The Social Chain AG©

SOCIAL COMMERCE ON A GLOBALE SCALE

# #strongbuy

Annual Report 2021

**#strongbuy for growth**

Acquisition of DS Group strengthens brand and product portfolio, doubles revenue potential and brings further growth opportunities.

**#strongbuy for customers**

Expansion of the “Smart Customer Centric” strategy through “Social First Brands” and an omnichannel sales system ensures broad availability of products.

**#strongbuy for shareholders**

Debut listing in the Prime Standard of the Frankfurt Stock Exchange makes Social Chain AG shares internationally interesting for broad investor groups.

**#strongbuy for sustainability**

Launch of numerous CSR (Corporate Social Responsibility) initiatives and the first detailed sustainability report.

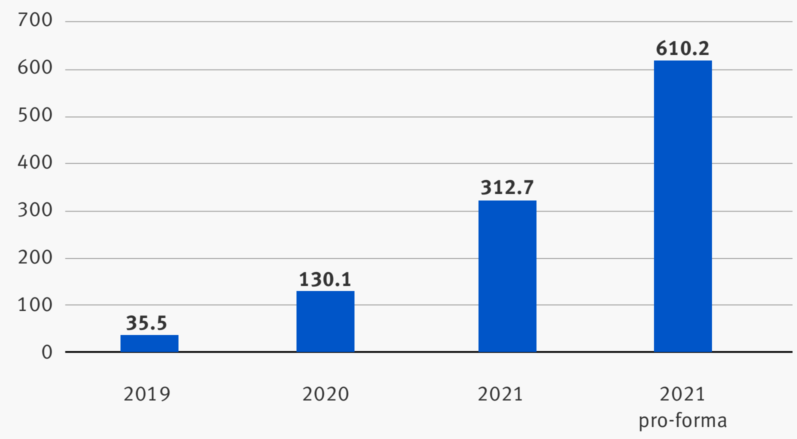
# Key financial figures of the Group

| **Financial figures** | ***pro-forma*** | | | | |
|---|---|---|---|---|---|
| **in EUR million** | ***31 September 2021*** | **31 December 2021** | **31 December 2020** | **Change** | **in %** |
| Revenues | *610.2* | 312.7 | 130.1 | 182.6 | >100% |
| Gross margin | *197.7* | 110.2 | 62.4 | 47.8 | 77% |
| **EBITDA** | ***0.4*** | **-23,0** | **-7,4** | **-15.6** | **>100%** |
| EBITDA as a percentage of revenues | *0.1%* | -7.4% | -5.7% | -1.7% | 29% |
| **adjusted EBITDA** | ***19.5*** | **-5.7** | **1.6** | **-7.3** | **>100%** |
| adjusted EBITDA as a percentage of revenues | *3.2%* | -1.8% | 1.2% | -3.1% | >100% |
| **EBIT** | ***-57.3*** | **-59.5** | **-13.9** | **-45.6** | **>100%** |
| **Group result** | ***-57.1*** | **-81.6** | **-25.7** | **-55.9** | **>100%** |

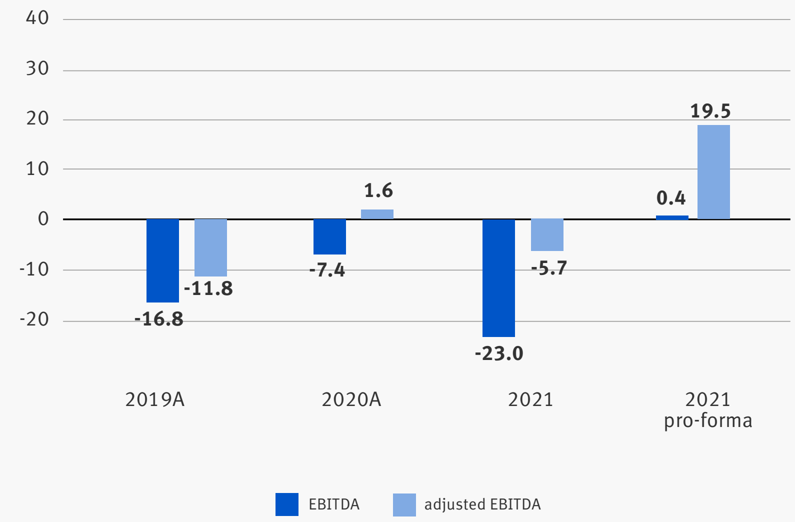
| **Other key figures** | | | | |
|---|---|---|---|---|
| Equity ratio in percent | 31% | 48% | -17% | -36% |
| Operating cash flow (in EUR million) | 22.9 | -24.7 | 47.6 | >100% |
| Investment cashflow (in EUR million) | -110.4 | -6.1 | -104.3 | >100% |
| Cash and cash equivalents (in EUR million) | 16.8 | 9.4 | 7.4 | 79% |
| **Employees (annual average)** | **1,271.0** | **601.0** | **670.0** | **>100%** |
| **Basic earnings / diluted earnings per share (in EUR)** | **-6.91** | **-2.55** | **-4.36** | **>100%** |

With the takeover of the DS Group, Social Chain AG has completed the most important acquisition in its history. The significance of these assets is barely yet apparent in the 2021 figures. In the 2021 financial year, the sales revenues of the DS Group are only included for the month of December. For a better understanding, we have therefore included a pro forma presentation of the combination of both companies for the financial year 2021.

