bonds and other debt instruments	–	
Proceeds from loans granted	50,562	
Payments for the repayment of loans	-26,037	
Payments for the redemption of lease liabilities	-2,941	
Interest paid (including interest portion from leasing)	-2,835	
Restricted cash from financing activities	-996	
Dividends paid	-50	
Cash flow from financing activities	**94,781**	
Net change in cash and cash equivalents	**7,459**	

5 Wesentliche Ereignisse nach dem Quartalsstichtag
in der Zeit vom 1. Juli bis zum 30. September 2022

Classification of property, plant and equipment and rights of use

Due to a presentation error, individual items of property, plant and equipment and rights of use of a subsidiary were incorrectly classified in the detailed disclosures on the development of asset types. The error has been corrected retrospectively and the corresponding comparative disclosures adjusted.

This adjustment has no effect on the income statement, statement of comprehensive income, balance sheet, cash flow statement or statement of changes in equity.

in EUR thousand	2021 as reported	Adjustment	2021 adjusted
Land and buildings	12,613	1,632	14,245
Technical equipment and machinery	1,112	2	1,114
Operating and office equipment	6,723	-1,661	5,062
Advance payments and assets under construction	13	27	39
Total property, plant and equipment	**20,460**	**–**	**20,460**
Rights of use for land and buildings	47,650	914	48,564
Rights of use for technical equipment and machinery	4,560	-944	3,616
Rights of use for other operating and office equipment, vehicle fleet	2,059	30	2,089
Total rights-of-use assets	**54,269**	**–**	**54,269**

2 Segment Report

The operating segments reflect the Group's management structures and the way in which financial information is regularly reviewed by the chief operating decision maker, defined as the Executive Board. The Executive Board is also responsible for allocating resources and assessing the performance of the operating segments.

In the 2022 financial year, the post-merger integration and restructuring of the TSC Group was driven forward. To ensure a clear focus on the core areas, the structure and organization of the TSC Group was aligned to the Commerce pillars „Core Brands," „MAXX Group" and „Brand Chain," as well as the growing social media agency business „Social Marketing." The segment structure was adjusted to reflect the changes in management structures in the 2022 financial year. In the financial 2021, the TSC Group reported the segments Social Commerce, Social Media and Retail (DS Group). Since the 2022 financial year, the TSC Group has been divided into four operating segments: Core Brands, MAXX Group, Brand Chain and Social Marketing. The segment information for the 2021 financial year has been adjusted to the new segment structure.

Core Brands

The Core Brands form the main brands of the TSC Group. These independent companies have their own brand concept, a fixed customer base and brand awareness. The Core Brands segment is made up of classic and emerging brands. The focus of the Core Brands is on Europe's largest beauty convention, the influencer magnet GLOW by dm, and the traditional German barbecue brand LANDMANN. Other up-and-coming brands include high-end interior brand URBANARA, food brand CLASEN BIO and coffee and tea utensil specialist BEEM.

Brand Chain

In the Brand Chain segment, the focus is on „emerging brands" that are in the process of becoming D2C brands. Included here are: N8WERK with kitchen and household products, the home & living brand Lumaland, FitEngine for fitness equipment and HOBERG, the partner for outdoor projects. These D2C brands of the TSC Group are sold both in the company's own online stores and via social commerce and all relevant online marketplaces.

MAXX Group

The MAXX Group includes the goods-carrying business of DS Produkte, as well as the brands of the start-up founders from the VOX start-up show „Die Höhle der Löwen". GOURMETMAXX, CLEANMAXX, EASYMAXX, VITALMAXX, BRATMAXX and MAXMEE which are firmly anchored in stationary retail and teleshopping. Merchandise for major brands, such as FC Bayern, is also included in this segment.

Social marketing

In the Social Marketing segment, the TSC Group relied on an integrated model of social media marketing and social media publishing in the 2022 financial year. The TSC Group offered this combination of its own reach and agency services primarily to external business customers. In recent years, the Social Chain Agency UK and Social Chain Agency US had designed numerous award-winning advertising campaigns for major brands of other companies. This traditional agency business was reclassified as discontinued operations at the end of the 2022 financial year and sold in February 2023 in order to focus Social Chain AG's resources on the profitable growth of its own brands and products.

The Executive Board measures the performance of the segments on the basis of EBITDA. The segment earnings indicator EBITDA is defined as earnings before interest, taxes, depreciation and amortization.

The operating segments are reported in accordance with IFRS.

Segment information 2022

in EUR thousand	Core Brands	MAXX Group	Brand Chain	Social marketing	Holding / Other	Consolidation	Group
Revenues with external customers	128,970	140,889	55,021	41,538	1,514	–	367,932
thereof sale of merchandise	125,386	140,657	55,021	–	177	–	321,241
thereof agency business	–	–	–	34,369	–	–	34,369
thereof production	–	–	–	5,041	1,311	–	6,352
thereof events	3,515	–	–	2,097	–	–	5,612
thereof other sales	69	233	–	30	26	–	358
Revenues with other segments	4,796	27,462	3,144	782	27,834	-64,018	–
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**-15,863**	**-921**	**-11,079**	**-675**	**18,731**	**20,538**	**10,731**
Cash and cash equivalents	2,099	1,574	1,055	2,502	1,746	–	8,976

Segment information 2021

in EUR thousand	Core Brands	MAXX Group	Brand Chain	Social marketing	Holding / Other	Consolidation	Group
Revenues with external customers	159,750	16,423	37,498	26,240	1,726	-	241,637
thereof sale of merchandise	157,287	16,400	37,498	-	-	-	211,185
thereof agency business	-	-	-	19,503	29	-	19,532
thereof production	-	-	-	4,293	1,340	-	5,633
thereof events	2,119	-	-	2,444	-	-	4,563
thereof other sales	344	23	-	-	357	-	724
Revenues with other segments	1,112	2,870	132	1,170	10,308	-15,592	-
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**-6,522**	**2,745**	**-1,679**	**-397**	**-19,102**	**1,217**	**-23,738**
Cash and cash equivalents	2,647	2,289	1,464	5,989	4,054	-	16,443

Revenue for each country for which the revenue is material is reported separately as follows:

in EUR thousand	2022	2021
Germany	281,514	191,157
France	16,508	6,511
Poland	10,372	1,912
Austria	8,485	11,569
Italy	7,500	3,137
Great Britain	5,854	5,352
Romania	4,850	195
Switzerland	4,000	4,715
Czech Republic	3,877	4,429
Netherlands	3,120	2,016
Spain	2,962	1,112
Sweden	2,778	1,074
USA	2,739	2,793
Europe (other)	12,382	5,284
Asia and America (other)	991	381
Revenues with external customers	**367,932**	**241,637**

Revenue is allocated to countries based on the location of the customer.

The TSC Group recognizes revenue from business transactions with a very broad customer base. In the financial years 2022 and 2021, the share of revenue from each external customer or group of companies considered a sole external customer is below 10% of the Group‘s revenue.

Property, plant and equipment, intangible assets (including goodwill), rights of use and investment property by country are reported separately as follows.

in EUR thousand	2022	2021
Germany	186,614	304,037
Great Britain	15,013	34,016
USA	6,567	1,784
Other	4,373	1,826
Intangible assets, property, plant and equipment, rights of use and investment property of the Group	**212,567**	**341,663**

3 Notes to the consolidated income statement

3.1 Revenues

Revenues developed as shown below:

in EUR thousand	2022	2021
Sale of commercial products	321,241	211,185
Agency business	34,369	19,532
Production	6,352	5,633
Events	5,612	4,563
Other sales	358	724
Revenues	**367,932**	**241,637**

3.2 Other operating income

in EUR thousand	2022	2021
Income from the deconsolidation of subsidiaries	41,341	–
Income from foreign currency translation	15,195	2,456
Insurance compensation / damages	3,522	213
Reversal of impairment losses on receivables written off	1,866	–
Income from the derecognition of liabilities	1,826	196
Income from the disposal of property, plant and equipment	214	96
Miscellaneous other income	2,574	1,381
Other operating income	**66,536**	**4,342**

Income from the deconsolidation of subsidiaries results from the deconsolidations described in Note 1.5.3.

Income from foreign currency translation includes both the positive effects from the measurement of assets and liabilities at the reporting date and the income from the measurement at fair value of foreign currency derivatives held for trading.

3.3 Material expenses

in EUR thousand	2022	2021
Cost of raw materials, supplies and purchased merchandise	228,174	126,307
Expenses for purchased services	40,118	21,739
Material expenses	**268,292**	**148,046**

3.4 Personnel expenses

in EUR thousand	2022	2021
Wages and salaries	47,767	29,332
Social charges	8,327	4,473
Share-based payments	1,013	3,558
Personnel expenses	**57,107**	**37,363**

Personnel expenses include expenses for the statutory pension plan in the amount of EUR 3,583 thousand (previous year: EUR 2,204 thousand).

3.5 Other operating expenses

in EUR thousand	2022	2021
Distribution expenses	49,161	36,933
Advertising and travel expenses	11,535	19,431
Expenses from foreign currency translation	8,862	841
Royalties	6,177	2,121
Legal and consulting fees	4,797	12,151
External services / external services aministration	2,560	3,157
Administration	1,486	1,299
Occupancy costs / incidental rental expenses	2,565	1,271
Service and maintenance	1,587	1,115
Rent / Leasing	1,440	730
Losses on receivables	2,002	–
Fees and contributions	1,561	966
Insurance premiums	1,042	1,293
Other personnel expenses	699	430
Losses from the deconsolidation of subsidiaries	305	–
Miscellaneous other expenses	4,641	3,223
Other operating expenses	**100,420**	**84,961**

3.6 Financial income and financial expenses

in EUR thousand	2022	2021
Interest and similar income	756	1,603
Income from the measurement of financial instruments at fair value through profit or loss	13,061	7,420
Income from dividends	41	–
Financial income	**13,858**	**9,023**
Interest expense from liabilities to banks, loans and similar obligations	-13,113	-6,181
Interest expense from convertible bonds	-2,494	-1,681
Interest expenses from lease liabilities	-1,710	-608
Expenses from the measurement of financial instruments at fair value through profit or loss	-9,490	-1,189
Other financial expenses	–	-370
Financial expenses	**-26,807**	**-10,030**
Financial income and financial expenses	**-12,948**	**-1,007**

Of the income from the measurement of financial instruments at fair value through profit or loss, EUR 10,065 thousand (previous year EUR 3,526 thousand) are attributable to to non-derivative financial instruments and EUR 2,995 thousand (previous year EUR: 3,894 thousand) to derivative financial instruments.

Of the expenses from the measurement of financial instruments at fair value through profit or loss, EUR 5,793 thousand (previous year EUR 1,185 thousand) are attributable to non-derivative financial instruments and EUR 3,697 thousand (previous year EUR 5 thousand) to derivative financial instruments.

3.7 Share of result of associates and joint ventures

in EUR thousand	2022	2021
Share of profit or loss of joint ventures	–	-1,738
Share of profit or loss of associates	-455	–
Share of profit or loss of associates and joint ventures	**-455**	**-1,738**

The share of profit or loss of associates and joint ventures includes the proportionate share of profit/loss of the three associates GOMAGO GmbH, Schreibathlet GmbH and Gentle Monkey GmbH.

In the previous year, the share of profit or loss of associates and joint ventures mainly included the impairment loss of the FFVL Group in the amount of EUR 1,766 thousand. For further details, please refer to section 4.12 „Assets and liabilities held for sale“.

As of December 31, 2022 The Group recognized investments in joint ventures and associates amounting to EUR 353 thousand (previous year EUR thousand 893) using the equity method.

in EUR thousand	31.12.2022	31.12.2021
Joint ventures	–	22
Associates	353	872
Associates and joint ventures accounted for using the equity method	**353**	**893**

For changes in associated companies, see Note 1.5.3 Deconsolidations.

In the following, financial information of the significant associates and joint ventures is reported in summarized form. The summarized financial information reported represents amounts from the financial statements of the respective company after adjustments made by the Group under the equity method. All material associates prepare consolidated financial information in accordance with IFRS.

Summarized financial information as of December 31, 2022 (in EUR thousand):

Entity	Gomago GmbH	Schreibathlet GmbH	Gentle Monkeys GmbH
Revenues	231	92	236
Annual result	59	13	-252
Other result	–	–	–
Overall result	**59**	**13**	**-252**
Dividends paid to the Group in the financial year	–	–	–
Non-current assets	23	1	9
Current assets	674	110	31
Non-current liabilities	–	–	–
Current liabilities	58	6	243
Net assets	**639**	**105**	**-204**

Reconciliation of present financial information to the carrying amounts of associates (in EUR thousand)

Entity	Gomago GmbH	Schreibathlet GmbH	Gentle Monkeys GmbH
Net assets of the associated company	639	105	-204
Shareholding of the Group	10.00%	12.50%	25.00%
Goodwill	79	11	237
Carrying amount of the associate	**143**	**24**	**186**

Summarized financial information as of December 31, 2021 (in EUR thousand):

Entity	Gomago GmbH	Schreibathlet GmbH	Gentle Monkeys GmbH
Revenues	601	356	761
Annual result	449	138	-19
Other result	-	-	-
Overall result	**449**	**138**	**-19**
Dividends paid to the Group in the financial year	–	–	-
Non-current assets	28	1	11
Current assets	1,292	154	233
Non-current liabilities	–	–	–
Current liabilities	319	35	127
Net assets	**1,001**	**120**	**117**

Reconciliation present financial information to the carrying amounts of associates (in EUR thousand)

Entity	Gomago GmbH	Schreibathlet GmbH	Gentle Monkeys GmbH
Net assets of the joint venture	1,001	120	117
Shareholding of the Group	10.00%	12.50%	25.00%
Goodwill	216	274	237
Carrying amount of the joint venture	**316**	**289**	**266**

Summarized aggregated financial information of non-significant associates accounted for using the equity method

in EUR thousand	2022	2021
Total carrying amounts	22	22
Total shares in net income for the year	–	–
Total share of comprehensive income	–	–

3.8 Income taxes

in EUR thousand	2022	2021
Income taxes from the current period	-889	-1,117
Income taxes for prior years	72	24
Current income taxes	**-817**	**-1,093**
Deferred taxes	**10,710**	**1,518**
Income tax expense (-) / income (+)	**9,893**	**425**

The following table provides a reconciliation of the expected tax expense to the actual tax expense. The tax rate of the domestic parent company TSC AG is 30.18% (corporate income tax rate 15.00% plus solidarity surcharge 5.50% and trade tax rate 14.35%). The tax rate of the domestic DS Holding is 26.06% (corporate income tax rate 15.00% plus solidarity surcharge 5.50% and trade tax rate 10.24%). In order to determine the expected tax expense, a weighted income tax rate was used, which was measured on the basis of the company-specific income statement for the purposes of the tax reconciliation.

in EUR thousand	2022	2021
Earnings before taxes	**-116,652**	**-72,919**
Income from discontinued operations before taxes	-21,466	-8,739
Income before taxes (incl. income from discontinued operations before taxes)	**-138,118**	**-81,658**
Applicable income tax rate	29.05%	30.03%
Expected tax expense (-) / income (+)	**40,123**	**24,522**
Tax additions	-4,604	-107
Tax cuts	11,497	1,095
Tax rate differences	–	144
Non-recognition, write-down and write-up of deferred taxes on loss carryforwards	-11,486	-10,882
Current and deferred taxes for prior years recognized in profit or loss	-94	-262
Differences from income tax group / profit and loss transfer agreement	41	49
Differences from reclassifications to assets / liabilities held for sale	4,337	-533
Companies accounted for using the equity method	-120	-12
Impairment losses on goodwill	-29,432	-13,507
Other permanent differences	–	104
Other tax effects	-25	-507
Actual tax expense (-) / income (+)[1]	**10,237**	**104**

1 from continuing and discontinued operations

The income taxes recognized in other comprehensive income in the amount of EUR 0 thousand (previous year EUR 94 thousand) relate to financial instruments that are not subsequently reclassified to profit or loss.

3.9 Income from discontinued operations

In the 2022 financial year, the Executive Board of the TSC Group continued to advance the streamlining of the investment portfolio with the aim of further increasing the profitability of the Group as a whole.

For this reason, the business of the following divisions will not be continued in the future:

- Social Media UK in the Social Marketing segment
- Social Media US in the Social Marketing segment
- Influencer Social Media Germany in the social marketing and brand chain segments primarily

The business of these operations has been reclassified retrospectively to income from discontinued operations.