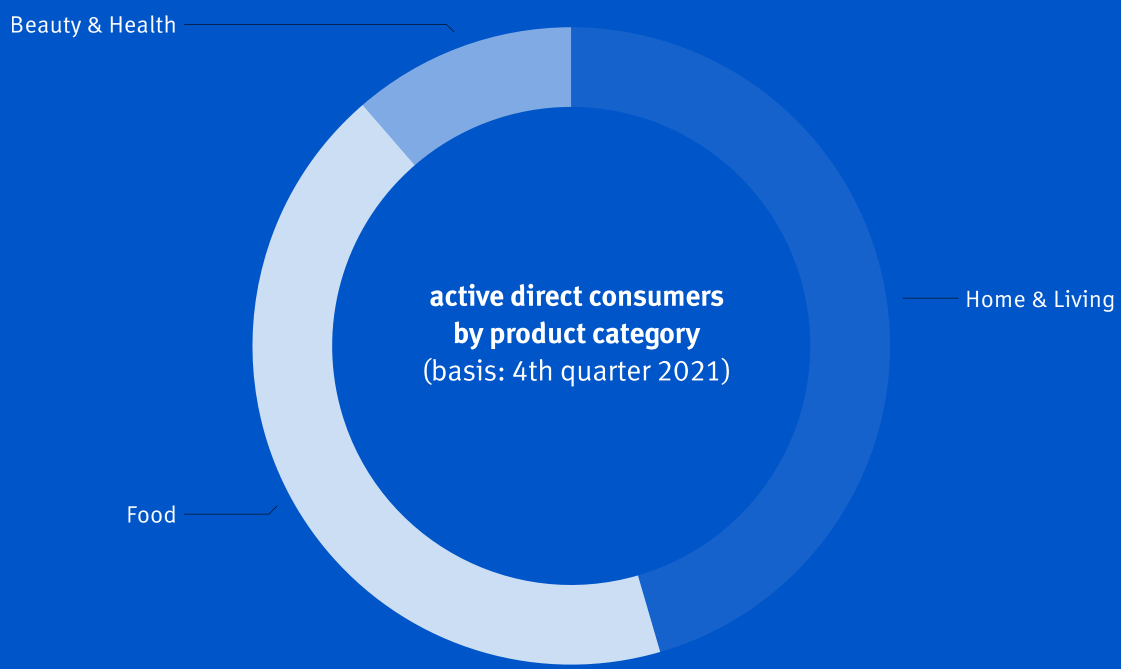
**Revenue in EUR million (development)**




**Operating income (EBITDA) in EUR million (development)**



# Facts & Figures




## >1.69 million

active direct customers at the end of the fourth quarter of 2021, compared with around 480,000 in the first quarter of 2020. We have a particularly strong presence in the home & living and food sectors. The average shopping cart had a value of around 66 euros in 2021.

## 86 million followers

track our social media offerings. In combination with influencers, micro influencers and partners, we have an average social media reach of more than one billion contacts per month.

## >10,000 products

are offered by Social Chain AG in the categories Food, Home & Living and Beauty & Health. With the acquisition of the DS Group, we have significantly expanded our brand and rights portfolio: by around 700 successful brands, more than 200 protected designs and over 70 technical property rights.

## 1,271

In 2021, Social Chain AG employed an average of 1,271 people at a total of 18 locations worldwide. From Berlin to Manchester to New York. We are as global and diverse as our strategy: 50 nations are represented in the Social Chain team.

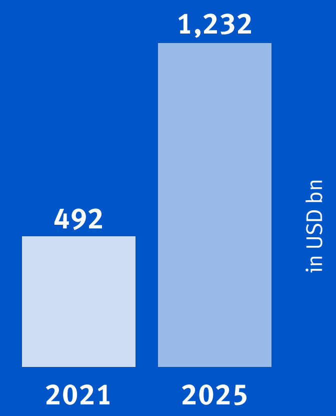
# Facts & Figures


1 Europe: core market

2 USA: growth market

3 Asia: future market

## USD 1.2 trillion




This is the amount Accenture estimates the worldwide revenue in social commerce will be in 2025. The consulting company assumes that social commerce will grow three times faster than the classic e-commerce sector. And Social Chain AG is right in the middle of this dynamic, global growth market.

## 40,000

retail outlets throughout Europe are supplied with our products. The additional local presence is an essential part of our omnichannel strategy in distribution. Retail provides valuable point of sales and brand touch points for our social-first brands, which are thus not only available in web stores and online marketplaces – but also directly to touch and take away.

## 34 countries

We supply customers in 34 countries, both directly and in some cases via trading partners. These include almost the entire euro zone, Great Britain and the USA.

# About this report

The Annual Report 2021 is the first corporate report of Social Chain AG after its admission to the Prime Standard of the Frankfurt Stock Exchange. For the first time, it also contains comprehensive guidance and initiatives on the topic of sustainability. This report thus documents not only the economic, but also the social and ecological performance of Social Chain AG in 2021.