Earnings and cash flow from discontinued operations for financial 2022

in EUR thousand	Social Media UK	Social Media US	Inflluencer Social Media Germany	Total
Revenue and other operating income	12,293	7,472	9,428	29,192
Consolidation of intercompany revenues	-1,243	-285	-7,448	-8,976
External revenues and other operating income	**11,050**	**7,187**	**1,980**	**20,217**
Expenses	-19,277	-14,939	-12,847	-47,063
Consolidation of intercompany expenses	270	825	4,286	5,381
External expenses	**-19,007**	**-14,115**	**-8,561**	**-41,683**
Earnings before taxes	**-7,958**	**-6,928**	**-6,581**	**-21,466**
Income taxes	190	96	58	344
Earnings after taxes	**-7,768**	**-6,831**	**-6,522**	**-21,122**
of which attributable to shareholders of the parent company	-7,768	-6,961	-6,486	-21,214
of which attributable to non-controlling interests	0	129	-37	93
Gain on disposal of discontinued operation	0	0	0	0
Net cash flow from operating activities	507	-440	-653	-587
Net cash flow from investing activities	112	-20	211	304
Net cash flow from financing activities	-1,083	-195	-561	-1,840
Net cash flow	**-464**	**-655**	**-1,003**	**-2,123**

Earnings and cash flow from discontinued operations for financial 2021

in EUR thousand	Social Media UK	Social Media US	Inflluencer Social Media Germany	Summe
Revenue and other operating income	12,650	10,665	53,733	77,048
Consolidation of intercompany revenues	-1,655	-40	-4,037	-5,732
External revenues and other operating income	**10,995**	**10,625**	**49,695**	**71,316**
Expenses	-12,888	-9,574	-60,450	-82,912
Consolidation of intercompany expenses	-349	1,257	1,949	2,858
External expenses	**-13,236**	**-8,317**	**-58,501**	**-80,055**
Earnings before taxes	**-2,241**	**2,308**	**-8,806**	**-8,739**
Income taxes	14	74	-409	-321
Earnings after taxes	**-2,227**	**2,382**	**-9,215**	**-9,060**
of which attributable to shareholders of the parent company	-2,227	2,241	-9,060	-9,046
of which attributable to non-controlling interests	0	141	-155	-14
Gain on disposal of discontinued operation	0	0	0	0
Net cash flow from operating activities	110	754	439	1,303
Net cash flow from investing activities	-66	200	-10	123
Net cash flow from financing activities	-993	-508	-408	-1,909
Net cash flow	**-950**	**447**	**20**	**-483**

3.10 Earnings per share

For the purpose of calculating basic earnings per share, profit or loss attributable to ordinary equity holders of the parent entity is divided by the weighted average number of ordinary shares outstanding during the period.

The weighted average number of ordinary shares outstanding during the period is the number of ordinary shares outstanding at the beginning of the period adjusted for the number of ordinary shares repurchased or issued during the period multiplied by a time weighting factor. The time weighting factor is the ratio of the number of days the relevant shares were outstanding to the total number of days in the period.

Diluted earnings per share is calculated by adjusting the profit or loss attributable to ordinary equity holders of the parent entity and the weighted average number of ordinary shares outstanding during the period for the effect of all potentially dilutive ordinary shares, which include convertible instruments and share options issued to employees. The calculation of diluted earnings per share excludes potential ordinary shares that would have an anti-dilutive effect on earnings per share.

Basic and diluted earnings per share are calculated as follows:

	2022	2021
Income from continuing operations attributable to equity holders of the parent (in EUR thousand)	-105,450	-71,678
Income from discontinued operations attributable to equity holders of the parent (in EUR thousand)	-21,214	-9,046
Profit for the period attributable to equity holders of the parent (in EUR thousand)	-126,664	-80,724
Weighted average number of ordinary shares outstanding (in units)	15,527,775	11,689,250
Earnings per share from continuing operations (basic + diluted) in EUR	**-6.79**	**-6.13**
Earnings per share from discontinued operations (basic + diluted) in EUR	**-1.37**	**-0.77**
Earnings per share (basic + diluted) in EUR	**-8.16**	**-6.91**

The instruments listed below were not included in the calculation of diluted earnings per share as they would be antidilutive in relation to earnings per share.

	2022	2021
Stock options (in thousands)	1,118	1,038
Potential ordinary shares upon conversion of convertible bonds (in thousands)	695	695

4 Notes to the consolidated balance sheet

4.1 Intangible assets and goodwill

The development of intangible assets and goodwill is presented in the following tables.

in EUR thousand	Goodwill	Internally generated software	Trade-marks	Customer relations	Patents, concessions and other rights	Intangible assets under development	Total
Cost							
As of 01.01.2022	**278,675**	**268**	**31,486**	**31,173**	**3,667**	**3,354**	**348,624**
Changes in the scope of consolidation	-388	0	0	0	0	-6	-394
Reclassifications	0	1,658	0	0	90	-1,748	0
Additions	100	42	1	2	2,466	1,091	3,702
Disposals	0	-43	-8	0	-390	-477	-917
Reclassification to assets held for sale	-52,024	-250	-10,774	-3,921	-772	-791	-68,532
Exchange rate effects	-641	-1	16	25	4	0	-597
As of 31.12.2022	**225,722**	**1,674**	**20,722**	**27,279**	**5,066**	**1,424**	**281,886**
Accumulated amortization and impairments							
As of 01.01.2022	**-77,262**	**-75**	**-5,347**	**-3,194**	**-510**	**-18**	**-86,406**
Changes in the scope of consolidation	0	0	0	0	0	0	0
Amortization	0	-1	-4,004	-6,964	-796	0	-11,766
Impairment	-98,704	-87	-280	-1,026	-192	-636	-100,926
Disposals	390	0	11	0	50	18	468
Reclassification to assets held for sale	39,095	162	4,297	2,484	360	281	46,679
Exchange rate effects	-260	0	-5	-25	-1	0	-290
As of 31.12.2022	**-136,742**	**-1**	**-5,327**	**-8,725**	**-1,089**	**-355**	**-152,240**
Carrying amount as of 01.01.2022	201,413	193	26,139	27,979	3,157	3,337	262,218
Carrying amount as of 31.12.2022	**88,980**	**1,673**	**15,394**	**18,553**	**3,976**	**1,069**	**129,646**

in EUR thousand	Goodwill	Internally generated software	Trade-marks	Customer relations	Patents, concessions and other rights	Intangible assets under development	Total
Cost							
As of 01.01.2021	**135,140**	**250**	**18,548**	**6,657**	**1,039**	**212**	**161,846**
Changes in the scope of consolidation1	145,286	0	12,821	24,796	2,280	0	185,183
Reclassifications	0	0	0	0	0	0	0
Additions	0	17	622	98	945	3,143	4,824
Disposals	0	0	-4	-436	-228	0	-668
Reclassification to assets held for sale	-3,447	0	-1,031	-9	-374	0	-4,860
Exchange rate effects	1,696	0	531	67	5	0	2,298
As of 31.12.2022	**278,675**	**268**	**31,486**	**31,173**	**3,667**	**3,354**	**348,624**
Accumulated amortization and impairment losses							
As of 31.12.2021	**-32,177**	**-73**	**-3,095**	**-2,091**	**-370**	**0**	**-37,806**
Changes in the scope of consolidation	0	0	0	0	0	0	0
Amortization	0	-2	-2,440	-1,476	-287	-18	-4,222
Impairment	-44,978	0	0	0	0	0	-44,978
Disposals	0	0	0	436	19	0	454
Reclassification to assets held for sale	3	0	380	1	129	0	513
Exchange rate effects	-110	0	-193	-64	-1	0	-367
As of 31.12.2021	**-77,262**	**-75**	**-5,347**	**-3,194**	**-510**	**-18**	**-86,406**
Carrying amount as of 01.01.2021	102,963	178	15,453	4,566	668	212	124,040
Carrying amount as of 31.12.2022	**201,413**	**193**	**26,139**	**27,979**	**3,157**	**3,337**	**262,218**

Additions and disposals due to changes in the scope of consolidation of goodwill relate to the respective business combinations and deconsolidations described in Note 1.5.

Trademarks/Brands

The main brands of the TSC Group are allocated to the Core Brands, MAXX Group, Brand Chain and Social Marketing segments as follows.

In the Core Brands segment, the main brands include the „LANDMANN" brand of LANDMANN Germany GmbH with a carrying amount of EUR 3,403 thousand (previous year: EUR 3,784 thousand), the „BEEM" brand of BEEM Germany GmbH with a carrying amount of EUR 1,176 thousand (previous year: EUR 1,347 thousand), the „URBANARA" brand of URBANARA GmbH with a carrying amount of EUR 976 thousand (previous year: EUR 1,172 thousand) and the „GLOW" brand of Shine Conventions GmbH amounting to EUR 866 thousand (previous year: EUR 1,021 thousand). The „LANDMANN" brand is amortized over 10 years, the „BEEM" brand over 8 years, the „URBANARA" brand over 8 years and the „GLOW" brand over 10 years. The „Ravensberger Matratzen" brand of RAVENSBERGER Matratzen GmbH with a carrying amount of EUR 0 thousand (previous year: EUR 1,913 thousand) is reported under assets held for sale due to the planned sale of the company but was subsequently fully impaired.

In the MAXX Group segment, the main brands include the „MAXX series" brand with a carrying amount of EUR 5,453 thousand (previous year: EUR 6,845 thousand) and the „HOBERG" brand with a carrying amount of EUR 560 thousand (previous year: EUR 674 thousand) (both from DS Produkte GmbH). The brands are amortized over 5 and 6 years respectively.

In the Brand Chain segment, the main brands include the „Lumaland" brand of the companies Brand Chain GmbH and Lumaland Inc, USA, with a total carrying amount of EUR 1,549 thousand (previous year: EUR 1,822 thousand). The „Lumaland (Europe)" brand is amortized over 9 years and the „Lumaland (USA)" brand over 7 years.

The media brands of Media Chain Group Ltd, UK, amounting to EUR 1,106 thousand (previous year: EUR 1,343 thousand) are reported in the Social Marketing segment. The „Social Chain" brands of Social Chain Ltd, UK, and Social Chain USA Inc, USA, with a total carrying amount of EUR 3,440 thousand (previous year: EUR 4,068 thousand) are reported under assets held for sale due to the planned sale of the companies. All brands of the Social Media segment are amortized over a useful life of 10 years.

Goodwill

All goodwill was subject to an impairment test in accordance with IAS 36 during the financial year. The Group performed the annual impairment test in 2022 and 2021 at the end of each year. In the financial year 2022, all goodwill was subject to an additional impairment test in accordance with IAS 36 at the end of the first half of 2022 (H1 2022) in order to take account of specific market developments, such as the existing and forecast buying restraint in stationary and online retailing.

The impairment test is based on the cash-generating units (CGUs) relevant for goodwill. The CGUs have been identified at the level of the brands („verticals") existing in the Group in accordance with the Group management's approach, which was adjusted during the year. As a result of the acquisition of the DS Group in December 2021 and the integration and strategic realignment of the Group that began in the financial year 2022, an adjustment and reallocation of the corporate structures was carried out in the financial year 2022, resulting in new verticals.

In the Brand Chain segment, this relates to the „Brand Chain" vertical with the same name; in the Core Brands segment, this relates to the „Core Brand BEEM," „Core Brand LANDMANN," „Core Brand URBANARA," „Core Brand GLOW," „Core Brand CLASEN BIO" and „Core Brand Other" verticals; in the MAXX Group segment, this relates to the „MAXX Group" vertical with the same name; and in the Social Marketing segment, this relates to the „Social Media Germany," „Social Media UK" and „Social Media US" verticals.

The „Brand Chain" vertical includes in particular the companies Brand Chain GmbH (e-commerce products of young emerging D2C brands in the TSC Group), Lumaland Inc. (beanbags and home accessories for the US market) and Brand Chain B.V. (home accessories for BeNeLux customers).

BEEM Germany GmbH (specialized coffee and tea preparation products) and its Asian subsidiary BEEM Asia Ltd., Hong Kong, are assigned to the vertical „Core Brand BEEM".

CLASEN FOODS GmbH (organic and organic food products) is assigned to the vertical „Core Brand CLASEN BIO".

LANDMANN Germany GmbH (grills and fireplaces) and its subsidiaries are assigned to the „Core Brand LANDMANN" vertical.

URBANARA GmbH (home accessories) is assigned to the vertical „Core Brand URBANARA".

Shine Conventions GmbH (trade fair and event business) is assigned to the „Core Brand GLOW" vertical.

Ravensberger Holding GmbH and its subsidiaries (mattresses and sleep systems as well as box spring beds) are allocated to the „Core Brand Other" vertical.

The „MAXX Group" vertical includes in particular DS Produkte GmbH, DS Direct GmbH, DS MEWITEC GmbH (all retailers and wholesalers of all types of TSC Group products), DS Impact GmbH and Lions Chain GmbH (both holding interests in start-ups from „Die Höhle der Löwen") as well as Pacific Trade Connection Ltd, Hong Kong (trading business in Asia).

The „Social Media Germany," „Social Media UK" and „Social Media US" verticals result from the allocation of the entities from the Social Marketing segment which are mainly responsible for these markets, in particular for „Social Media Germany" the companies Social Chain Germany GmbH and drtv.agency GmbH (both marketing services), DEF Media GmbH (productions) and sib Silvester in Berlin Veranstaltungen GmbH (events), for „Social Media UK" the companies Social Chain Ltd. and Media Chain Group Ltd. (both marketing services) and for „Social Media US" the companies Social Chain USA Inc. and mint performance marketing Inc. (both marketing services).

"Other" includes all companies that were not allocated to one of the aforementioned verticals due to their specific business purpose, among other reasons. This includes in particular the companies LINKS Logistics GmbH. The companies included in „Other" are considered individually in the impairment test and not combined.

The recoverable amount of all cash-generating units is determined by calculating the value in use using cash flow projections based on financial plans prepared by management covering a five-year period.

The pre-tax discount rates used for the discounting of cash flow are as follows:

Discount rate before taxes	**2022**
Brand Chain	9.9 %
Core Brand BEEM	8.7 %
Core Brand LANDMANN	13.2 %
Core Brand URBANARA	16.5 %
Core Brand GLOW	15.8 %
Core Brand CLASEN BIO	12.2 %
Core Brand Other	13.2 %
MAXX Group	10.2 %
Social Media Germany	17.8 %
Other	16.1 %

Discount rate before taxes	**2021**
SC Agency Germany	16.0 %
SC Agency UK	15.0 %
SC Agency USA	16.0 %
Food Chain	11.0 %
Home & Living	18.0 %
Beauty & Health	10.0 %
DS Trade	9.0 %
DS In-trading	9.0 %
DS Beem	9.0 %
DS Landman	13.0 %
Other	12.4 % to 15,1 %

Cash flows beyond the five-year period are extrapolated using a growth rate (growth discount in perpetuity) of 1.0% (previous year: 1.0%). This growth rate corresponds to the long-term average growth rate of companies based on expected inflation of 2.0% (previous year: 2.0%).

The impairment test shows that the carrying amount of the following verticals is higher than the recoverable amount and that an impairment loss must be recognized. This is mainly due to adjusted medium-term planning, in particular as a result of changes in market conditions and market developments, such as the existing and forecast buying restraint in stationary and online retail, as well as higher discount rates as a result of higher market interest rates.

in EUR thousand	**Amortized carrying amount**	**Value in use**	**Impairment**	**Segment**
2022				
MAXX Group	179,066	120,771	-58,295	MAXX Group
Core Brand Beem	26,209	13,909	-12,300	Core Brands
Core Brand Landmann	49,015	38,088	-10,927	Core Brands
Core Brand CLASEN BIO	22,368[3]	13,178[3]	-9,190[1]	Core Brands
Core Brand GLOW	2,522[3]	1,946[3]	-576	Core Brands
Other	0	-	-632[2]	Other
Total			**-91,920**	
2021				
Home & Living	40,285	12,877	-27,072	Social Commerce
Beauty and Health	13,177	1,857	-9,041	Social Commerce
Other	16,416	7,342	-8,865	Other
Total			**-44,978**	

1 Full impairment of goodwill in the amount of EUR 3,369 thousand and pro rata impairment of non-current assets in the amount of EUR 5,821 thousand.

2 Impairment of goodwill of a company with a projected value in use or value on disposal of almost EUR 0.00 and full impairment of goodwill arising locally from an asset deal.

3 The amortized carrying amounts and values in use disclosed here for the core brand CLASEN BIO and core brand GLOW are derived from the impairment test performed as of the interim financial statements 2022 for the purpose of reconciliation to the impairment recognized at that time. The amortized carrying amount at the end of the year (including the impairment recognized at the half-year) is lower than the value in use calculated at the end of the year.

Basic assumptions for the calculation of value in use and sensitivity analysis

The main estimation uncertainties in the calculation of the value in use of the companies presented above relate to the underlying assumptions regarding the EBITDA margin, the discount rate and the growth rate (growth discount in the perpetual annuity), which are used as the basis for extrapolating the cash flow forecasts outside the forecast period.

EBITDA margin

The EBITDA margin is calculated using the average values generated in the two financial years prior to the beginning of the budget period.

The following forecast EBITDA margins for the planning period were used for the above-mentioned verticals with identified impairment needs.

	Impairment test
Budgeted – EBITDA margin	**31.12.2022**
MAXX Group	4.5% to 7.0%
Core Brand Beem	5.7% to 10.7%
Core Brand Landmann	4.5% to 10.6%
Core Brand CLASEN BIO	-5.5% to 7.9%
Core Brand GLOW	-1.0% to 10.1%

	Impairment test
Budgeted – EBITDA margin	**31.12.2021**
Home & Living	-6.2% – 5.2%
Beauty and Health	-82.7%
Other	0.0%

EBITDA margins are adjusted for expected efficiency improvements over the five-year planning period. A decline in demand could reduce EBITDA margins.

The following table presents the effects (sensitivity) on the value in use of all the verticals of the continuing operations in the event of a change in the EBITDA margin by 1 percentage point.

Sensitivity – EBITDA margin	**Effect on value in use Dec. 31, 2022**	
in EUR thousand	**+1%**	**-1%**
Brand Chain	+10,863	-10,863
Core Brand BEEM	+1,192	-1,192
Core Brand LANDMANN	+4,297	-831
Core Brand URBANARA	+1,365	-1,365
Core Brand GLOW	+749	-749
Core Brand CLASEN BIO	+2,390	-2,390
MAXX Group	+21,794	-21,794
Social Media Germany	+3,871	-3,872

The following table presents the extent to which a change in the EBITDA margin by 1 percentage point would have resulted in a higher or lower goodwill impairment loss of the verticals for which goodwill impairment losses were recognized in 2021.