All disclosures on the earnings, assets and financial position of the Social Chain Group comply with the requirements of the International Financial Reporting Standards (IFRS) and, where applicable, the German Commercial Code (HGB), the German Accounting Standards (DRS) and the guidelines on alternative performance indicators of the European Securities and Markets Authority (ESMA). Internal control mechanisms ensure the reliability of the information presented in this report. The Board of Social Chain AG has confirmed the effectiveness of the controls and compliance with the financial reporting framework.

The acquisition of the DS Group, which represents the most important acquisition of our company to date, is reflected in the financial section (Group Management Report and Notes) in the manner provided by law. Sales of the DS Group were consolidated accordingly only in December 2021. In the narrative section of this report, on the other hand, the future combined strategy is largely explained.

Elsewhere, this report also contains forward-looking statements. They are based on the current estimates and forecasts of the Executive Board and the information currently available to it. The effective date for this report is 10 April 2022. Forward-looking statements are not to be understood as guarantees for specific developments and results. More information on possible risk factors can be found in the chapter „Opportunities and Risks" of the Group Management Report. Beyond the legal requirements, we assume no obligation to update the forward-looking information contained in this report.

Social Chain AG is a young company with a clear commitment to diversity and inclusion. We have therefore deliberately written this report in gender-sensitive language. However, there may be deviations in some places due to legal requirements, grammar, or comprehensibility.

For ecological reasons, this report is only available in a digital version. which should facilitate navigation and access to related information. A brief explanation of the navigation options and symbols can be found in the box.

For the latest information on Social Chain AG, please visit www.socialchain.com

### Explanation of the navigation elements

External link to further information on the Internet

Direct access to the table of contents

Internal link to information within the annual report

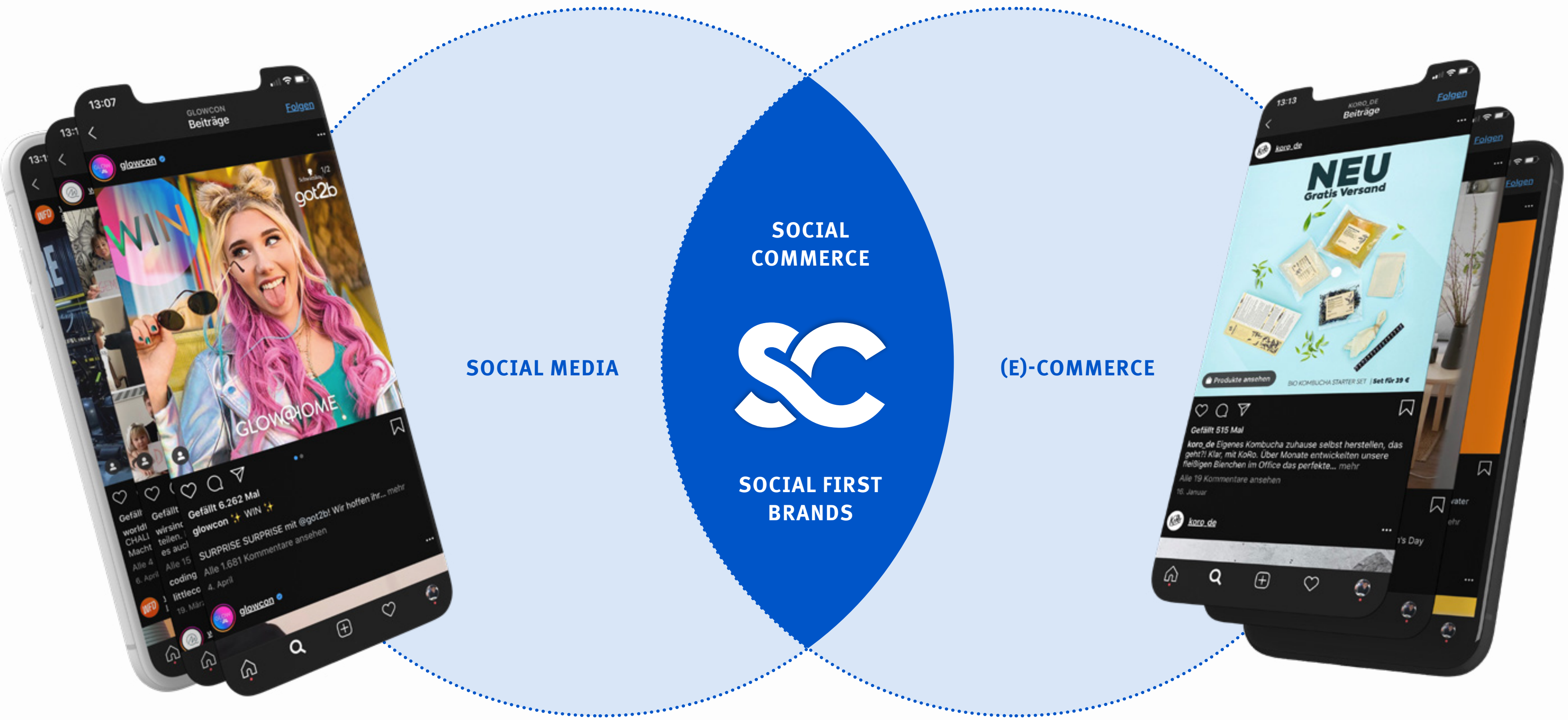
One page backwards

One page forward

# Index

# The Social Chain Story

# Our Strategy




## Strong Buy. Social Commerce and Social First Brands

The new world of commerce and brands. Social commerce is the number one global trend in the future development of commerce. But social commerce is much more than just the next stage in the development of e-commerce. Social commerce is also changing the way brands and products are created and how they develop. Social Chain AG is one of the leading shapers of this change.