Sensitivity – EBITDA margin	**Effect on goodwill Dec. 31, 2021**	
in EUR thousand	**+1%**	**-1%**
Home & Living	+4,922	–
Beauty and Health	–	–
Other	+526	-526

Discount rate

The discount rates represent current market assessments of the risks specific to the cash-generating units. The interest effect and the specific risks of the assets for which the estimated future cash flows have not been adjusted are taken into account. The calculation of the discount rate considers the specific circumstances of the Group and its businesses and is based on its weighted average cost of capital (WACC). The weighted average cost of capital factors in both debt and equity. The cost of equity is derived from the expected return on equity of the Group's equity investors. The cost of debt capital is based on market borrowing interest rates. Business area-specific risk is included by applying individual beta factors. The beta factors are determined annually based on publicly available market data. To determine a pre-tax discount rate, the discount rate is adjusted for the corresponding amount and timing of future taxable cash flows.

The following table presents the impact (sensitivity) on the value in use of all the verticals of the continuing operations of a 1 percentage point change in the discount rate.

Sensitivity – WACC	Effect on value in use Dec. 31, 2022	
in EUR thousand	+1%	-1%
Brand Chain	-16,586	+22,547
Core Brand BEEM	-1,669	+2,308
Core Brand LANDMANN	-3,288	+4,069
Core Brand URBANARA	-604	+717
Core Brand GLOW	-621	+742
Core Brand CLASEN BIO	-1,975	+2,553
MAXX Group	-14,534	+19,483
Social Media Germany	-2,412	+2,814

The following table presents the extent to which a change in the discount rate by 1 percentage point would have resulted in a higher or lower goodwill impairment loss of the verticals for which goodwill impairment losses were recognized in 2021.

Sensitivity – discount rate	Effect on goodwill Dec. 31, 2021	
in EUR thousand	1%	-1%
Home & Living	–	+2,009
Beauty and Health	–	–
Other	–	–

Growth rate

The estimated growth rates are based on the long-term average growth rate of companies assuming expected inflation of 2%. The Group acknowledges that the speed of technological change and potential new competitors could materially affect the growth rate assumptions. No negative impact on the forecasts is expected from the entry of new competitors into the market.

The following table presents the effects on the value in use of all the verticals of the continuing operations of a change in the growth rate (growth discount in perpetuity) by 0.5 percentage points.

Sensitivity – growth rate (growth discount in perpetuity)	**Effect on value in use Dec. 31, 2022**	
in EUR thousand	**+1%**	**-1%**
Brand Chain	+7,837	-6,738
Core Brand BEEM	+603	-511
Core Brand LANDMANN	+983	-884
Core Brand URBANARA	+194	-179
Core Brand GLOW	+227	-208
Core Brand CLASEN BIO	+755	-667
MAXX Group	+4,777	-4,133
Social Media Germany	+813	-752

The following table shows the extent to which a change in the growth rate by 0.5 percentage points would have resulted in a higher or lower impairment of goodwill of the verticals for which impairment losses on goodwill were recognized in 2021.

Sensitivity – growth rate	**Effect on goodwill Dec. 31, 2021**	
in EUR thousand	**+0.5%**	**-0.5%**
Home & Living	+117	–
Beauty and Health	–	–
Other	–	–

The following table presents the extent to which the EBITDA margin, discount rate and growth rate parameters (each individually, not in combination) would have to change for the verticals for which no impairment loss was identified so that the value in use would correspond to the carrying amount recognized as of December 31, 2022.

In the break-even analysis for EBITDA margin, instead of specifically budgeted EBITDA margins per year in medium-term planning, a uniform EBITDA margin was determined for all future years, with the value in use corresponding to the carrying amount.

Break-Even Analysis						Value in use = Carrying amount	
	Headroom (in EUR thousand)	EBITDA margin (actual)	EBITDA margin (break-even)	WACC (actual)	WACC (break-even)	Growth rate (actual)	Growth rate (break-even)
Brand Chain	53,288	12.1% to 13.0%	7.4%	9.9%	12.5%	1.0%	-7.8%
Social Media Germany	12,665	4.2% to 8.9%	4.8%	17.8%	21.5%	1.0%	-31.3%

The following tables provide an overview of the goodwill recognized per CGU (in aggregated view) and their carrying amounts at both balance sheet dates.

	01.01.2022	Additions	Impairment	Currency effect	Reclassification to assets held for sale	31.12.2022
Vertical						
Brand Chain	59,261	–	–	–	–	59,261
Social Media Germany	24,292	–	–	–	–	24,292
Core Brand BEEM	16,554	–	-12,300	–	–	4,254
Core Brand GLOW	1,597	–	-576	–	–	1,021
MAXX Group	58,492	–	-58,296	-44	–	152
Social Media UK	15,940	–	-6,191	-1,251	-8,498	–
Core Brand LANDMANN	10,771	–	-10,927	156	–	–
Social Media US	10,605	–	-6,413	239	-4,431	–
Core Brand CLASEN BIO	3,369	–	-3,369	–	–	–
Core Brand URBANARA	–	–	–	–	–	–
Core Brand Other	–	–	–	–	–	–
Other	532	100	-632	–	–	–
Total	**201,413**	**100**	**-98,704**	**-900**	**-12,929**	**88,980**

	01.01.2021	Additions	Impairment	Currency effect	Reclassification to assets held for sale	31.12.2021
Vertical						
SC Agency Germany	26,236	3	–	-350	–	25,889
SC Agency UK	14,161	–	–	1,779	–	15,940
SC Agency USA	10,479	191	–	-65	–	10,605
Food Chain	6,803	10	–	–	-3,444	3,369
Home & Living	26,845	–	-27,072	227	–	–
Beauty & Health	9,041	–	-9,041	–	–	–
DS In-Trading	–	59,261	–	–	–	59,261
DS Trade	–	58,490	–	2	–	58,492
DS Beem	–	16,554	–	–	–	16,554
DS Landman	–	10,778	–	-7	–	10,771
Other	9,398	–	-8,865	–	–	532
Total	**102,963**	**145,286**	**-44,978**	**1,586**	**-3,444**	**201,413**

4.2 Property, plant and equipment

The development of property, plant and equipment is shown in the following tables.

in EUR thousand	Land and buildings	Technical equipment and machinery	Operating and office equipment	Advance payments and assets under construction	Total
Cost					
As of 01.01.2022	**14,359**	**1,100**	**6,568**	**44**	**22,071**
Changes in the scope of consolidation	0	0	0	0	0
Additions	123	373	1,377	132	2,005
Disposals	-11,076	-103	-832	-94	-12,106
Reclassification to assets held for sale	-1,648	-908	-2,214	-30	-4,799
Exchange rate effects	-31	3	-26	0	-54
As of 31.12.2022	**1,726**	**466**	**4,873**	**52**	**7,117**
Accumulated depreciation and impairments					
As of 01.01.2022	**-114**	**14**	**-1,506**	**-5**	**-1,611**
Depreciation	-243	-27	-1,695	0	-1,964
Impairment	-785	-451	-335	-12	-1,584
Disposals	229	0	841	0	1,070
Reclassification to assets held for sale	852	410	1,262	17	2,541
Exchange rate effects	0	-1	18	0	17
As of 31.12.2022	**-61**	**-55**	**-1,416**	**0**	**-1,531**
Carrying amount as of 01.01.2022	14,245	1,114	5,062	39	20,460
Carrying amount as of 31.12.2022	1,666	411	3,457	52	5,586

in EUR thousand	Land and buildings[1]	Technical equipment and machinery[1]	Operating and office equipment[1]	Advance payments and assets under construction[1]	Total
Cost					
As of 01.01.2021	**1,646**	**1,168**	**2,550**	**5**	**5,369**
Changes in the scope of consolidation	12,696	40	2,928	103	15,767
Additions	11	2,125	1,144	0	3,281
Disposals	0	-2,100	-228	-64	-2,392
Reclassification to assets held for sale	0	-135	-150	0	-285
Exchange rate effects	6	2	324	0	332
As of 31.12.2021	**14,359**	**1,100**	**6,568**	**44**	**22,071**
Accumulated depreciation and impairments					
As of 01.01.2021	**0**	**-28**	**-565**	**0**	**-593**
Depreciation	-114	39	-875	0	-950
Impairment	0	0	0	0	0
Disposals	0	0	142	-5	137
Reclassification to assets held for sale	0	3	67	0	70
Exchange rate effects	0	1	-275	0	-274
As of 31.12.2021	**-114**	**14**	**-1,506**	**-5**	**-1,611**
Carrying amount as of 01.01.2021	1,646	1,140	1,985	5	4,776
Carrying amount as of 31.12.2021	14,245	1,114	5,062	39	20,460

1 The amounts in the asset schedule were adjusted retrospectively. See Note 1.9 Error correction

Additions and disposals due to changes in the scope of consolidation relate to the respective business combinations and deconsolidations described in Note 1.5.

4.3 Leases and investment property

TSC Group as lessee

Leasing contracts mainly relate to buildings (e.g. office buildings and warehouses) and have a term of between 3 and 30 years. Some of these contracts include options to extend or terminate the contracts prematurely. In addition, the contracts include payments relating to non-lease components (e.g. service costs). The development of rights of use is presented in the following tables.

in EUR thousand	Rights of use for land and buildings	Rights of use for technical equipment and machinery	Rights of use for other equipment, vehicle fleet	Total
Cost				
As of 01.01.2022	**54,800**	**4,166**	**2,454**	**61,419**
Additions	18,248	38	886	19,172
Disposals	-839	-62	-79	-979
Reclassification to investment property	-765	0	0	-765
Reclassification to assets held for sale	-10,498	-4,133	-277	-14,909
Exchange rate effects	22	0	-2	19
As of 31.12.2022	**60,968**	**8**	**2,982**	**63,958**
Accumulated depreciation and impairments				
As of 01.01.2022	**-6,236**	-550	**-364**	**-7,150**
Depreciation	-5,790	-891	-471	-7,152
Impairment	-1,689	-1,606	-41	-3,337
Disposals	788	62	79	928
Reclassification to investment property	127	0	0	127
Reclassification to assets held for sale	5,463	2,977	-34	8,406
Exchange rate effects	-36	0	0	-36
As of 31.2.2022	**-7,374**	**-8**	**-831**	**-8,213**
Carrying amount as of 01.01.2022	48,564	3,616	2,089	54,269
Carrying amount as of 31.2.2022	53,595	0	2,150	55,745

in EUR thousand	Rights of use for land and buildings[1]	Rights of use for technical equipment and machinery[1]	Rights of use for other equipment, vehicle fleet[1]	Total
Cost				
As of 01.01.2021	**7,186**	**1,337**	**347**	**8,870**
Changes in the scope of consolidation	34,709	9	1,832	36,550
Additions	13,788	2,883	306	16,977
Disposals	-910	0	0	-910
Reclassification to investment property	0	0	0	0
Reclassification to assets held for sale	-190	-63	-31	-284
Exchange rate effects	216	0	0	216
As of 31.12.2021	**54,800**	**4,166**	**2,454**	**61,419**
Accumulated depreciation and impairments				
As of 01.01.2021	**-3,314**	**0**	**-194**	**-3,508**
Depreciation	-2,948	-562	-178	-3,688
Impairment	0	0	0	0
Disposals	0	0	0	0
Reclassification to investment property	0	0	0	0
Reclassification to assets held for sale	109	13	7	129
Exchange rate effects	-83	0	0	-83
As of 31.12.2021	**-6,236**	**-550**	**-364**	**-7,150**
Carrying amount as of 01.01.2021	3,872	1,337	153	5,361
Carrying amount as of 31.12.2021	48,564	3,616	2,089	54,269

1 The amounts in the asset schedule were adjusted retrospectively. See Note 1.9 Error correction

In addition, as of the balance sheet date, rights of use amounting to EUR 3,148 thousand (previous year EUR 154 thousand) were included in „Assets held for sale.
The lease liabilities are reported in the balance sheet under „Non-current financial liabilities“ and „Other current financial liabilities“ and in „Liabilities held for sale“ and have the following maturities at the reporting date.

in EUR thousand	2022	2021
Maturity > 1 year	53,988	47,389
Maturity < 1 year	4,179	7,245
Held for sale	3,253	158
Total	**61,419**	**54,792**

The following amounts were recognized in the income statement for leases.

in EUR thousand	2022	2021
Interest expenses from lease liabilities	-1,900	-831
Depreciation of rights of use	-7,172	-3,688
Leasing income from subleases	77	-59
Leasing expenses from short-term leases	-51	-57
Lease expense from low-value leases	-1,418	-645
Total	**-10,462**	**-5,280**

In the financial year 2022 payments amounting to a total of EUR 10,280 thousand (previous year EUR 4,475 thousand) were made for leases.

Short-term leases and low-value leases result in financial obligations (excluding incidental costs) of EUR 486 thousand (of which EUR 174 thousand short-term and EUR 312 thousand long-term).

TSC Group as lessor
The Group has acted as lessor in the sublease of an office space since August 2022. The lease agreement has a term of 3 years. The lease is classified as an operating lease.

Investment property
The subleased property described under „TSC Group as lessor“ is accounted for in the Group as investment property, as the Group intends to sublease the property over the entire remaining term of the main lease. At the date of the sublease, the carrying amount of EUR 637 thousand was reclassified from right-of-use to investment property.

In the financial year 2022 depreciation in the amount of EUR 19 thousand were recognized on the investment property.

As of December 31, 2022 the carrying amount of the investment property amounts to EUR 618 thousand and the fair value to EUR 618 thousand.

Sale and leaseback property Stapelfeld
On June 1, 2022, the TSC Group sold the entire property in Stapelfeld for EUR 11,700 thousand and has since leased this property back from the buyer (sale and lease back transaction).

This sale and lease back transaction represents a sale in accordance with IFRS 15. Accordingly, the TSC Group as seller/lessee has recognized the right of use associated with the leaseback at the portion of the previous carrying amount that relates to the right of use retained by the Group. A gain was only recognized for the rights transferred to the buyer/lessor.

The gain on the sale amounted to EUR 93 thousand and was recognized in the income statement under other operating income.

The lease term is 25 years. It consists of a basic lease term of 15 years and two extensions for 5 years each.

Sale and leaseback trademarks and EPS plants

In August 2022, the TSC Group sold the trademark rights to the „CLASEN BIO“ brand for EUR 1,750 thousand, the trademark rights to the „Lumaland“ brand for EUR 1,700 thousand and EPS machines for EUR 225 thousand. Both the brands and the EPS machines are leased back under license or rental agreements.

These sale and lease back transactions do not constitute a sale under IFRS 15, but financing under IFRS 9. Accordingly, the brands and EPS machines continue to be accounted for as if the sale had not taken place. Loan liabilities have been recognized for the sale proceeds received and the future lease payments (see also Notes 4.15 and 6).

4.4 Other financial assets

Other non-current and current financial assets are as follows.

in EUR thousand	2022	2021
Shares in affiliated companies and other investments	24,305	16,915
Long-term loans to third parties	4,213	3,653
Non-current restricted cash and cash equivalents	2,610	996
Non-current derivative financial assets	21	4,430
Non-current deposits	475	453
Securities	4	0
Other non-current financial assets	534	0
Other non-current financial assets	**32,163**	**26,447**
Current loans to third parties	1,929	595
Creditors with debit balances	4,364	3,002
Current derivative financial assets	317	1,391
Current deposits	8	285
Other current financial assets	751	1,180
Other current financial assets	**7,369**	**6,453**
Total other financial assets	**39,532**	**32,901**

Other investments include shares in various companies amounting to EUR 23,947 thousand (previous year EUR 16,727 thousand), which are mainly held by the subsidiaries Lions Chain GmbH, Berlin, and DS Impact GmbH, Stapelfeld, and are measured at fair value through profit or loss. Further information on other investments can be found in Note 7.3.3.

Shares in affiliated companies relate to subsidiaries and associated companies which are not fully consolidated or accounted for using the equity method due to their minor significance for the presentation of the Group‘s financial position. Subsidiaries account for EUR 358 thousand (previous year EUR 15 thousand) and associated companies for EUR 0 thousand (previous year EUR 174 thousand). The shares in these companies as well as other investments, are recognized at fair value through profit or loss in accordance with the provisions of IFRS 9 (FVTPL). The shares in puffin GmbH, a non-consolidated subsidiary (previous year: associated company), are an exception. The shares in puffin GmbH have been designated at fair value through other comprehensive income (FVOCI), as management believes that recognizing short-term variances in the fair value of this company in profit or loss would not be in line with the Group's strategy of holding it for medium to long-term strategic purposes. The fair value of puffin GmbH at the balance sheet date amounts to EUR 355 thousand (previous year EUR 174 thousand).

Current derivative financial assets mainly comprise currency derivatives used to hedge exchange rate risks. Non-current derivative financial assets relate to purchased call options on minority interests.

Current derivative financial assets comprise currency derivatives used to hedge exchange rate risks, as well as options to acquire additional shares in other investments. Non-current derivative financial assets relate to an interest rate derivative (previous year: purchased call options on minority interests).

Other financial assets mainly comprise receivables from payment service providers.