# Social First:
# Commerce and Brands, driven by Social Media and People

The world of retail and brands is in flux as never before. Digitalisation is providing ever new paths to the end customer. And from the consumer to companies, products, and brands.

We are a social commerce company with our own brands and products. We are actively shaping the future of commerce and brands. We create, develop, and promote our own brands and products with the power of social media and distribute them. Directly or through partnerships in retail.

**Big data at our fingertips**
Social media helps us to quickly recognise consumer trends and to derive product demand from them. To do this, we access our own huge data platform. We analyse the social media behaviour of our own communities with more than 96 million followers and harvest transaction data from acrossour e-commerce businesses.

In many cases, social media replaces expensive and lengthy product development phases because we use myriad pieces of information from our customers to develop products that are precisely tailored to the needs of the target groups. This is both efficient and sustainable at the same time. Through social media, we are also able to test product ideas and identify new target groups for existing brands.

| Social Media | Social Commerce | (E-)Commerce |
|---|---|---|
| + Social Data | | Costumer Data + |
| + Social Experiences | | Shopping Experiences + |
| + Trust | | Comfort + |
| + Entertainment | | (Direct) Delivery + |
| + Reach | | Target Groups + |
| + Communities | | Brands + |
| + Demand | | Offering + |

**Social media and commerce:** In our understanding of social commerce, these are two sides of the same coin. But they are also independent channels with specific strengths, which we bring together to develop, market and distribute brands and products in a targeted manner.

**Marketing without large spread losses**
Social media can often completely replace expensive traditional advertising campaigns. We reach directly and specifically those people whose needs and wishes we can fulfil - without expensive wastage. Communities, top influencers, micro-influencer networks and creative social media campaigns thus create awareness and popularity, economically and targeted to specific groups. Thanks to social media, trust is also built right from the start, in contrast to classic advertising. This applies to everyday products as well as to a love brand.

**Omnichannel sales system**
As one of the few social commerce pioneers, we rely on an omni-channel system right from the start: we are there where our customers are. We distribute most of our products directly via web shops and other digital marketplaces. However, many products are also available in bricks-and-mortar stores. In this way, we maximise our sales points and the perception of our brands. The choice of sales channels always matches the brand and the product.

Our own social commerce platform guarantees that everything works from the first product idea to delivery and that the products reach consumers and sales partners as quickly as possible. With data analysts, project developers, buyers, logisticians, creatives, programmers, social media and e-commerce specialists. And scalable IT systems that make us faster, better and more efficient every day.

**Smart Customer Centric**
**Powered by Social Media**


**Much more than a target group:** Customers accompany us along the entire value chain. Constant contact, continuous exchange and the analysis of wishes and opinions facilitate the work of almost all operative company departments, reduce costs and bring more agility.

# The Contemporary Art of Building Brands

Modern consumers move in the digital world as naturally as they do in the analogue world - and they no longer make any distinction. The digital and analogue worlds are not separated in the customer experience but are naturally interwoven. People experience products live or via social media, buy them directly online but also in the local shop. Companies that want to be successful in the new world of brands and retail must therefore meet two requirements: Social media excellence and access to the most holistic distribution possible with as many customer-affinity points of sale (PoS) as possible, where people experience brands and make purchasing decisions.

Social Chain masters both, a big advantage compared to many competitors. With our internationally operating social media agency and our own communities with an audience of millions, we know exactly how comprehensively social media can be used to build and sell brands. And through our omni-channel approach, which goes far beyond digital marketplaces, we reach people directly on the ground in 17 markets in Europe.

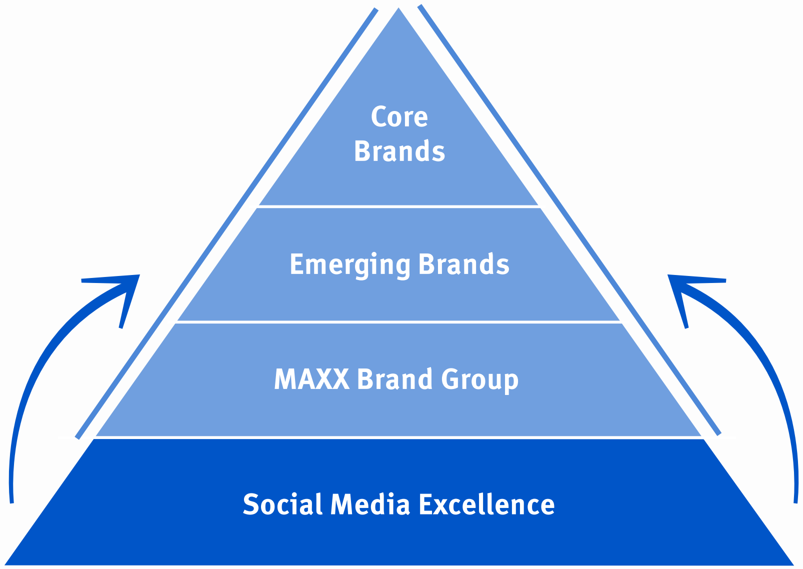

**Always in contact:**
We are at eye level with followers, customers and clients – along the entire customer journey.

**We are wherever our customers are**

Many online companies are looking to reach the local PoS. And many brick-and-mortar retailers are experimenting on digital platforms. We are already working in a fully integrated way, always driven by the goal of meeting our customers in as many ways as possible and offering them our brands and products where they would most like to buy them.