4.5 Income tax assets and income tax liabilities

The income tax assets and income tax liabilities reported as of the balance sheet date mainly comprise claims and obligations arising from capital gains tax and trade tax.

4.6 Other non-financial assets

Other non-current and current non-financial assets are as follows.

in EUR thousand	2022	2021
VAT receivables	–	–
Other non-current non-financial assets	**–**	**–**
Assets from customer return rights	2,268	17,610
Other tax refund claims	3,927	5,939
Advance payments on inventories	2,205	5,893
Advances paid for services	372	1,405
Prepaid expenses	2,236	1,811
Other non-financial assets	313	1,457
Other current non-financial assets	**11,322**	**34,115**
Total other non-financial assets	**11,322**	**34,115**

The assets from customer return rights as of December 31, 2021 resulted mainly from a supply contract for masks that provided for a return right. A corresponding refund obligation was recognized in other financial liabilities in the previous year.

4.7 Deferred tax assets and liabilities

The deferred tax assets and liabilities recognized are attributable to the following balance sheet items:

		2022		2021
in EUR thousand	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	–	10,466	–	15,217
Property, plant and equipment	37	296	22	83
Right-of-use assets	318	117	1	1,016
Investments accounted for using the equity method	–	3	–	227
Non-current trade and other receivables	19	–	8	–
Other non-current financial assets	9	748	5	1,702
Other non-current non-financial assets	–	–	–	–
Inventories	538	53	113	1,153
Trade receivables and other receivables	52	237	52	207
Other current financial assets	702	449	76	363
Other current non-financial assets	337	780	5	224
Non-current provisions	–	–	837	–
Non-current financial liabilities	714	258	692	783
Non-current other non-financial liabilities	47	–	45	–
Current provisions	3	155	62	15
Current financial liabilities	1,802	384	320	541
Trade payables	481	656	–	20
Current other non-financial liabilities	72	191	40	16
Tax loss carryforwards	3,299	–	3,107	–
Reclassification to assets / liabilities held for sale	-981	-2,008	-845	-264
Other	303	277	62	-68
Deferred taxes as per balance sheet	**7,752**	**13,062**	**4,602**	**21,235**

As of December 31, 2022 there are corporate income tax loss carryforwards of EUR 147,431 thousand (previous year: EUR 101,769 thousand) and trade tax loss carryforwards of EUR 143,796 thousand (previous year: EUR 98,327 thousand). Deferred tax assets were recognized on the tax loss carryforwards as of December 31, 2022, to the extent that it is probable that sufficient taxable income will be available in future assessment periods to utilize the loss carryforwards and that the tax loss carryforwards can be continued as expected.

The tax loss carryforwards relate mainly to domestic Group companies and do not expire.

4.8 Inventories

Inventories are composed as follows.

in EUR thousand	2022	2021
Finished products and goods	78,807	106,172
Raw materials and supplies	9	1,441
Unfinished goods and services	185	219
Inventories	**79,001**	**107,832**

In the reporting period, write-downs of inventories to net realizable value amounted to EUR 3,973 thousand (previous year EUR 1,865 thousand) and are included in the material expenses.

4.9 Contract assets and contract liabilities

The Group's contract assets and contract liabilities are composed as follows.

in EUR thousand	2022	2021
Current contract assets	–	2,059
Current contract liabilities	2,308	4,348

Contract assets mainly relate to the Group's claims to consideration for services rendered but not yet invoiced as of the reporting date from the production business (Social Marketing segment). In the financial years 2022 and 2021 no impairment losses were recognized on contract assets. Contract assets are reclassified to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

Contract liabilities mainly relate to advance payments received from customers for the production business for which revenue is recognized over a definite period of time, as well as from advance sale of tickets for events that do not take place until the following year, and from the sale of vouchers in the e-commerce business.

The changes in contract assets and contract liabilities are mainly due to the respective performance progress of individual projects and the timing of invoicing to the customer. Due to the business model of the respective companies, these are generally short-term contract assets and contract liabilities.

The amount of EUR 4,348 thousand included in contract liabilities as of December 31, 2021 was recognized as revenue in the financial year 2022 (previous year: EUR 1,063 thousand).

In accordance with IFRS 15, the transaction price for the outstanding performance obligations is not disclosed.

4.10 Trade receivable and other receivables

Trade and other receivables are composed as follows.

in EUR thousand	2022	2021
Trade receivables (gross)	47,442	71,966
Allowance for trade receivables	-2,383	-1,272
Trade receivables (net)	**45,060**	**70,693**
Other receivables	4,415	3,874
Trade receivables and other receivables	**49,474**	**74,567**

Trade and other receivables do not bear any interest and have a term of less than one year.

Trade receivables totalling EUR 1,595 thousand (previous year: EUR 2,601 thousand) relate to balances of subsidiaries that are intended for sale under a factoring agreement. These are measured at fair value through profit or loss.

Impairment losses on trade receivables measured at amortized cost are initially recognized as allowances, unless it can be assumed that the receivable becomes fully or partly uncollectible at the time the reason for the impairment arises. In such cases, the carrying amount of the receivable is written off directly through profit or loss. The Group applies the simplified approach under IFRS 9 to measure expected credit losses for trade receivables. For explanations on the measurement of expected credit losses, please refer to Notes 1.7.10. and 7.1.

The following value adjustments were recognized for trade receivables.

in EUR thousand	Allowance – not impaired (level 2)	Allowance – creditworthiness impaired (level 3)	Total
As of 01.01.2021	**143**	**1,015**	**1,158**
Additions	56	667	723
Use	-146	-677	-823
Reversal	–	–	–
Change in the scope of consolidation	20	442	461
Reclassification to assets held for sale	–	-250	-250
Exchange rate and other effects	–	3	3
As of 31.12.2021	**73**	**1,200**	**1,272**
Additions	259	1,294	1,554
Use	-23	-185	-208
Reversal	-49	-45	-94
Change in the scope of consolidation	–	–	–
Reclassification to assets held for sale	-60	-78	-138
Exchange rate and other effects	–	-3	-3
As of 31.12.2022	**200**	**2,183**	**2,383**

The additions to valuation allowances of trade receivables on level 3 mainly relate to receivables from a manageable number of counterparties whose creditworthiness is considered to be impaired due to the fact that the outstanding receivables are severely overdue and/or insolvency proceedings are expected to be initiated.

Significantly lower credit losses are expected for the other counterparties due to the default risks assessed by management as insignificant. For further information on default risk management, please refer to Note 7.1 Credit and default risk.

4.11 Cash and cash equivalents

Cash and cash equivalents are composed as follows.

in EUR thousand	2022	2021
Cash at hand	30	76
Bank balances	8,626	15,819
Other cash equivalents	320	548
Cash and cash equivalents	**8,976**	**16,443**

Bank balances were not pledged as of December 31, 2021 and as of December 31, 2022.

For explanations of credit risks, please refer to Note 7.1 Credit and default risk.

4.12 Assets and liabilities held for sale

Financial year 2022

The assets and liabilities classified as held for sale as of December 31, 2021 were derecognized in the first quarter of 2022 as part of the disposal of the KoRo Group and the joint venture FFLV Inc.

In the first quarter of 2022, the assets and liabilities of the two companies Mabyen GmbH and Vonmählen GmbH were classified as held for sale. These assets and liabilities were derecognized as part of the deconsolidation of these two companies in the second quarter of 2022.

In August 2022, the Executive Board decided on measures to streamline the investment portfolio with the aim of further increasing the profitability of the Group as a whole and resolved to dispose of the following subsidiaries.

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- CLASEN BIO Group (Core Brand segment)
- Ravensberger Group (Core Brand segment)
- The Fitness Chain GmbH, Berlin, and subsidiary #Do your sports GmbH, Berlin (Segment Brand Chain)
- DEF Media GmbH, Berlin (Social Marketing segment)
- bytepark GmbH, Berlin (Other segment)
- sib Silvester in Berlin Veranstaltungen GmbH, Berlin (Social Marketing segment)

Corresponding measures to carry out the planned disposals have been actively initiated. The assets and liabilities of these companies were classified as held for sale in the third quarter of 2022.

The CLASEN BIO Group and bytepark GmbH were sold in the fourth quarter of 2022. All other companies are to be sold in the first half of 2023. Their assets and liabilities are classified as held for sale as of December 31, 2022.

In December 2022, the TSC Group decided to sell the following international social chain companies

- Social Chain Ltd, UK
- Social Chain USA, Inc., USA, and
- mint performance marketing Inc., USA

These companies are therefore also classified as held for sale as of December 31, 2022. Please also refer to Note 13 „Events after the balance sheet date“.

Summary

The assets and liabilities held for sale break down as follows as of December 31, 2022:

in EUR thousand	Ravensberger Group	The Fitness Chain	DEF Media GmbH	sib Silvester in Berlin Veranstal-tungen GmbH	Social Chain Ltd.	Social Chain USA, Inc.	mint performance marketing Inc.	Total
Intangible assets	252	55	304	334	2,209	1,231	–	4,385
Goodwill	–	–	–	–	8,498	4,350	–	12,848
Property, plant and equipment	65	15	2	25	368	110	5	591
Right-of-use assets	1,224	–	105	–	1,425	395	–	3,148
Joint ventures accounted for using the equity method	–	–	22	–	–	–	–	22
Non-current financial assets	51	26	21	1	7	–	–	106
Deferred tax assets	–	–	–	–	33	14	–	47
Inventories	1,112	–	–	–	–	–	–	1,112
Trade receivables	147	259	585	1	1,067	181	763	3,002
Other current financial assets	73	60	–	–	21	104	30	289
Contract assets	–	–	–	1,867	–	–	–	1,867
Other current non-financial assets	260	244	219	421	510	353	–	2,006
Cash and cash equivalents	379	86	220	31	2	112	311	1,141
Assets held for sale	**3,564**	**745**	**1,477**	**2,680**	**14,139**	**6,849**	**1,109**	**30,564**
Liabilities from cash-settled share-based payments	–	–	–	–	–	–	–	–
Non-current liabilities to banks	363	–	–	48	–	–	–	411
Non-current loan liabilities	–	–	–	–	–	162	–	162
Non-current lease liabilities	483	–	–	–	1,441	116	–	2,040
Non-current non-financial liabilities	59	–	–	–	-	-	–	59
Deferred tax liabilities	75	16	103	116	419	345	–	1,074
Current provisions	151	1	–	–	–	–	–	153
Trade payables	850	25	559	1,221	657	149	33	3,495
Current liabilities to banks	46	–	–	–	615	–	–	661
Current loan liabilities	–	–	155	1,009	–	–	94	1,257
Current lease liabilities	623	–	102	–	160	327	–	1,213

Current other financial liabilities	89	474	18	–	78	10	11	679
Current income tax liabilities	1	–	–	–	–	–	–	1
Contract liabilities	250	1	349	–	404	–	–	1,004
Current other non-financial liabilities	327	9	267	0	1,654	23	18	2,298
Liabilities held for sale	**3,317**	**526**	**1,552**	**2,395**	**5,428**	**1,132**	**156**	**14,507**

Financial year 2021

FFLV Group

As of December 31, 2021, the Group classified the investment in the FFLV Group accounted for using the equity method and two loans granted to the FFLV Group as non-current assets held for sale. The investment in FFLV Group was written down to EUR 883 thousand and an expense of EUR 1,766 thousand was recognized in share of profit or loss of associates and joint ventures. The loans were written down to EUR 2,207 thousand and an expense of EUR 243 thousand was recognized in the financial result.

As of December 31, 2020, the Group acquired 49% of the shares in FFLV Inc, Delaware (acquisition price EUR 2,599 thousand (USD 3,000 thousand)). In addition, a voting trust agreement was concluded in favor of TSC AG. Due to the additionally agreed management agreement in favor of the minority shareholder, FFLV Inc. was classified as a joint venture as of December 31, 2020 and included in the Consolidated Financial Statements as an investment accounted for using the equity method.

In June 2021, the Group‘s management decided to discontinue its investment in FFLV, as the FFLV Group does not fit into the Group‘s investment portfolio. Concrete negotiations with a potential buyer regarding the sale were ongoing since the fourth quarter of 2021. The FFLV Group was sold in the first quarter of 2022.

The investment in the FFLV Group was accounted for using the equity method as of December 31, 2021 (impact on consolidated profit/loss for 2021 EUR -1,738 thousand) and the loan granted to the FFLV Group was recognized at amortized cost (impact on consolidated profit/loss for 2021 EUR -243 thousand).

The FFLV Group was allocated to the Holding/Other segment.

KoRo Group

The Executive Board of TSC AG decided by mutual agreement with the co-shareholders of KoRo in the fourth quarter of 2021 that TSC AG will relinquish its majority shareholding in KoRo.

Therefore, the Group has classified all assets and liabilities of KoRo and the fully consolidated subsidiary Koro Eis GmbH, Berlin, as held for sale as of December 31, 2021.

KoRo‘s assets also included the following subsidiaries or investments:

- Meine Spielzeugkiste GmbH, Berlin (100% shareholding)
- WTFood GmbH, Berlin (25.0% shareholding)

There was no need to write down assets as of the balance sheet date.

The sale of the KoRo Group was carried out in the first quarter of 2022.

The KoRo Group was allocated to the Social Commerce segment.

Summary

The assets and liabilities held for sale are composed as follows as of December 31, 2021:

in EUR thousand	KoRo	KoRo Ice	FFLV	Summe
Intangible assets	903	–	–	903
Goodwill	3,437	7	–	3,444
Property, plant and equipment	181	34	–	215
Right-of-use assets	98	56	–	154
Joint ventures accounted for using the equity method	–	–	883	883
Non-current financial assets	84	3	–	87
Deferred tax	845	–	–	845
Inventories	8,742	–	–	8,742
Trade receivables	1,702	–	–	1,702
Other current financial assets	66	5	2,207	2,278
Other current non-financial assets	438	3	–	441
Cash and cash equivalents	3,088	29	–	3,117
Assets held for sale	**19,583**	**137**	**3,090**	**22,809**
Liabilities from cash-settled share-based payments	2,768	–	–	2,768
Non-current loan liabilities	1,032	–	–	1,032
Non-current lease liabilities	39	27	–	65
Deferred tax liabilities	264	–	–	264
Current provisions	130	–	–	130
Trade payables	2,930	10	–	2,939
Current liabilities to banks	241	–	–	241
Current lease liabilities	62	31	–	93
Current other financial liabilities	64	17	–	81
Current income tax liabilities	183	–	–	183
Contract liabilities	290	–	–	290
Current other non-financial liabilities	1,254	9	–	1,263
Liabilities held for sale	**9,257**	**93**	–	**9,350**

Zum 31. Dezember 2021 bilanzierte die KoRo Handels GmbH Forderungen aus Lieferungen und Leistungen in Höhe von TEUR 234, die im Rahmen eines unechten Pensionsgeschäfts verkauft, aber nach IFRS 9 nicht ausgebucht wurden. In gleicher Höhe wurden Verbindlichkeiten gegenüber Kreditinstituten erfasst.

4.13 Equity

The individual components of equity and their development are presented in the statement of changes in equity.

Share capital and capital reserve

As of December 31, 2022 the share capital amounted to EUR 15,528 thousand (previous year: EUR 15,528 thousand) and was fully paid up. The share capital is divided into 15,527,775 (previous year: 15,527,775) no-par value bearer shares.

In the financial year 2021, TSC AG received conversion notices of convertible bonds in the amount of EUR 2,412 thousand in order to convert 2,412 bonds into shares with a conversion price of EUR 32.50. The conversion price of the convertible bonds was EUR 32.50 per share. In accordance with the standard terms and conditions set out in the bond terms and conditions, the bonds were thus converted into 74,204 new freely tradable shares of the Company. No convertible bonds were converted in the financial year 2022.

The number of ordinary shares developed as follows.

in ordinary shares	2022	2021
Issued on 01.01.	15,527,775	11,348,484
Issued against cash contribution	–	1,145,324
Issued in a business combination	–	2,959,763
Conversion of convertible bonds	–	74,204
Issued as of 31.12.	**15,527,775**	**15,527,775**

By resolution of the Annual General Meeting on August 29, 2017, the share capital of the Company was conditionally increased by up to EUR 200,000.00 by issuing up to 200,000 no-par value registered shares (Conditional Capital 2017/I). Based on the resolution of the Annual General Meeting on August 19, 2019, the conditional capital resolved on August 29, 2017 was reduced to EUR 76,000.00.

By resolution of the Annual General Meeting on August 19, 2019, the Executive Board is authorized, with the approval of the Supervisory Board, to grant up to 242,000 subscription rights by August 18, 2024, entitling the holder to subscribe to a total of up to 242,000 no-par value registered shares, each representing a notional share of the share capital of EUR 1.00 (Conditional Capital 2019/II).

By resolution of the Annual General Meeting on May 11, 2020, the share capital was conditionally increased by up to EUR 700,971.00 by issuing up to 700,971 no-par value registered shares (Conditional Capital 2020/II).

By resolution of the Annual General Meeting on July 30, 2021, the share capital was conditionally increased by up to a total of EUR 125,877.00 (Conditional Capital 2021/I).

By resolution of the Annual General Meeting on June 8, 2022, the Executive Board is authorized to increase the share capital by an amount of up to EUR 7,763,887.00 until June 7, 2027 (Authorized Capital 2022/I).

By resolution of the Annual General Meeting on June 8, 2022, the share capital was conditionally increased by up to EUR 407,929.00 by issuing up to 407,929 no-par value registered shares. (Conditional Capital 2022/I).