**Briefly explained: Core Brands and Emerging Brands**

Social Chain creates and develops products and brands from ideation to million-dollar sales. For this, we have developed a process to support the natural evolution of brands. The basis is the MAXX Brand Group with portfolio brands (see page 20). The next stages of brand development are Emerging Brands and ultimately Core Brands, when brands reach a certain scale. The more a brand matures and develops, the more autonomously and independently it acts.




**Distinct brand architecture:**
Our system of building and developing brands and products step by step. Always on the basis of comprehensive social media excellence that sustainably supports the process. The organisation of Social Chain AG is consistently oriented towards this system.

**Core Brands** are developed brands with an established customer base and a sales potential of over 100 million euros. Product development, brand management, sales and marketing are usually carried out by independent subsidiaries and holdings in the Social Chain. Within the framework of our Buy, Build & Sell strategy, separate financing rounds, IPOs or sales of these companies are also possible and targeted.

**Emerging Brands** are products and brands that the Social Chain develops itself or acquires within a framework of Buy & Build. They benefit from development under the umbrella of the Brand Chain, an incubator for young brands and new product ideas. Brand Chain offers a lean setup, group services for administrative tasks, solutions in production, logistics and distribution. Entrepreneurs, inventors, and developers can thus concentrate completely on their customers, their products and their market.

# Social Media Marketing

Never before have trends in communication changed as fast as they do today. What is already a huge challenge for media companies is now an ongoingstruggle for most companies: to make the right marketing decisions often with a lack of hard evidence.

Social Chain AG is particularly well equipped to meet this challenge. From the very beginning, we have built our company as a fully integrated brand and social media house: with our own brands (see page 16), our own reach (see Communities page 21), in-depth social media expertise and technological know-how including the analysis of hugeamounts of data (see “LINKS” page 15).

Our own communities reach 86 million followers worldwide. Furthermore, we benefit from our global influencer network, which provides us access to over 20 million fans and potential customers. InWe provide a proprietary model to match influencers, communities and brands. Our social media reach is used to amplify our own and third-party brand messages and to inspire customers.

**Social media: Skill developed by doing.**
Our skills are based on doing and delivering. Our own brands benefit from social media know-how that makes the difference compared to most other consumer goods and retail companies.

At the heart of our expertise is the Social Chain Agency (www.socialchain.agency). It is a social media service provider for leading global brands. The offices in Manchester, New York and Berlin serve clients such as Apple, Coca-Cola, Puma, Zalando, KFC, Logitech and Beats by Dre.

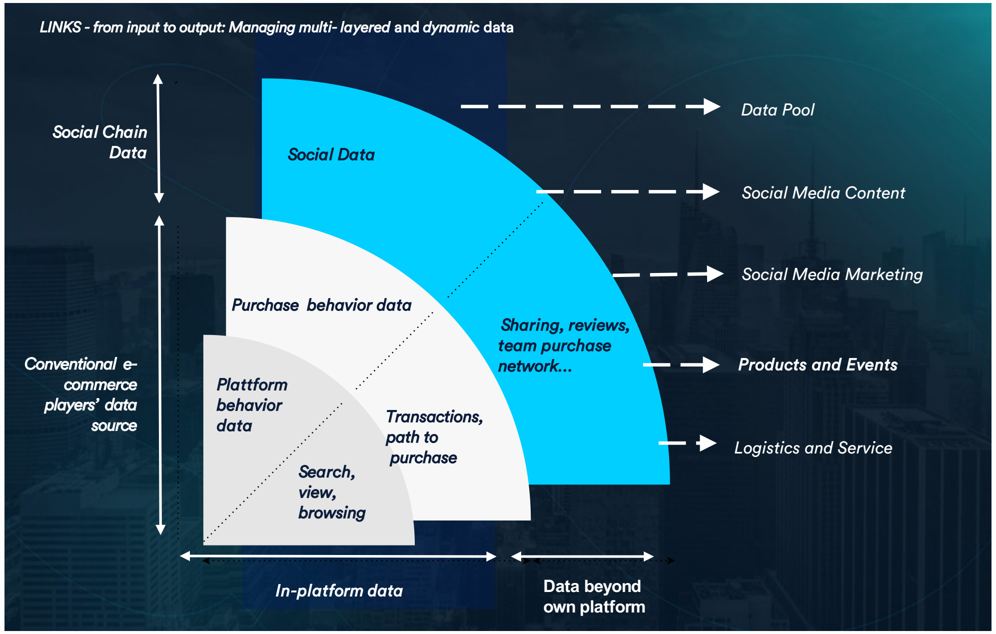
**Creative pioneers**


“At the forefront of social media marketing” is the credo of the Social Chain Agency. For example, the Social Chain produced Amazon Prime Video‘s very first TikTok original series in the UK: “Just So You Know”. It was released alongside the second season of the Amazon Prime original series “Modern Love”. The six-part series, which celebrates modern values, was enthusiastically received, especially by the TikTok community, reaching more than 17 million views, 230,000 views and national media coverage.