By resolution of the Annual General Meeting on June 8, 2022, the share capital was conditionally increased by up to EUR 6,211,110.00 through the issue of up to 6,211,110 no-par value registered shares (Conditional Capital 2022/II).

On January 18, 2021, the share capital was increased by EUR 100 thousand and the capital reserve by EUR 1,900 thousand by contributing the shares in Clasen Bio in exchange for the issuance of new shares.

On April 7, 2021, the capital reserve was increased by EUR 3,483 thousand via the issuance of convertible bonds.

On July 12, 2021, the share capital was increased by EUR 5 thousand and the capital reserves by EUR 153 thousand by contributing 12.5% of the shares in MINT in exchange for the issuance of new shares.

On November 24, 2021, there was a capital increase against cash contributions increasing the share capital by EUR 1,145 thousand and the capital reserves by EUR 51,429 thousand.

On December 16, 2021, the share capital was increased by EUR 2,855 thousand and the additional paid-in capital by EUR 109,061 thousand by issuing shares as consideration for the acquisition of DS Group.

Furthermore, the share capital increased by EUR 74 thousand and the capital reserves by EUR 1,943 thousand in the financial year 2021 as a result of the conversion of convertible bonds into shares of the Company.

Transaction costs recognized in capital reserves reduced capital reserves by EUR 642 thousand in the financial year 2021.

The capital reserve increased by EUR 841 thousand during the financial year (previous year: EUR 168,177 thousand). Of this amount, EUR 841 thousand (previous year: EUR 790 thousand) was attributable to the recognition of equity-settled share-based payments.

Retained earnings

Retained earnings amounted to EUR thousand -6,389 (previous year EUR -4,418 thousand) as of December 31, 2022 and include written put options on non-controlling interests and the change in non-controlling interests due to changes in the scope of consolidation without loss of control.

In the financial years 2022 and 2021 the Company made no dividend payments.

Non-controlling interests

The following table presents non-controlling interests for significant subsidiaries.

	Result attributable to non-controlling interests in EUR thousand		Non-controlling interests	
in EUR thousand	**2022**	**2021**	**2022**	**2021**
drtv.agency GmbH	404	158	0.0%	49.0%
Mint performance marketing Inc.	129	141	75.0%	75.0%
datalytix.io GmbH	60	10	0.0%	49.0%
Mabyen GmbH	15	22	n/a	48.9%
bytepark GmbH	-	156	n/a	0.0%
Social Moms GmbH	-	-114	0.0%	0.0%
KoRo Eis GmbH	-8	-30	n/a	53.5%
Lumaland Inc.	-27	-89	0.0%	20.0%
Social Chain Media & Commerce GmbH	-37	-41	0.0%	24.9%
Social Chain Germany GmbH	-37	-33	14.0%	14.0%
Shine Conventions GmbH	-55	-10	3.0%	3.0%
DSQ Hongkong Ltd.	-113	-4	12.5%	12.5%
KoRo Handels GmbH	-1,548	-997	n/a	41.8%
Total	**-1,218**	**-831**		

The voting rights of the non-controlling shareholders generally correspond to their shareholding quotas. As of December 31, 2022, non-controlling interests held 75% of the shares in mint performance marketing Inc. However, due to the trust agreement concluded, they held only 49.0% of the voting rights as of this reporting date.

The change in the non-controlling interests in the financial year 2022 results from the changes in the shareholdings. For further explanations, please refer to Note 1.5.2.

For materiality reasons, no summarized financial information on subsidiaries with non-controlling interests is published for the financial year 2022.

The following table contains summarized financial information on subsidiaries with significant non-controlling interests for the financial year 2021.

Financial year 2021		
in EUR thousand	KoRo Handels GmbH	drtv.agency GmbH
Non-current assets	20	250
Current assets	16,343	5,992
Non-current liabilities	–	57
Current liabilities	12,298	5,682
Revenues	61,547	14,342
Annual result	-2,221	323
Other comprehensive income	–	–
Total comprehensive income	-2,221	323
Dividends paid to non-controlling interests	–	–
Cash flow from operating activities	-2,813	4,508
Cash flow from investing activities	-255	-63
Cash flow from financing activities	2,155	-116

4.14 Trade payables

The trade payables in the amount of EUR 34,957 thousand (previous year EUR 68,730 thousand) are recognized at the settlement or repayment amount and, as in the previous year, are due within one year,.

4.15 Other financial liabilities

Other non-current and current financial liabilities are as follows.

in EUR thousand	2022	2021
Non-current liabilities to banks	101,742	19,590
Non-current liabilities from third party loans	41,702	27,430
Non-current lease liabilities	53,988	47,389
Non-current liabilities from convertible bonds	20,545	19,356
Non-current derivative financial liabilities	-	5
Other non-current financial liabilities	51	–
Other non-current financial liabilities	**218,028**	**113,769**
Current liabilities to banks	19,242	137,819
Current liabilities from third party loans	13,500	19,189
Current lease liabilities	4,179	7,245
Current liabilities from bonds (non-convertible)	2,451	–
Current liabilities from convertible bonds	1,258	1,258
Refund liabilities	5,316	22,473
Current liabilities from exercised options	4,140	–
Current liabilities from put options held by non-controlling interests	-	5,996
Current derivative financial liabilities	1,757	74
Other current financial liabilities	2,916	3,397
Other current financial liabilities	**54,759**	**197,451**
Total other financial liabilities	**272,787**	**311,220**

Liabilities to banks mainly comprise annuity, repayment and term loans with interest rates of between 1.0% and 8.0% (previous year: between 1.0% and 8.0%) and which include both fixed and variable interest rate arrangements. The remaining maturities of the main non-current liabilities to banks are up to 8 years (previous year: 9 years). Some of the liabilities to banks are subject to clauses requiring compliance with certain financial covenants. The financial covenants underlying the loan agreement clauses were all met in the reporting year and in the previous year.

As of the balance sheet date, there were several low-interest loans from the public sector (KfW) with a carrying amount of EUR 7,259 thousand (previous year: EUR 9,861 thousand), a fixed interest rate of between 1.0% and 3.0% (previous year: 1.0% and 3.9%) and a remaining term of between 2.5 and 8 years (previous year: a few months to 9 years). The low-interest KfW loans are recognized as liabilities at fair value at grant date and subsequently measured at amortized cost using the effective interest method. The difference between the payment received and the fair value of the loan determined at grant date according to market interest rates is a benefit that is deemed a government grant. The grant is recognized in the balance sheet as deferred income under other non-financial liabilities and is released to income over the term of the loan using the effective interest method. In the income statement, the reversal is presented as a reduction of interest expense (net method). As of December 31, 2022, deferred income amounts to EUR 350 thousand (previous year: EUR 614 thousand). The conditions attached to this government grant have been met in full. There are no other uncertainties.

Liabilities from loans from third parties mainly relate to loans from shareholders that are repayable upon maturity. Most of the loans have been subject to variable interest rates since the financial year 2022. The interest rate ranges from 3.0% (fixed) to EURIBOR + 3.5% (previous year: fixed interest rate of 3.0% to 6.0%). The remaining terms of the main loans from shareholders range from 9 to 30 months (previous year: 1 to 15 months). For further details, please refer to Note 11.1 Related party transactions.

Liabilities from third party loans also include financial liabilities from sale and leaseback transactions (see also Note 4.3).

The non-current derivative financial liabilities in the financial year 2021 resulted from an interest rate derivative concluded to hedge the interest rate risk arising from a floating-rate bank loan. Current derivative financial liabilities comprise currency derivatives used to hedge exchange rate risks.

Refund liabilities as of December 31, 2021 resulted mainly from a supply contract for masks that provided for a right of return. In the previous year, other non-financial assets included a corresponding asset from customer return rights.

Other financial liabilities mainly comprise liabilities for bonuses and discounts as well as credit card liabilities.

Trade receivables and other receivables in the amount of EUR 116,125 thousand (previous year: EUR 63,087 thousand), inventories in the amount of EUR 65,838 thousand (previous year: EUR 56,684 thousand) and property, plant and equipment in the amount of EUR 5,999 thousand (previous year: EUR 7,071 thousand) were pledged as collateral for loan liabilities. Furthermore, the shares in URBANARA GmbH were pledged as collateral for a bank loan.

Refinancing

Under the syndicated loan agreement dated October 10, 2022, arranged by Landesbank Baden Würtemberg and Unicredit Bank AG as coordinators, mandated lead arrangers and bookrunners, DS Holding GmbH, Stapelfeld, an indirectly wholly-owned subsidiary of TSC AG, entered into a loan agreement with the financial institutions included in the syndicate (the lenders) to refinance the DS subgroup.

Accordingly, the lenders provide DS Holding GmbH with a total credit commitment in the amount of EUR 125.0 million with a term of 3 years, divided and callable into three facilities. One facility (Facility A) amounts to a total credit amount of EUR 25.0 million callable until October 30, 2022 and is to be used exclusively to grant a loan to TSCDS Holding GmbH, Stapelfeld, the sole parent company of DS Holding GmbH, for the purpose of refinancing the bridge financing in connection with the acquisition of the DS Group by TSC AG in December 2021. The loan commitments of the other two facilities (Facility B and Seasonal Facility C) amounting to a total of EUR 100.0 million serve to refinance repayable bank liabilities, to finance general working capital of DS Holding GmbH as well as of its direct and indirect subsidiaries and can be drawn on a revolving basis. DS Holding GmbH also has the option to increase the total loan commitment for Facility B once a year upon request by up to a maximum of EUR 20.0 million.

In addition, the loan agreement provides for a two-time option to extend the final maturity date for a period of one year each upon request.

Prolongation of shareholder loans

By loan prolongation, amendment and subordination agreement dated October 24, 2022, Gruppe Georg Kofler GmbH, Munich, FORTUNA Beteiligungsgesellschaft mbH, Munich, and eninvent GmbH, Munich, all three shareholders of TSC AG and lenders, extended their loans with a total nominal amount of EUR 35.0 million, granted in the amount of EUR 21.5 million to TSC AG and in the amount of EUR 13.5 million to The Social Chain Group AG, Berlin, a wholly owned subsidiary of TSC AG, together the borrowers, as well as the interest accrued thereon in the total amount of EUR 1.7 million, uniformly to the final maturity date of March 31, 2025. In addition, the lenders declare, in each case individually and with regard to the loans granted to the borrowers, in accordance with section 39 (2) of the German Insolvency Code, to subordinate their claim to repayment, costs and interest on the total amount of the loans granted to the borrowers in rank behind all claims of current and future other creditors (with the exception of other subordinated creditors and creditors of equal rank) and to subordinate in rank the claims within the meaning of section 39 (1) no. 5 of the German Insolvency Code. This agreement may be terminated at the earliest on March 31, 2025, with three months‘ notice to the end of the quarter, if and to the extent that the termination at that time does not trigger a crisis at one of the borrowers concerned.

Convertible bonds

On March 16, 2021, the Executive Board resolved, with the consent of the Supervisory Board, to issue convertible bonds in the total amount of up to EUR 25,000,000.00 divided into up to 25,000 bearer bonds with equal rights and a nominal value of EUR 1,000.00 each („Convertible Bonds 2021/2024“).

On April 7, 2021, April 28, 2021, May 13, 2021 and May 21, 2021, TSC AG issued a total of 25,000 convertible bonds with a nominal value of EUR 1,000 in four tranches. The convertible bonds have a term of 3 years and an interest rate of 5.75% with annual interest payments on April 7 of each year.

The contractual cash flows from the convertible bonds are affected by the option of the creditors to exchange convertible bonds for shares in TSC AG. The initial conversion price per share is EUR 32.50 subject to adjustment in accordance with § 9 and § 10 (3) of the bond terms and conditions.

The total convertible bonds had a fair value of EUR 25,000 thousand at the issue date. The fair value of the total instrument is determined using the market prices for convertible bonds on the Frankfurt Stock Exchange. The market value as of December 31, 2022 was 70 % (previous year: 105 %).

On the issue date, the convertible bond was split into an equity component and a liability component. The fair value of the liability component was determined by discounting the future cash flows using a market interest rate of 12.65% for a comparable debt instrument.

The conversion right of the convertible bonds was recognized in equity with a residual value of EUR 3,483 thousand upon issue. This was offset by transaction costs attributable to the equity instrument in the amount of EUR 99 thousand, which were offset against capital reserves. The share of the equity component remains unchanged over the term.

The liability component is recognized in the balance sheet at amortized cost using the effective interest method.

As of December 31, 2022 the non-current portion of the liability component amounted to EUR 20,545 thousand (previous year EUR 19,356 thousand).

The interest liabilities from convertible bonds disclosed under other current liabilities amounted to EUR 1,258 thousand (previous year EUR 1,258 thousand).

In the reporting period, interest expenses from the convertible bonds in the amount of EUR 2,494 thousand (previous year EUR thousand 1,681) were incurred.

Bearer bond
On January 28, 2022, TSC AG subscribed for a bearer bond with a nominal value of EUR 5,000 thousand (ISIN DE000A3MQL79, WKN A3MQL7). The bearer bond is divided into up to 5,000 bearer bonds with equal rights and a nominal amount of EUR 1,000 each. The bearer bond bears interest at 8.5% p.a. and had an original term until June 27, 2022. EUR 1,000 thousand of the bearer bond was repaid on June 27 and EUR 4,000 thousand was extended until September 30 (partial repayment of EUR 1,000 thousand) and November 30, 2022 (partial repayment of EUR 3,000 thousand). On November 30, the bond in the amount of EUR 3,000 thousand was extended to December 25 (EUR 500 thousand) and June 20, 2023 (EUR 2,500 thousand). The interest rate amounts to 9.5% p.a. since June 27, 2022.

4.16 Other non-financial liabilities

Other non-current and current non-financial liabilities are as follows.

in EUR thousand	**2022**	**2021**
Other non-current non-financial liabilities	106	194
Other non-current non-financial liabilities	**106**	**194**
Deferred income	113	2,943
Liabilities from customs and import duties	1,323	2,552
Personnel-related liabilities	514	3,516
Liabilities for social security contributions	182	528
Liabilities from wage and church tax	898	1,331
Tax liabilities and other charges	334	1,031
VAT liabilities	5,603	1,238
Advance payments received	-	766
Other current non-financial liabilities	489	1,194
Other current non-financial liabilities	**9,457**	**15,100**
Total other non-financial liabilities	**9,563**	**15,294**

4.17 Provisions

The development of other provisions in the financial year 2022 is as follows.

in EUR thousand	Personnel-related provisions	Provisions for warranties	Provisions for onerous contracts	Other provisions	Total
As of 01.01.2022	**2,712**	**23**	**1,207**	**18**	**3,961**
Additions	2,427	137	–	206	2,770
Use	-1,488	–	–	-2	-1,491
Reversal	-1,223	-8	-1,198	-9	-2,438
Reclassification to liabilities held for sale	-102	-152	–	-102	-356
Exchange rate effects	-0	–	-9	1	-9
As of 31.12.2022	**2,325**	–	–	**112**	**2,437**
Thereof current	2,325	–	–	100	2,425
thereof non-current	–	–	–	12	12

Personnel-related provisions mainly include provisions for bonus agreements.

5 Notes to the cash flow statement

The cash and cash equivalents on which the cash flow statement is based include both cash and cash equivalents and bank overdrafts due at any time, which are an integral part of cash management. Cash and cash equivalents are included in the balance sheet under the items „Cash and cash equivalents" and „Assets held for sale". Bank overdrafts are included in the balance sheet under the items „Other current financial liabilities" and „Liabilities held for sale".

in EUR thousand	2022	2021
Cash and cash equivalents	8,976	16,443
Cash and cash equivalents held for sale	1,141	3,117
Overdrafts	-8,005	-2,741
Bank overdrafts held for sale	-257	1
Cash and cash equivalents as per cash flow statement	**1,856**	**16,820**

The development of liabilities from financing activities is as follows:

in EUR thousand	Convertible bonds and other bonds	Liabilities to banks and loans[1,2]	Lease liabilities	Liabilities from put options	Other financial liabilities	Total
As of 01.01.2022	**-**	**46,629**	**5,830**	**11,122**	**954**	**64,535**
Deposits	25,045	100,563	-	-	-	125,607
Repayment	-	-26,037	-2,941	-	-	-28,978
Interest paid	-	-2,014	-824	-	-	-2,838
Cash-effective changes	**25,045**	**72,512**	**-3,766**	**-**	**-**	**93,791**
Non-cash addition	-	-	16,037	-	-	16,037
Changes in the scope of consolidation	-	81,573	36,550	-	-	118,123
Reclassification to liabilities held for sale	-	-1,274	-158	-	-	-1,432
Exchange rate effects	-	171	141	-	-	312
Other non-cash changes	-4,431	1,676	-	-5,126	-954	-8,835
Non-cash changes	**-4,431**	**82,147**	**52,569**	**-5,126**	**-954**	**124,205**
As of 31.12.2022	**20,614**	**201,287**	**54,633**	**5,996**	**-**	**282,531**

1 Excluding bank overdrafts

2 The figures for the financial year 2021 have been adjusted due to an error correction. Please refer to Note 1.9.

in EUR thousand	Convertible bonds and other bonds	Liabilities to banks and loans[1 2]	Lease liabilities	Liabilities from put options	Other financial liabilities	Total
As of 01.01.2022	**20,614**	**201,287**	**54,633**	**5,996**	**-**	**282,531**
Deposits	5,000	264,199	-	-	-	269,199
Repayment	-2,500	-290,430	-6,446	-	-	-299,376
Interest paid	-1,634	-5,124	-1,888	-	-	-8,646
Cash-effective changes	**866**	**-31,354**	**-8,335**	**-**	**-**	**-38,823**
Non-cash addition	-	-	20,271	-	-	20,271
Changes in the scope of consolidation	-	-3,141	-140	-	-	-3,281
Reclassification to liabilities held for sale	-	-9,343	-10,074	-	-	-19,417
Exchange rate effects	-	-28	-7	-	-	-36
Other non-cash changes	2,773	10,762	1,819	-5,996	-	9,358
Non-cash changes	**2,773**	**-1,750**	**11,868**	**-5,996**	**-**	**6,895**
As of 31.12.2022	**24,254**	**168,182**	**58,167**	**-**	**-**	**250,603**

1 Excluding bank overdrafts

2 The figures for the financial year 2021 have been adjusted due to an error correction. Please refer to Note 1.9.

In the financial year, short-term loans in the amount of EUR 290,430 thousand were repaid and refinanced by long-term loans in the amount of EUR 264,199 thousand.

6 Disclosures on financial instruments

The following table presents the breakdown of financial assets and financial liabilities by measurement categories of IFRS 9 and the hierarchy for determining fair value in accordance with IFRS 13.

			Carrying amount		Fair value	
in EUR thousand	**Category IFRS 9**	**Hierarchy IFRS 13**	**2022**	**2021**	**2022**	**2021**
Non-current financial assets			**32,163**	**26,447**	**32,163**	**26,447**
Shares in affiliated companies and other investments			24,305	16,915	24,305	16,915
thereof	FVTPL	Level 1	480	528	480	528
thereof	FVTPL	Level 3	23,470	16,214	23,470	16,214
thereof	FVOCI	Level 3	355	174	355	174
Securities	FVTPL	Level 3	4	0	4	0
Non-current loans to third parties			4,213	3,653	4,213	3,653
thereof	FAAC	Level 3	4,213	2,604	4,213	2,604
thereof	FVTPL	Level 2	-	1,049	-	1,049
Non-current derivative financial assets	FVTPL	Level 2	21	4,430	21	4,430
Long-term deposits	FAAC	Level 3	475	453	475	453
Other non-current financial assets	FAAC	Level 3	3,145	996	3,145	996

			Carrying amount		Fair value	
in EUR thousand	**Category IFRS 9**	**Hierarchy IFRS 13**	**2022**	**2021**	**2022**	**2021**
Current financial assets			**7,369**	**6,453**	**7,369**	**6,453**
Current loans to third parties	FAAC		1,929	595	1,929	595
Current derivative financial assets	FVTPL	Level 2	317	1,391	317	1,391
Short-term deposits	FAAC		8	285	8	285
Current receivables from finance leases	n/a		-	-	-	-
Other current financial assets	FAAC		5,115	4,182	5,115	4,182
Trade receivables and other receivables			**49,474**	**74,567**	**49,474**	**74,567**
thereof	FAAC		47,879	71,966	47,879	71,966
thereof	FVTPL	Level 2	1,595	2,601	1,595	2,601
Cash and cash equivalents	**FAAC**		**8,976**	**16,443**	**8,976**	**16,443**
Financial assets held for sale	**FAAC**		**4,537**	**7,184**	**4,537**	**7,184**

in EUR thousand			Carrying amount		Fair value	
Non-current financial liabilities	**Category IFRS 9**	**Hierarchy IFRS 13**	**2022**	**2021**	**2022**	**2021**
Non-current liabilities to banks			**218,028**	**113,769**	**164,019**	**72,840**
Non-current liabilities from third party loans	FLAC	Level 2	101,742	19,590	101,659	23,061
Non-current lease liabilities	FLAC	Level 2	41,702	27,430	40,353	27,897
Non-current liabilities from convertible bonds	n/a		53,988	47,389	-	-
Non-current derivative financial liabilities	FLAC	Level 2	20,545	19,356	21,956	21,877
Other non-current financial liabilities	FLFV	Level 2	-	5	-	5
Übrige sonstige langfristige finanzielle Verbindlichkeiten	FLAC	Level 3	51	-	51	-

			Carrying amount		Fair value	
in EUR thousand	**Category IFRS 9**	**Hierarchy IFRS 13**	**2022**	**2021**	**2022**	**2021**
Current financial liabilities			**54,759**	**197,451**	**50,597**	**190,225**
Current liabilities to banks	FLAC		19,242	137,819	19,242	137,819
Current liabilities from third party loans	FLAC		13,500	19,189	13,500	19,189
Current lease liabilities	n/a		4,179	7,245	-	-
Current liabilities from bonds (non-convertible)	FLAC		2,451	-	2,451	-
Current liabilities from convertible bonds	FLAC	Level 2	1,258	1,258	1,276	1,277
Current liabilities from exercised options	FLAC		4,140	-	4,140	-
Current liabilities from put options held by non-controlling interests	FLFV	Level 3	-	5,996	-	5,996
Refund liabilities	FLAC		5,316	22,473	5,316	22,473
Current derivative financial liabilities	FLFV	Level 2	1,757	74	1,757	74
Other current financial liabilities	FLAC		2,916	3,397	2,916	3,397
Trade payables	**FLAC**		**34,957**	**68,730**	**34,957**	**68,730**
Financial liabilities held for sale			**9,662**	**4,453**	**6,409**	**4,294**
thereof	FLAC		6,409	4,294	6,409	4,294
thereof	n/a		3,253	158	-	-

			Carrying amount		Fair value	
in EUR thousand	Category IFRS 9	Hierarchy IFRS 13	2022	2021	2022	2021
Thereof according to IFRS 9 measurement categories						
Financial assets at amortized cost (FAAC)			76,277	104,708	76,277	104,708
Assets measured at fair value through profit or loss (FVTPL)			25,888	26,213	25,888	26,213
Assets measured at fair value through other comprehensive income (FVOCI)			355	174	355	174
Financial liabilities at amortized cost (FLAC)			254,229	323,536	254,226	330,014
Financial liabilities measured at fair value through profit or loss (FLFV)			1,757	6,075	1,757	6,075

Current loans to third parties, short-term deposits, trade and other receivables, cash and cash equivalents, trade payables, refund liabilities and other current financial assets and liabilities mainly have short remaining terms. For these current financial instruments, the carrying amount is a reasonable approximation of fair value. The fair value hierarchy level to determine the fair value is not disclosed separately for these financial instruments.

The fair value of non-derivative financial instruments of level 1 corresponds to quoted market prices.

The fair value of non-derivative financial instruments allocated to level 2 is calculated based on current parameters such as interest rates and exchange rates at the balance sheet date and by using accepted models such as the discounted cash flow (DCF) method and taking into account credit risk. In addition, derivative financial instruments (currency and interest rate derivatives) have been assigned to level 2. The fair values of the derivatives are determined on the basis of bank valuation models. The Group only concludes derivatives with counterparties with good credit ratings in order to exclude possible default risks as far as possible.

The fair value of shares in non-consolidated affiliated companies, shares in unlisted other investments, securities and liabilities from put options of non-controlling interests was determined using appropriate valuation methods based on discounted cash flow analyses, maximizing the use of observable inputs. The main unobservable input parameters are the expectations of future cash flows and the specific discount rates. The higher the expected future cash flows or the lower the discount rate, the higher the fair value and vice versa.

Financial assets subsequently measured at level 3 fair value include shares in affiliated companies and other investments as well as securities. The reconciliation of the fair value measurement of these financial assets is presented below.

in EUR thousand	Shares in affiliated companies and other investments	Securities
As of 01.01.2021	**3,722**	**8,838**
Amounts recognized in profit or loss	1,689	435
Unrealized financial income	2,874	-
Unrealized financial expense	-1,185	-
Realized financial income	-	435
Losses recognized in other comprehensive income	-210	-
Changes in the scope of consolidation	10,297	-
Additions	918	-
Disposals	-9	-9,274
Reclassification to assets held for sale	-19	-
As of 31.12.2021	**16,388**	**-**
Amounts recognized in profit or loss	4,320	-
Unrealized financial income	9,001	-
Unrealized financial expense	-5,746	-
Realized financial income	1,065	-
Additions	12,365	4
Disposals	-9,246	-
Reclassification to assets held for sale	-1	-
As of 31.12.2021	**23,825**	**4**

The losses incurred in the reporting period and in the comparative period, which were recognized in other comprehensive income, relate solely to financial instruments held at the end of the respective period.

There were no reclassifications between the levels of the hierarchy in the reporting period and in the comparative period.

The net gains or losses from financial instruments of the individual categories in accordance with IFRS 9 for the reporting period and the comparative period are as follows:

in EUR thousand	2022	2021
Financial assets at fair value through profit or loss (FVTPL)	3,589	6,280
Financial liabilities at fair value through profit or loss (FLFV)	6,209	9
Financial assets at fair value through other comprehensive income (FVOCI)	-	-210
Financial assets at amortized cost (FAAC)	-801	801
Financial liabilities at amortized cost (FLAC)	-15,714	-8,741
Net gains and losses	**-6,717**	**-1,861**

Net gains and losses on financial instruments mainly arise from changes in the fair value of financial instruments measured at fair value, interest expense and income, currency translation effects, and expenses and income for expected credit losses.

Interest income from financial assets measured at amortized cost amounts to EUR 2,509 thousand (previous year EUR 1,673 thousand). Interest expenses from financial liabilities measured at amortized cost amount to EUR 15,714 thousand (previous year EUR 8,741 thousand).

7 Financial Risk Management

The Group‘s management monitors and manages the financial risks associated with the Group‘s business areas through internal risk reporting, which analyzes risks by degree and extent. Risks include credit, liquidity and market risks (currency, interest rate and share price risks). In some cases, the Group minimizes the impact of these risks by using derivative financial instruments. The use of derivative financial instruments is monitored by the Group‘s management on an ongoing basis. The Group does not contract or trade financial instruments, including derivative financial instruments, for speculative purposes.

7.1 Credit and default risk

Credit and default risk is defined as the risk that our business partners fail to meet their contractual payment obligations, resulting in a loss to the Group. Default risk includes both the direct risk of credit default and deterioration in credit rating as well as the concentration of default risks.

Credit risks exist in particular with regard to trade receivables and contract assets. Default risks among our customers are monitored at the level of the individual companies by means of regular analysis of receivables due and by collecting up-to-date, individual information on creditworthiness from customers. Overall, the Group does not consider the default risks to be very significant. In the e-commerce business, in particular, there is no default risk due to payment by credit card or via payment service providers such as Paypal. In the Social Marketing segment, the default risk is addressed by verifying and assessing the creditworthiness of the future business partner before entering into joint projects and by agreeing regular advance payments. The risk of default is taken into account by recognizing allowances for expected and actual credit losses (see Note 4.10).

For all other assets subject to the IFRS 9 impairment model, no credit losses are expected due to management‘s assessment of the default risk of the individual counterparties as insignificant. The maximum default risk of the recognized assets corresponds to their carrying amount.

7.2 Liquidity risk

Based on the definition of IFRS 7, a liquidity risk arises when an entity is unable to meet its financial obligations. In order to ensure the Group‘s solvency and financial flexibility, an adequate reserve of cash and cash equivalents and marketable securities is maintained. The Group‘s management monitors the liquidity of the operating companies and the Group as a whole by means of rolling cash flow forecasts. Furthermore, the maturity structure of financial liabilities is continuously reviewed and optimized.

The following tables present the undiscounted, contractually agreed cash outflows from financial liabilities at the balance sheet date.

31.12.2022 in EUR thousand	Carrying amount	Payments < 1 year	Payments 1 -5 years	Payments > 5 years
Liabilities to banks	120,984	22,111	99,409	-
Liabilities from third party loans	55,203	17,396	43,245	-
Lease liabilities	58,167	5,480	18,490	47,554
Liabilities from convertible bonds	21,803	1,299	23,887	-
Refund liabilities	5,316	5,316	-	-
Liabilities from exercised options	4,140	4,140	-	-
Derivative financial liabilities	1,757	1,757	-	-
Other financial liabilities	9,558	9,506	51	-
Trade payables	34,957	34,957	-	-
Financial liabilities held for sale	**9,662**	**9,662**	**-**	**-**

31.12.2021 in EUR thousand	Carrying amount	Payments < 1 year	Payments 1 -5 years	Payments > 5 years
Liabilities to banks	157,409	140,765	15,177	3,950
Liabilities from third party loans	46,619	18,740	30,679	185
Lease liabilities	54,633	8,047	19,211	39,023
Liabilities from convertible bonds	20,614	1,299	1,299	23,887
Refund liabilities	22,473	22,473	-	-
Liabilities from put options held by non-controlling interests	5,996	5,996	-	-
Derivative financial liabilities	79	74	5	-
Other financial liabilities	3,397	3,397	-	-
Trade payables	68,730	68,730	-	-
Financial liabilities held for sale	**4,453**	**4,453**	**-**	**-**

7.3 Market price risk

7.3.1 Exchange rate risk

The operating business and financing activities are subject to exchange rate risks from transactions that are not agreed in euro. The currency risks that are material to Group result from transactions in GBP and USD.

Existing risk positions are monitored on an ongoing basis and mitigated by foreign currency cash flows with an offsetting effect. Furthermore, currency risk is actively managed through the use of derivative financial instruments.

The following table presents the sensitivity of consolidated profit before tax and consolidated equity to possible changes in the exchange rates relevant for the Group (GBP, USD) ceteris paribus.

in EUR thousand	2022	2021
Effect on consolidated profit before tax and equity in the event of an exchange rate change GBP +10 %.	-1,080	-108
Effect on consolidated profit before tax and equity in the event of an exchange rate change GBP -10 %.	1,321	132
Impact on consolidated earnings before taxes and equity in the event of exchange rate change USD +10 %.	439	1,049
Impact on consolidated profit before tax and equity in the event of exchange rate change USD -10 %.	-537	-1,282

7.3.2 Interest rate risk

The Group is exposed to both interest rate risk from variable rate loans and interest rate risk from fixed rate loans at the time of refinancing. With regard to the refinancing of expiring loans and variable rate loans, the interest rate level of the market is continuously monitored by management in order to be able to take necessary measures. The risk from variable rate financial liabilities was partially hedged in the reporting period using corresponding interest rate derivatives with matching maturities and conditions.

Overall, the changes in interest rates in the financial years 2022 and 2021 did not have any significant effect on the net result for the period.

7.3.3 Share price risk

The Group accounts for its interests in other equity investments at fair value. The fair value of these largely unlisted equity instruments may fluctuate due to several factors. Accordingly, the Group's financial position and earnings depend on the performance of such investments. The Group's strategy is geared toward a long-term investment. Accordingly, there is no strategy for managing short-term share price fluctuations.

As of December 31, 2022 the Group recognized shares in other investments amounting to EUR 23,947 thousand (prior year EUR thousand 16,901) at fair value. Of this amount EUR 480 thousand (previous year EUR 528 thousand) was attributable to quoted equity instruments and EUR 23,467 thousand (previous year EUR 16,373 thousand) to unlisted equity instruments. The fair value of the unlisted equity instruments was determined based on transaction prices/market prices or using the DCF valuation method.

As of December 31, 2022, an amount of EUR 18,742 thousand (previous year: EUR 10,790 thousand) was attributable to unlisted equity instruments measured on the basis of transaction prices and EUR 4,725 thousand (previous year: EUR 5,583 thousand) to unlisted equity instruments measured using the DCF method.

Sensitivity analysis

The share price risk associated with the Group's listed equity instruments can be illustrated by the fact that a 5% change in the share prices of all listed equity investments as of December 31 2022 would reduce the Group's profit or loss and equity by EUR 24 thousand (prior year EUR 26 thousand).

The share price risk associated with the Group's equity instruments that are measured on the basis of transaction prices/market prices can be illustrated by the fact that a 5% change in the prices of these investments as of December 31, 2022 would reduce the Group's profit or loss and equity by EUR 937 thousand (previous year EUR 540 thousand).

The share price risk associated with the Group's equity instruments measured on the basis of DCF methods is presented in the following table. The sensitivity analysis was performed for the key factors of revenue growth and WACC.

31.12.2022			WACC	
in EUR thousand		**-1 %**	**0 %**	**+1 %**
	-1 %	4,709	4,604	4,502
Revenues	0 %	4,833	4,725	4,620
		4,961	4,850	4,742

31.12.2021			WACC	
in EUR thousand		**-1 %**	**0 %**	**+1 %**
	-1 %	5,207	4,478	3,901
Revenues	0 %	6,496	5,583	4,864
		7,786	6,688	5,828

8 Capital Risk Management

The Group's objectives with regard to capital management are, on the one hand, to ensure the Group's ability to continue as a going concern in order to provide shareholders with returns and other parties with the benefits to which they are entitled and, on the other hand, to maintain the capital structure in order to reduce the cost of capital. To optimize the cost of capital, the capital structure is regularly monitored on the basis of various key financial figures. The most important key figure in this context is the equity ratio, which is expected to improve.

in EUR thousand	2022	2021
Equity attributable to shareholders of the parent company	66,116	194,600
Financial liabilities and trade payables[1]	307,744	379,950
thereof non-current	218,028	113,769
thereof current	89,716	266,181
Total capital	373,860	574,550
Equity ratio (equity attributable to shareholders of the parent / total capital)	17.68%	33.87%

1 Excluding financial liabilities held for sale and trade payables

9 Share-based payments

9.1 Equity-settled share-based payments

The Social Chain AG has launched option programs for management, senior executives and other key employees. In this context, the Company issued employee options in several tranches in the financial years 2019, 2020, 2021 and 2022 with a term of ten years, consisting of a waiting period of four years and an exercise period of six years. Within the exercise period, the options can only be exercised at certain time intervals depending on the date of an Annual General Meeting or the announcement of half-year results, quarterly reports or interim announcements.