**Social Chain Germany: Focus on Social Commerce**

From Germany, the Social Chain Germany delivers for national and international clients . We look after clients along the entire digital customer journey. From social media from the first „like“ to the optimal sales journey for a successful purchase. The Social Chain Germany forms a core team of strategic planners , creatives and affiliate marketing and user-experience experts. Within the Social Chain Group, it has access to a competence team of over 150 people. In addition to the Social Chain Agency, the group has the US performance marketing specialist mint performance marketing.

**LINKS: Big Data at our fingertips**




LINKS is a proprietary technology platform. LINKS allows us to analyse a huge amount of data points by connecting our internal transaction data, our social media data from our communities, experiences from our agency business and freely available data from third parties. LINKS allows social commerce to be data-driven as an end-to-end process. LINKS identifies social commerce trends early and optimises sales strategies, giving us an advantage over many of our competitors.

**Global know-how:**

**Social Chain Agency UK**
(Manchester)

Leading creative social media agency with global presence
socialchain.agency/uk

**Social Chain Agency Germany**
(Berlin)

Focus on social commerce and influencer marketing
socialchain.agency/de

**Social Chain Agency US**
(New York)

Social media marketing for top clients such as TikTok, Zalando US and Amazon
socialchain.agency/us

**mint performance marketing**
(San Diego)

Leading Performance Marketing & Social Commerce for D2C E-Commerce Brands
mint-performancemarketing.com

# Core Brands


**BEEM** is the specialist for both traditional and modern ways of coffee and tea preparation. With a portfolio of over 100 products, the brand offers an exciting and broad range that caters for every taste. The variety and highly intuitive operation, a classic design and a strong price:performance ratio are defining values for the entire BEEM product world. In the segment of traditional tea makers, the samovars, BEEM is one of the world's leading suppliers.

beem.de


**CLASEN BIO** is a trader and producer of nuts, dried fruits, seeds and pulses from all over the world. The brand offers more than 90 organic products, and since March 2022 also nut mousses. The range includes staples such as dried fruits, seeds and nut kernels, as well as pulses and cereals, but also superfoods and special flours. CLASEN BIO currently sells its products primarily through food retailers and, following the takeover by Social Chain AG, is focusing on direct marketing in social and e-commerce. Since December 2019, CLASEN BIO has also been Demeter-certified and now offers a range of 15 articles under this demanding organic classification.

clasen-bio.de


**KoRo** reimagines trade. With efficient process flows and bulk packaging in a simple design, the brand makes high-quality food available to everyone at fair prices. The range includes a wide variety of shelf-stable, natural and processed foods as well as kitchen utensils, cooking accessories and hygiene products. KoRo follows a vision of becoming Europe's leading supplier of food and goods by consistently implementing its five basic principles: quality, short supply chains, bulk packaging, fair prices and transparency.

korodrogerie.de

# Core Brands

**LANDMANN** is the oldest barbecue manufacturer in Germany. With innovative power from social commerce, import, distribution and more, LANDMANN demonstrates its core competence: innovative products of high quality at a fair price for every type of barbecue! From charcoal to gas to electric grills in all sizes and equipment - as well as fire pits and similar - LANDMANN provides all the equipment to make wonderful moments with family and friends warm and delicious.. Landmann is the HOME OF FIRE.

landmann.de

**Ravensberger Matratzen** The importance of a good sleep is becoming recognised. Ravensberger Matratzen produces German-made, quality mattresses and supplies slatted frames and bedding. The brand offers individually tailored sleep systems for every sleep type. This is particularly important for direct sales to customers: As a manufacturer, Ravensberger Matratzen works without intermediaries and thus offers a particularly attractive price-performance ratio. Sleep quality made in Germany.

ravensberger-matratzen.de

# Core Brands

**URBANARA** is a home and furnishing brand from Berlin founded in 2011. Natural materials, timeless designs and high quality are central to the company's philosophy. The diverse assortment ranges from carpets to bed linen, blankets and cushions. URBANARA deliberately has its collections produced fairly in direct cooperation with its own manufacturers and relies on materials such as organic cotton, recycled and rapidly renewable raw materials as well as an intelligent social commerce strategy.

urbanara.de


Since its launch in 2016, the **GLOW by dm Convention** has quickly developed into Europe's largest beauty convention, predominantly marketed through social media. National and international beauty stars, new beauty and lifestyle brands and a huge live stage show attract up to 25,000 visitors at each event. From 2022, GLOW by dm will expand its range of products. Under the motto „GLOW gets under your skin“, the new concept reflects not only make-up and cosmetics but also exercise, healthy nutrition, fashion, body awareness, diversity and sustainability.

glowcon.de

# Emerging Brands

Since its founding in 2013, **Lumaland** rapidly established itself and is now one of the leading e-commerce providers with numerous products in the Home & Living sector. Particularly popular worldwide: the Lumaland beanbag

Amazon lumaland-sitzsack.de

The **#DoYourSports** shop offers fitness equipment and yoga accessories for sports and yoga enthusiasts in the following categories: #DoYourFitness | #DoYouRYoga | #DoYourSwimming | #DoYourOutdoor

doyoursports.de

**Hoberg** is the reliable partner for outdoor projects and offers garden tools, decoration and machines for your garden, patio and balcony. With helpful features and functions, Hoberg products make work easier.

hoberg-shop.de

For all those who see sport as a challenge for themselves, **FitEngine** has the right fitness products from bodyweight to cardio workout: the highest quality for a range of indoor and outdoor training.

fit-engine.de

High-quality, straightforward, functional and always coordinated: our kitchen and household products from **N8WERK** produced in the colours of the night. Because no place is more important than your own home.