All options are subject to two market conditions: a performance target and an amount-based cap.

The performance target requires that the options will only become exercisable if the average volume-weighted share price during the last ten stock market trading days prior to the beginning of the respective exercise period exceeds the exercise price by at least 10% for tranche 19-I and by at least 20% for tranches 19-II, 20-I, 20-II, 2021 and 2022.

The cap applies if the share price has increased by more than 50% in the three months prior to the start of an exercise period and a reference index has not increased by at least 2/3 of the share's performance in the same period. The cap corresponds to twice the amount of the annual gross compensation (including all fringe benefits subject to income tax) received by the option holder from the Company or an affiliated company in the twelve months prior to the exercise date.

The majority of the options under the 2019 and 2020 option programs were fully vested on the grant date. The resulting expense was therefore recognized fully at the grant date. The options of two employees were partly subject to a vesting period of two years. The options of the 2021 option program were subject to a vesting period of 18 months, except for the options of one employee, which vested immediately. The options under the 2022 option program are also subject to a vesting period of 18 months. Options subject to a vesting period must be earned monthly. Vested options do not expire upon termination of employment. When an exit event occurs, all options fully vest („accelerated vesting"). The expense resulting from options with vesting clauses is recognized proportionately during the vesting period.

In accordance with IFRS 2, employee stock options are accounted for as equity-settled share-based payments. As an alternative to settlement in shares, the Executive Board may stipulate that the Company shall pay the difference between the exercise price and the settlement price in cash to the beneficiary. As this option is neither realistic nor desirable, settlement in shares has been assumed for all options issued.

The valuation of the options is based on Monte Carlo simulations. The cap was not taken into account as its probability of occurrence is not material and even if the cap was to take effect, it would not affect the fair value of the options in the same proportion due to its amount.

The following table presents the number of options outstanding and the change during the year:

in EUR thousand	2022	2021
Outstanding as of January 1	1,037,979	928,049
Granted in the financial year	242,209	109,930
Exercised in the financial year	-	-
Expired in the financial year	-112,688	-
Outstanding as of December 31	1,167,500	1,037,979
Exercisable as of December 31	-	-

The following table presents the input factors used to determine the fair value of the options:

	2022	2021
Tranche	2022	2021
Valuation date[1]	06,07,2022	27,09,2021
Fair value per option	EUR 3.86	EUR 16.23
Share price[2]	EUR 6.00	EUR 42.60
Exercise price[3]	EUR 6.72	EUR 42.11
Term[4]	8 Jahre	8 Jahre
Risk free interest rate[5]	1.05%	-0.53%
Expected annualized volatility[6]	66.36%	36.75%

Tranche		2021		2020
Valuation date1	20-I	20-II	19-I	19-II
Fair value per option	12,08,2020	23,12,2020	01,10,2019	16,10,2019
Share price2	EUR 7.08	EUR 10.23	EUR 5.51	EUR 8.97
Exercise price[3]	EUR 19.55	EUR 26.30	EUR 11.80	EUR 21.00
Term[4]	EUR 21.15	EUR 25.77	EUR 8.13	EUR 15.70
Risk free interest rate[5]	10 Jahre	10 Jahre	10 Jahre	10 Jahre
Expected annualized volatility[6]	-0.47 %	-0.62 %	-0.53 %	-0.44 %
Erwartete annualisierte Volatilität[6]	**43.71 %**	**43.90 %**	**35.34 %**	**35.43 %**

1 The options of tranches 19-II, 20-I, 20-II and 2021 were measured on the grant date in accordance with IFRS 2. The options of tranche 19-I were granted on July 18, 2019 and thus prior to the acquisition date of the reverse acquisition. Therefore, they were valued at the acquisition date.

2 Closing price on the Düsseldorf Stock Exchange

3 The exercise price corresponds to the volume-weighted average share price on the last ten stock exchange trading days prior to the respective grant date, but at least to the pro rata amount of the Company's share capital attributable to one share.

4 For the 2019 and 2020 options, it was assumed that the options will be exercised at the end of ten years. For the 2021 and 2022 options, it was assumed that employees in management positions hold their options longer than employees. As the weighting of the total number of stock options issued lies with the management and Executive Board level, the options were assumed to have a total term of 8 years.

5 The risk-free interest rate was derived from German government bonds with equivalent maturities.

6 The expected volatility was determined based on the historical volatility of a peer group.

In the financial year 2022, a total expense from the stock option program in the amount of EUR 841 thousand (previous year EUR 790 thousand) was recognized. Equity increased by EUR thousand 841 (previous year EUR 790 thousand) as a result of the recognition of the options.

9.2 Share-based payment with cash settlement

KoRo Handels GmbH, Berlin, a subsidiary of The Social Chain AG, granted two employees virtual shares in the financial year 2021. The employees did not invest any of their own capital and will only receive a special compensation to be determined in accordance with the „Issuance Agreement for Virtual Shares" as an additional compensation component in the event of an exit.

The entitlement of one beneficiary employee to special compensation from a total of 455 virtual shares granted is to be earned economically over a certain period („vesting period"). The vesting period begins six months after the grant date („cliff period"). The vesting period ends no later than the earliest of the termination of the employment or service relationship of the beneficiary with the Company, the exit or 24 months after the beginning of the vesting period, taking into account a possible extension of the vesting period.

The entitlement of the second beneficiary employee to special compensation from the respective virtual shares granted is to be earned only in part economically over a certain term of the beneficiary („vesting period"). 500 of the total virtual shares to which the beneficiary is entitled are granted immediately, i.e. without a cliff or vesting period. The vesting period for the remaining 835 virtual shares will begin on April 1, 2021 and end no later than the earlier of the termination of the beneficiary's employment or service relationship with the Company, the exit, or 15 months after the beginning of the vesting period, taking into account a possible extension of the vesting period.

The measurement of the liability from the virtual shares is based on Monte Carlo simulations. The following table presents the input factors used to determine the fair value of the liability:

in EUR thousand	**Employees 1**	**Employees 2**
Date of grant	31,03,2021	01,06,2021
Virtual shares granted	1335	455
thereof with vesting	500	0
thereof without vesting	835	455
Exercise price	EUR 198	EUR 833
Start of the vesting period	01,04,2021	01,01,2022
Vesting period in years	1.25	2.00
End of the vesting period (at the latest)	30,06,2022	01,01,2024
Probability of an exit	90%	90%
Exit date	30,06,2023	30,06,2023
Term	1.5 Jahre	1.5 Jahre
Enterprise value	TEUR 107,500	TEUR 107,500
Transaction costs (5%)	TEUR 5,375	TEUR 5,375
Spot	TEUR 102,125	TEUR 102,125
Strike	TEUR 1,722	TEUR 1,837
Dividend yield	-	-
Risk-free interest rate	-0.75%	0.75%
Volatility	18.50%	18.50%
Option price per share without exit probability	2,215	2,213
Option price per share with exit probability	1,913	1,911

In the financial year 2022, a total expense of EUR 172 thousand (previous year: EUR 2,768 thousand) was recognized for the virtual shares and a liability of EUR 0 thousand (previous year: EUR 2,768 thousand) was recognized. In the previous year, the liability was included in the balance sheet under „Liabilities held for sale".

10 Contingent liabilities and other financial obligations

As of the balance sheet date of financial years 2022 and 2021 there were no material contingent liabilities.

With the exception of short-term leases and leases of low-value assets, there are no other financial obligations that are not recognized.

11 Relationships with related companies and persons

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Group Notes

Related parties are shareholders with significant influence over the TSC Group, associates, joint ventures, non-consolidated subsidiaries and persons who have significant influence over the financial and operating policies of the Group. Persons with significant influence over the financial and operating policies of the Group include all key management personnel and their close family members. Within the Group, this applies to the members of the Executive Board and the Supervisory Board of the parent company. Intercompany balances and transactions between fully consolidated Group companies are eliminated on consolidation and are therefore not explained further.

11.1 Transactions with related parties

The Group identified key management personnel, their family members and entities controlled by them as related parties. The individuals listed below represent key management personnel in the Group. The employment of key management personnel relates to the full financial year, unless otherwise stated:

Name	Position
Wanja S. Oberhof	Chief Executive Officer (CEO)
Andreas Schneider	Andreas Schneider (CFO) since June 1, 2022
Christian Senitz	Chief Financial Officer (CFO) until April 30, 2022
Ralf Dümmel	Chief Product and Services Officer
	(CPO) until November 15, 2022
Dr. Georg Kofler	Chairman of the Supervisory Board
Henning Giesecke	Supervisory Board member
Henrike Luszick	Supervisory Board member
Hanno Hagemann	Managing Director of DS Holding GmbH until January 14, 2022
Holger Hansen	Member of the Executive Board of TSCG AG until March 3, 2022

Key management personnel and their family members have numerous investments that have been identified as related party companies. There are no business transactions with the TSC Group with most of these companies. The related parties with which business transactions exist are listed below.

Transactions with key management personnel and their related parties mainly relate to unsecured loans held to maturity with subordination granted by Georg Kofler through Gruppe Georg Kofler GmbH, Munich, FORTUNA Beteiligungsgesellschaft mbH, Munich, eninvent GmbH, Munich, and DA CAPO Vermögensverwaltung GmbH as well as by Wanja S. Oberhof and Ralf Dümmel.

The loans received have interest rates of 3% (fixed) to 3.5% + EURIBOR (variable) (previous year: fixed interest rates of 3% to 6%), which serve the Group‘s capital management and have remaining terms to maturity between 2023 and 2025. The interest income presented below results from the discounting of the loan liabilities when granted due to a below-market interest rate. The interest income is offset over time by higher interest expense. Further interest expenses in the financial year 2022 resulted from loan liabilities with Kaufidee GmbH during the year.

Furthermore, there is a lease agreement for a building with Dieter Schwarz Immobilien Verwaltungs GmbH & Co. KG for storage facilities of the DS Group in Gallin near Hamburg with a remaining term until 2041.

Loan receivables represent short-term loans to waow entrepreneurship GmbH, Sweet dreams invest GmbH, Wanja S. Oberhof and Georg Kofler.

Trade receivables and other receivables are attributable to waow entrepreneurship GmbH, H²B Aviation GmbH & Co KG and Trinity Holding GmbH.

Transactions and open items with key management personnel and their related parties are summarized under KMP (key management personnel).

The Supervisory Board and the Executive Board shall comply with the approval requirements for transactions with related parties pursuant to Section 111a et seq. of the German Stock Corporation Act (AktG).

The Group also identified jointly controlled entities and entities over which it has a controlling or significant influence as related parties. Accordingly, the transactions with the following related parties of the Group are also disclosed:

Company	Type
Puffin GmbH, Lilienthal	Subsidiaries
LAX GmbH, Berlin	Joint venture

The outstanding amounts are settled in cash. No impairment losses have been recognized on receivables in respect of amounts owed by related parties.

The income and expenses from transactions in the financial year 2022 and the corresponding open items as of December 31, 2022 with related parties are as follows:

in EUR thousand	KMP	Subsidiary	Joint-venture
Income from rentals and leases	4	-	-
Other operating expenses	15	-	-
Interest expense	2,384	-	-
Interest income	115	-	-

in EUR thousand	KMP	Subsidiary	Joint-venture
Loan receivables	448	-	-
Loan liabilities	45,728	246	-
Trade receivables and other receivables	446	22	-
Lease liabilities	29,357	108	-
Other non-financial liabilities	26	-	-

The income and expenses from transactions in the financial year 2021 and the corresponding open items as of December 31, 2021 with related parties are as follows:

in EUR thousand	KMP	Subsidiary	Joint-venture
Revenue from the sale of goods and services	1	-	-
Legal and consulting fees	1,500	-	-
Interest expense	986	-	-
Interest income	1,241	-	-

in EUR thousand	KMP	Subsidiary	Joint-venture
Loan receivables	352	-	-
Loan liabilities	46,040	-	30
Lease liabilities	30,634	-	-

11.2 Compensation of key management personnel

Compensation of the Board of Management
Christian Senitz has resigned from his position as Chief Financial Officer (CFO) of TSC AG effective April 30, 2022.

By resolution of the Supervisory Board dated April 29, 2022, Andreas Schneider was appointed Chief Financial Officer (CFO) of TSC AG effective June 1, 2022.

On November 15, 2022, the Chief Executive Officer (CEO) of TSC AG, Mr. Wanja Sören Oberhof, notified the Company's Supervisory Board at its ordinary meeting of his intention to resign from his position as a member of the Executive Board with effect from the end of December 31, 2022. In the future, Mr. Wanja Sören Oberhof, as President of Social Chain USA Inc., an indirect wholly owned subsidiary of TSC AG, will be responsible for all M&A activities of the TSC Group in addition to managing the US business.

Further information on the Supervisory Board can be found in Note 13.

Mr. Ralf Dümmel, Chief Product Officer (CPO) of TSC AG, has resigned from his position as member of the Executive Board and Deputy Chairman of the Executive Board of TSC AG with effect from the end of November 15, 2022, and has turned his focus to solely managing the DS Group.

In its new structure, TSC AG will be managed by an Executive Board consisting of two members, Dr. Georg Kofler as CEO and Andreas Schneider as CFO.

The compensation of the Board of Management is as follows:

in EUR thousand	2022	2021
Short-term employee benefits	1,471	802
Pension benefits	48	20
Share-based payments	618	268
Total	**2,137**	**1,090**

The compensation of the Executive Board comprises salaries and benefits in kind. The members of the Executive Board also participate in the Group's stock option program. For further information on the stock option program, please refer to Note 9.

Further disclosures on the remuneration of the Executive Board pursuant to Section 314 (1) No. 6a of the German Commercial Code (HGB) can be found in the Remuneration Report, which is publicly available on TSC AG's website at https://thesocialchain.ag/investor-relations/corporate-governance.

Remuneration of the Supervisory Board
The remuneration of the Supervisory Board of the parent company for their services related to the parent company and the subsidiaries amounted to EUR 150 thousand (previous year: EUR 150 thousand) and consists solely of short-term benefits. The members of the Supervisory Board did not receive any loans or advances.

Further disclosures pursuant to Section 314 (1) No. 6a of the German Commercial Code (HGB) can be found in the Compensation Report, which is publicly available on TSC AG's website at https://thesocialchain.ag/investor-relations/corporate-governance.

12 Additional mandatory disclosures according to the German Commercial Code (HGB)

12.1 Employees

The average number of employees by function is as follows:

in EUR thousand	2022	2021
Purchasing	115	113
Distribution	199	240
Administration	268	258
Operations	227	397
Logistics	167	162
Product & IT Development	37	67
Other	111	34
Total	**1,124**	**1,271**

12.2 Auditor's fee

The total fee charged by the auditor for the financial year amounts to EUR 610 thousand (previous year: EUR 897 thousand) and breaks down as follows:

in EUR thousand	2022	2021
Audit services	476	782
Other assurance services	128	115
Tax consulting services	-	-
Other services	6	-
Total	**610**	**897**

13 Events after the balance sheet date

On January 19, 2023, Sebastian Stietzel was appointed as a member of the Supervisory Board of TSC AG. The appointment had become necessary after Dr. Georg Kofler had resigned from his position as a member of the Supervisory Board in order to be able to be appointed Chairman of the Company‘s Executive Board.

On January 24, 2023, immediately following its constituent meeting, the Supervisory Board of TSC AG appointed Dr. Georg Kofler as the Company‘s new Chief Executive Officer. The appointment was made for a full 36 calendar months. The previous Chairman of the Executive Board, Mr. Wanja Sören Oberhof, resigned from office with immediate effect.

The Supervisory Board also elected Ms. Henrike Luszick as the new Chairwoman of the Supervisory Board. As before, Mr. Henning Giesecke was confirmed as Deputy Chairman of the Supervisory Board.

On February 3, 2022, the TSC Group announced its new strategic direction. The new CEO of TSC AG, Dr. Georg Kofler, sets the first strategic course and focuses on own brands and innovative products in Omnichannel Commerce. In the course of this realignment, TSC AG is separating from its international agency business with third-party customers.

On February 3, 2023, the TSC Group sold its English-speaking agency business in England and the USA. A corresponding share purchase agreement was signed, under which all shares in Social Chain Ltd. (Manchester), including its direct subsidiary Social Chain USA Inc. (New York), were sold to Brave Bison Group PLC. As part of the transaction, all trademark rights to the term „Social Chain“ will be sold and transferred to the buyer. The Company and the agency business in Germany will receive a comprehensive license for the further use of the rights to the name. The Supervisory Board of the Company has already approved the transaction.

As consideration for the sale of the shares, the parties have agreed on a total purchase price of up to approximately EUR 20 million (based on a cash/debt-free calculation), of which an initial purchase price of approximately EUR 8.7 million (before cash/debt-free calculation) will be paid upon closing of the transaction. Further subsequent purchase price payments (earn-out) will be due – subject to corresponding consolidated business development of the target companies – on a staggered basis until 2025.

The consideration will be financed by the purchaser via the issuance of new shares. The closing of the transaction is in particular subject to the condition precedent of the successful completion of the share placement by the purchaser. The parties expect the transaction to be completed by mid-February 2023.