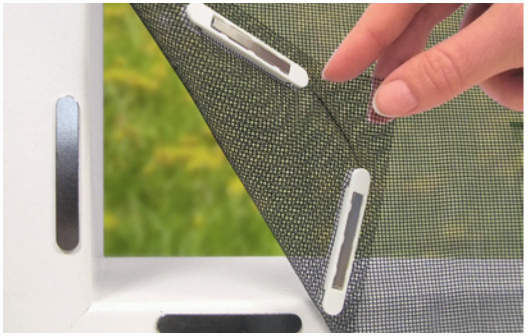
n8werk.com

# MAXX Brand Group

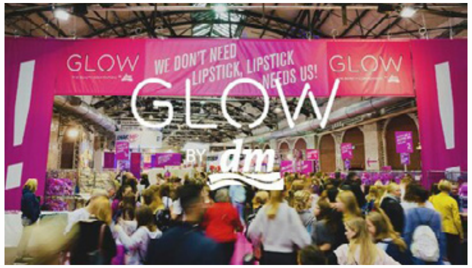
The products of the MAXX brand group always deliver that littke bit more than those of its competitors. For example, the mosquito net adheres with magnets glued onto the door or window frame instead of being laboriously hammered into the frame. In the world of the MAXX brand group, there are more than 4,000 products from the areas of household and kitchen, garden, DIY and beauty and health. They start with an attractive market entry price with tested quality and product safety. Our MAXX brands have been conquering the online trade and teleshopping for years – and soon individual products will also be conquering social media communities.

**“Die Höhle der Löwen”**
With more than 130 deals from the TV start-up show “Die Höhle der Löwen”, the products of the start-ups are an integral part of the product portfolio of Social Chain AG. The brand “Die Höhle der Löwen” is a sign of quality for an innovative product and has a high level of recognition in retail due to its strong TV presence with up to 3 million viewers per show. In 2017, the brand won the LIMA Award (Licensing Industry Merchandisers‘ Association) in the category “Corporate/ Lifestyle/ VIP Brand of the Year”.

**Merchandising**
For the nation’s favourite teams and their fans, we supply products ranging from branded toasters to beer pong to cheer them on: from FC Bayern Munich, Borussia Dortmund, Borussia Mönchengladbach, VfB Stuttgart, Hertha BSC, Schalke 04 and HSV, among others. There are even licensed products for Heidi Klum and her top models from “Germany’s Next Topmodel”.

# Social Publishing: Communities of Social Chain AG




### Glow

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

glowcon.de


### Sporf

Sporf is one of the world's largest digital and social sports publishers, delivering content cross-platform to more than 15 million followers. Sporf engages its community by publishing content that speaks to sports fans and fuels conversation, whether that be fan reactions, presenter-led video content, or articles that get into the facts of the latest trending news. The embedded online store offers a variety of sports accessories, retro fan shirts and customized gifts.

sporf.com


### Gamebyte

With over 7 million followers across social platforms, GameByte is the home of inclusive gaming that has the world's largest gaming community on Facebook. Through recognisable content formats, including video, articles and posts; Gamebyte captures the joy of gaming which is shared by their millions of followers. Gamebyte has an embedded social media shop offering games, gaming accessories and merchandised articles.

gamebyte.com

### FragHero

FragHero is the entertainment and gaming brand that guides its followers through the intersection of geek and pop culture. With 3 million followers across social platforms, the community is highly engaged with the relatable and entertaining content that Fraghero offers. From game releases, pop culture trending news, to the latest tech, FragHero understands what its audience wants and it delivers.

fraghero.com

# Social Publishing: Communities of Social Chain AG


**Student Problems**

Student Problems is the world's biggest social-first student community, with more than 13 million followers. Through relatable and funny meme style content, the audience engages with the consistent feed of videos, articles and posts. The platform provides a unique basis for raising awareness of brands, products and services amongst an engaged and active millennial audience.

studentproblems.com


**World Fitness**

World Fitness provides motivating content to reach one's fitness potential. It has more than 2 million followers in the EU and the U.S. with high interaction and a wide media reach.

worldfitness.de


**Love Food**

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

instagram.com/love_food

Further communities of the Social Chain AG can be found at socialchain.com


# Our Executive Board in Interview

# Triple A: Three answers from Wanja S. Oberhof

WITH THE DS GROUP, YOU HAVE TAKEN OVER A COMPANY THAT HAS SUCCESSFULLY PURCHASED AND PRODUCED PRODUCTS FOR RETAILERS FOR ALMOST 50 YEARS. HOW DOES THAT FIT INTO THE STRATEGIC CONCEPT OF THE SOCIAL CHAIN, WHICH FOCUSES PRIMARILY ON SOCIAL COMMERCE AND SOCIAL MEDIA?