The Company expects the sale to result in a non-cash impairment loss on goodwill for the target companies in the higher single-digit million range for the Consolidated Financial Statements for financial year 2022.

On March 1, 2023, the Executive Board of TSC AG, with the approval of the Supervisory Board, decided to increase the company‘s share capital from EUR 15,527,775.00 by EUR 227,568.00 to EUR 15,755,343.00 via issuance of 227,568 new no-par value registered shares with a proportionate amount of the share capital of EUR 1 against contributions in kind by partially utilizing the authorized capital in accordance with Article 3 (6) of the Articles of Association (Authorized Capital 2022/I). The object of the contribution in kind are shares in drtv.agency GmbH based in Stuttgart. The shareholders‘ subscription rights were excluded in accordance with Article 3 (6) sentence 4 lit. cc) of the Articles of Association. The new shares will be issued at an issue price of EUR 15.38 per share and thus at a total issue price of EUR 3,499,995.84 and will be entitled to participate in profits from January 1, 2023. The capital increase was entered in the commercial register on April 25, 2023.

On April 6, 2023, Berlin-based Lions Chain GmbH was sold by TSC AG to Leverkusen-based HaWiCon GmbH. With the payment of the purchase price all receivables from shareholder loans were assigned to the buyer.

On April 14, 2023, TSC AG sold RAVENSBERGER Matratzen GmbH, headquartered in Berlin, to SCUR-Alpha 1576 GmbH (in future Perfect Sleep

GmbH), headquartered in Munich, under the terms of a share purchase agreement.

There were no other events of particular importance for the net assets, financial and earnings position after the end of the financial year.

14 Corporate Governance

The Executive Board and Supervisory Board of The Social Chain AG have issued a declaration on the Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG) and have made this declaration permanently available on the Company's website (https://thesocialchain.ag/investor-relations/corporate-governance).

15 Approval of the financial statements for publication

The Supervisory Board is expected to approve present Consolidated Financial Statements on April 27, 2023. Publication is also scheduled for April 27, 2023.

Berlin, April 27, 2023

Dr. Georg Kofler Andreas Schneider

Declaration by the Executive Board and assurance pursuant to sections 297 (2), 315 (1) of the German Commercial Code (HGB)

The Executive Board of The Social Chain AG is responsible for the preparation of the Consolidated Financial Statements and the Group Management Report of The Social Chain AG.

To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements of The Social Chain AG give a true and fair view of the assets, liabilities, financial position and earnings of the Group, and the Group Management Report of The Social Chain AG provides a fair view of the development and performance of the business and the position of the Group and describes the principal opportunities and risks associated with the expected development of the Group.

Berlin, April 27, 2023

Dr. Georg Kofler

Andreas Schneider

Report on the audit of the Consolidated Financial Statements and the Group Management Report

Audit Opinions
We have audited the Consolidated Financial Statements of The Social Chain AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as of December 31, 2022, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from January 1, 2022 to December 31, 2022, and the Notes to the Consolidated Financial Statements, including a summary of significant accounting policies. We have also audited the Group Management Report of The Social Chain AG, which is combined with the Management Report of the Company, hereinafter referred to as the „Group Management Report", for the financial year from January 1, 2022 to December 31, 2022. In accordance with German legal requirements, we have not audited the content of the components mentioned in the „Other information" section of our audit opinion.

In our opinion, based on the findings of our audit

- the accompanying Consolidated Financial Statements comply in all material respects with IFRSs as adopted by the EU and the additional requirements of German law pursuant to Section 315e (1) of the German Commercial Code (HGB) and give a true and fair view of the financial position of the Group as of December 31, 2022 and of its financial performance for the financial year from January 1, 2022 to December 31, 2022 in accordance with these requirements and

- the accompanying Group Management Report as a whole provides an accurate view of the Group's position. In all material respects, the present Group Management Report is consistent with the Consolidated Financial Statements, complies with German legal requirements, and accurately presents the opportunities and risks of future development. Our audit opinion on the Group Management Report does not cover the content of the components of the Group Management Report mentioned in the section „Other information".

- In accordance with Section 322 (3) sentence 1 of the German Commercial Code (HGB), we declare that our audit has not led to any reservations concerning the propriety of the Consolidated Financial Statements and the Group Management Report.

Basis for the audit judgments
We conducted our audit of the Consolidated Financial Statements and the Group Management Report in accordance with Section 317 of the German Commercial Code (HGB) and the EU Regulation on Auditors (No. 537/2014; hereinafter „EU-APrVO") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility under those provisions and principles is further described in the section „Auditor's Responsibility for the Audit of the Consolidated Financial Statements and the Group Management Report" of our auditor's report. We are independent of the Group companies in accordance with European law and German commercial and professional regulations and have fulfilled our other German professional obligations in accordance with these requirements. Furthermore, in accordance with Article 10 (2) (f) EU-APrVO, we declare that we have not performed any prohibited non-audit services as defined in Article 5 (1) EU-APrVO. 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 the Group Management Report.

Particularly important audit matters in the audit of the Consolidated Financial Statements
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements for the financial year from January 1, 2022 to December 31, 2022. These matters were considered in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

In our view, the following matters were most significant in our audit:

- Recoverability and impairment of goodwill

We have structured our presentation of these key audit matters as follows:

1. Facts and problem
2. Audit approach and findings
3. Reference to further information

In the following, we present the audit matters of particular importance:

Recoverability and impairment of goodwill
In the Consolidated Financial Statements of The Social Chain AG as of December 31, 2022, a value of EUR 89.0 million is reported under the balance sheet item „Goodwill". In financial year 2022, the Company recognized goodwill amortization of EUR 98.7 million. The Company allocates goodwill to the relevant group of cash-generating units. Goodwill is tested for impairment annually by the Company at the balance sheet date (irrespective of the event) or on an ad hoc basis. The carrying amount is compared with the recoverable amount of the respective cash-generating unit. If the carrying amount is higher than the recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of the fair value less costs of disposal and the value in use of the cash-generating unit. This measurement is regularly based on the present value of future cash flows of the cash-generating unit to which the goodwill is allocated. The valuation is based on the planning calculation of the cash-generating unit, which is based on the financial plan prepared by the Executive Board and approved by the Supervisory Board. Discounting is performed using the weighted average cost of capital of the cash-generating unit.

The Social Chain AG determines the value in use in a complex calculation model using a DCF method. In addition to the forecasts of future cash flows, the determination of the WACC is to be classified as discretionary. As even minor changes in the forecasts of future cash flows or the WACC can have a significant impact on the recoverable amount, there is considerable estimation uncertainty with regard to the measurement of goodwill, which is why this matter is of particular importance in the context of our audit.

There is a risk for the Consolidated Financial Statements that the goodwill reported as of December 31,2022 is not recoverable.

1. To address this risk, we critically assessed management's assumptions and estimates and performed the following audit procedures, among others:

   - As part of our audit procedures, we obtained an understanding of the Company's process for impairment testing.
   - We have traced the methodological procedure for performing the impairment test and assessed the determination of the weighted average cost of capital.
   - We have satisfied ourselves that the forecast cash inflows underlying the valuation and the discount rates used, taken as a whole, provide an appropriate basis for the impairment test of the cash-generating unit.
   - Our assessment was based, among other things, on a comparison with the current planning figures from the detailed planning prepared by The Social Chain AG. We also verified that the planning data was correctly derived from the multi-year plan adopted by the Executive Board and approved by the Supervisory Board. We also assessed the plausibility of the planning assumptions based on industry-specific market expectations.
   - With the knowledge that even relatively small changes in the discount rate can have a material impact on the amount of value in use determined in this manner, we considered the parameters used in determining the discount rate applied, including the weighted average cost of capital („WACC"), and understood the Company's calculation scheme.

- Furthermore, we performed additional sensitivity analyses in order to assess a possible impairment risk in the event of a change of a key assumption of the valuation which is deemed possible. The selection was based on qualitative aspects, in particular with regard to the continuation of the growth path.

We have determined that the goodwill and overall the carrying amount of the relevant group of cash-generating units is covered by the discounted future cash flows as of the balance sheet date.

2. The Company's disclosures on goodwill are included in Notes 1.7.7 and 4.1 to the financial statements.

Other information

The legal representatives are responsible for the other information. The other information includes:

- the non-financial statement pursuant to Section 289b (1) of the German Commercial Code (HGB) and Section 315b (1) of the German Commercial Code (HGB) referred to in the section „non-financial statement (sustainability report)" of the Group Management Report

- the corporate governance statement pursuant to Section 289f of the German Commercial Code (HGB) and Section 315d of the German Commercial Code (HGB) referred to in the „Corporate Governance Statement" section of the Group Management Report, including the Declaration of Compliance pursuant to Section 161 of the Stock Corporation Act (AktG)

- the other parts of the annual report, with the exception of the audited Consolidated Financial Statements and Group Management Report and our audit opinion, and

- the assurance pursuant to Section 297 (2) sentence 4 of the German Commercial Code (HGB) on the Consolidated Financial Statements and the assurance pursuant to Section 315 (1) sentence 5 of the German Commercial Code (HGB) on the Group Management Report.

Our audit opinions on the Consolidated Financial Statements and the Group Management Report do not cover the other information and, accordingly, we do not express an opinion or any other form of conclusion on it.

In connection with our audit, we have a responsibility to read the other information and, in doing so, evaluate whether the other information is

- materially inconsistent with the Consolidated Financial Statements, the Group Management Report or our knowledge obtained in the audit, or

- otherwise appear to be materially misrepresented.

Responsibilities of the Legal Representatives and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The legal representatives are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) of the German Commercial Code (HGB) and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the legal representatives are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error (i.e. manipulation of the accounting system or misstatement of assets).

In preparing the Consolidated Financial Statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. They are also responsible for disclosing, as applicable, matters related to going concern. Furthermore, they are responsible for preparing the financial statements on a going concern basis unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, legal representatives are responsible for the preparation of the Group Management Report, which as a whole provides an appropriate view of the Group's position and is consistent in all material respects with the Consolidated Financial Statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. Furthermore, legal representatives are responsible for such arrangements and measures (systems) that it determines are necessary to enable the preparation of a Group Management Report in accordance with the applicable German legal requirements and to provide sufficient appropriate evidence for the statements made 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 the Group Management Report.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements and the Group Management Report

Our objective is 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 is consistent, in all material respects, with the Consolidated Financial Statements and with our audit findings, complies with 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 opinion 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 of the German Commercial Code (HGB) and the EU-APrVO and in compliance with German generally accepted standards for the audit of financial statements 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 the Group Management Report.

During the audit, we exercise professional judgment and maintain professional scepticism. We also

- identify and assess the risks of material misstatement of the Consolidated Financial Statements and the Group Management Report due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error because fraud may involve collusion, forgery, intentional omissions, misleading representations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit of the Consolidated Financial Statements and the arrangements and actions 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 opinion on the effectiveness of those systems.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the legal representatives.

- conclude on the appropriateness of the going concern basis of accounting used by the legal representatives 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 our auditor's report to the related disclosures in the Consolidated Financial Statements and the Group Management Report or, if such disclosures are inadequate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. However, future events or conditions may result in the Group being unable to continue as a going concern.

- assess 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 such a way that the Consolidated Financial Statements give a true and fair view of the net assets, financial position and financial performance of the Group in accordance with IFRSs as adopted by the EU, and the additional requirements of German law pursuant to Section 315e (1) of the German Commercial Code (HGB).

- obtain sufficient appropriate audit evidence regarding the accounting 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 directing, supervising and performing the audit of the Consolidated Financial Statements. We remain solely responsible for our audit opinions.

- assess the consistency of the Group Management Report with the Consolidated Financial Statements, its compliance with [German] law and the view it conveys of the Group's position.

- perform audit procedures on the prospective information presented by the legal representatives in the Group Management Report. Based on sufficient appropriate audit evidence, we in particular evaluate the significant assumptions underlying the prospective statements used by legal representatives and evaluate the appropriateness of the information derived from these assumptions. We do not express an independent opinion on the prospective information or on the underlying assumptions. There is a significant unavoidable risk that future events may differ materially from the prospective information.

We discuss with those charged with governance, 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.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements and discuss with them all relationships and other matters that may reasonably be thought to bear on our independence and the safeguards that have been put in place to address them.

From the matters we discussed with those charged with governance, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure of the matter.

Other legal and regulatory requirements

Audit of the electronic reproductions of the Consolidated Financial Statements and the Group Management Report prepared for disclosure purposes in accordance with Section 317 (3a) of the German Commercial Code (HGB)

Audit opinion

In accordance with Section 317 (3a) of the German Commercial Code (HGB), we have performed a reasonable assurance audit to determine whether the reproductions of the Consolidated Financial Statements and the Group Management Report (hereinafter also referred to as „ESEF documents") contained in the file provided [TSC_Konzernabschluss_2022.zip] and prepared for disclosure purposes comply in all material respects with the requirements of Section 328 (1) of the German Commercial Code (HGB) regarding the electronic reporting format („ESEF format"). In accordance with German legal requirements, this audit extends only to the conversion of the information in the Consolidated Financial Statements and the Group Management Report into the ESEF format and therefore neither to the information contained in these reproductions nor to any other information contained in the aforementioned file.

In our opinion, the reproductions of the Consolidated Financial Statements and the Group Management Report contained in the above-mentioned file and prepared for disclosure purposes comply, in all material respects, with the electronic reporting format requirements of Section 328 (1) of the German Commercial Code (HGB). We do not express any opinion on the information contained in these reproductions or on the other information contained in the above-mentioned file beyond this opinion and our opinions on the accompanying Consolidated Financial Statements and the accompanying Group Management Report for the financial year from January 1 to December 31, 2022 contained in the preceding „Report on the audit of the Consolidated Financial Statements and Group Management Report".

Basis for the audit opinion

We conducted our audit of the reproductions of the Consolidated Financial Statements and the Group Management Report contained in the above-mentioned provided file in accordance with Section 317 (3a) of the German Commercial Code (HGB) and IDW Auditing Standard: Audit of Electronic Reproductions of Financial Statements and Management Reports Prepared for Disclosure Purposes in Accordance with Section 317 (3a) of the German Commercial Code (HGB) (IDW AsS 410 (06.2022)). Our responsibility in accordance therewith is further described in the section „Auditor's Responsibility for the Audit of the ESEF Documents". Our auditing practice has complied with the quality assurance system requirements of the IDW Quality Assurance Standard: Requirements for Quality Assurance in the Auditing Practice (IDW QS 1) applied.

Responsibility of the legal representatives and those responsible for supervision for the ESEF documents

The legal representatives of the Company are responsible for the preparation of the ESEF documents containing the electronic reproductions of the Consolidated Financial Statements and the Group Management Report in accordance with section 328 (1) sentence 4 no. 1 of the German Commercial Code (HGB) and for the tagging of the Consolidated Financial Statements in accordance with section 328 (1) sentence 4 no. 2 of the German Commercial Code (HGB).

Furthermore, the legal representatives are responsible for such internal control as they determine is necessary to enable the preparation of ESEF documents that are free from material non-compliance, whether due to fraud or error, with the requirements of Section 328 (1) of the German Commercial Code (HGB) regarding the electronic reporting format.

The Supervisory Board is responsible for overseeing the process of preparing the ESEF documentation as part of the financial reporting process.

Auditor's Responsibility for the Audit of the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance, whether due to fraud or error, with the requirements of Section 328 (1) of the German Commercial Code (HGB). During the audit we exercise professional judgment and maintain a professional scepticism. We also

- Identify and assess the risks of material non-compliance with the requirements of Section 328 (1) of the German Commercial Code (HGB), whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.

- Obtain an understanding of internal control relevant to the audit of ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of those controls.

- we assess the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents complies with the requirements of the Delegated Regulation (EU) 2019/815, in the version in force at the reporting date, regarding the technical specification for that file.

- we assess whether the ESEF documentation provides a consistent XHTML representation of the audited Consolidated Financial Statements and the audited Group Management Report.

- we assess whether the tagging of the ESEF documents with inline XBRL technology (iXBRL) in accordance with Articles 4 and 6 of Delegated Regulation (EU) 2019/815, as applicable on the reporting date, provides an adequate and complete machine-readable XBRL copy of the XHTML rendering.

Other information according to Article 10 of the EU audit regulation (EU-APrVO)

We were appointed as auditors of the Consolidated Financial Statements by resolution of the Annual General Meeting of the parent company on June 08, 2022. We have served as auditors of the Consolidated Financial Statements of The Social Chain AG without interruption since the financial year 2021.

We declare that the audit opinions contained in this audit opinion are consistent with the additional report to the Supervisory Board pursuant to Article 11 EU-APrVO (audit report).

Other matters – use of the audit opinion

Our audit opinion should always be read in conjunction with the audited Consolidated Financial Statements and the audited Group Management Report as well as the audited ESEF documents. The Consolidated Financial Statements and the Group Management Report converted to the ESEF format – including the versions to be entered in the companies register – are merely electronic reproductions of the audited Consolidated Financial Statements and the audited Group Management Report and do not replace them. In particular, the ESEF opinion and our audit opinion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.

Auditor in charge

The auditor responsible for the audit is Arno Kramer.

Frankfurt am Main, April 27, 2023

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Auditing firm
Tax consulting company

D. Hanxleden
Certified Public Accountant

A. Kramer
Certified Public Accountant

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Diesen Bericht veröffentlichen wir auch auf Englisch. Bei Abweichungen geht die deutsche Fassung des Berichts der englischen Übersetzung vor.