**OBERHOF**: Many observers have described the deal as complementary. I can't disagree with that. DS's portfolio perfectly complements our offer, it includes many brands and products that are suitable for direct marketing via social commerce. We also gain clout in purchasing, logistics, marketing and sales. But even more important than the complementary fit is: both companies have the same understanding of the future of brands and commerce. Even before we started working together, the DS Group was much further ahead in its digital strategy than many people think. The new Brand Chain, our hub for "emerging brands", is an expression of our joint competence in quickly making brands known online and successfully selling products. In doing so, we go far beyond "FBA business, comprehensively serving other and our own Online marketplaces and our own webshops. And thanks to the DS Group, we are one of the few players in Germany and Europe to have access to a comprehensive retail network with 40,000 retail outlets.

*„Social Commerce is the future strategy for brands and products.“*

STATIONARY TRADE DOESN'T EXACTLY SOUND DIGITAL...

**OBERHOF**: Social commerce is much more than just a new form of e-commerce. Social commerce is the future strategy for brands and products. Consumption has always been a social experience, characterised by the exchange of desires and needs. We transfer this to the world of social media. Thanks to social media, we can develop brands and products brands and products in a more targeted way, and promote and sell them more efficiently. The actual Point-of-Sale is only a small part of the complete customer journey. This can be the website, a Marketplace on the net, but also a local shop. We therefore rely on a true omni-channel distribution system, with as many digital and analogue points of sale as possible, including stationary retail. Even global e-commerce companies like Amazon, Home24 and Zalando are now going down this path.

SPEAKING OF GLOBALISATION. THE INTEGRATION OF THE DS GROUP CERTAINLY STRENGTHENS YOUR BUSINESS IN YOUR HOME MARKET OF GERMANY. WHAT ABOUT THE INTERNATIONALISATION STRATEGY OF THE SOCIAL CHAIN?

**OBERHOF**: With the integration of the DS Group, we are also improving our position in Europe, DS was allready active here in many countries. We are also enriching our portfolio with brands and products that can be marketed internationally. Take my favouritebe example Landmann, the oldest German barbecue manufacturer. We will develop this brand in Europe, but also in the USA, especially via social media. Europe and North America are the core markets for Social Chain AG in the coming years. In the internationalisation of our business, we benefit from two strategic advantagese We have international, mainly English-speaking social media communities with over a million followers. 86 millions of followers. And with the Social Chain Agencywe have an internationally operating social media agency with global clients. This is a treasure trove of know-how that we naturally also use for our own social commerce measures.

**Wanja S. Oberhof**
Chief Executive Officer

# Triple A: Three answers from Ralf Dümmel, CPO

**Ralf Dümmel**
Chief Product Officer

YOU ARE CONSIDERED A TRADE AND SALES EXPERT. WHAT MAKES GOOD SALESPEOPLE?

**DÜMMEL**: The best salespeople are not salespeople but sales consultants. Nobody wants to be sold anything, but every buyer needs advice to make complex buying decisions. In my view, this is one of the great strengths of social commerce: products that need explanation can be explained in detail and emotionally – and thus sold broadly and deeply across all channels.

Social media has the potential to learn from large groups what products people really want. Through “social listening”, we are thus able to carry out product development closely to the needs of our target groups.

*„Social commerce is an approach to develop products that people really want and that enhances their lives.“*

Social commerce is an approach to developing products that make people’s lives better. The range of information and data is immense: we get valuable information from social media posts, comments and communities and the customer feedback we receive about our shops and customer service. Added to this are the analyses from discussions with our key accounts from the retail sector and from our trend scouts. This is how we develop real innovations, problem solvers and love brands. Social Chain AG is optimally positioned to form a picture from all these pieces of the mosaic and to develop great products and achieve profitable sales. This information network also provides us with data for start-up investments, which is incredibly helpful in making well-founded decisions about the market opportunities of the founders’ ideas.

YOU ARE A CLOSE PARTNER OF CLASSIC RETAIL. WHAT ABOUT THIS RELATIONSHIP, AGAINST THE BACKGROUND OF YOUR OWN E-COMMERCE AND SOCIAL COMMERCE STRATEGY?

**DÜMMEL**: Multichannel is the keyword. For years, one of our core competencies has been to supply the large online marketplaces – all the way to the end customer’s home. All large stationary retailers put a lot of resources into their digital and social media strategy. Conversely, e-commerce companies are pushing their way into brick-and-mortar retail and opening flagship stores and the like. So the movement is two-sided and mutually beneficial: “clicks and bricks” – as we say at The Social Chain AG. Analogue, digital – from my point of view, there are only smart, open-minded retailers - or those who don’t see their own opportunities because of all the risks. Retail thrives on new brands and innovative products, especially if they are talked about a lot. Social media plays a central role in this. Social First Brands bring people into retail. At the same time, a presence in retail ensures more brand awareness we see very nicely with KoRo. This leads to more awareness and traffic via social media and more sales in Webshops – especially for products of a brand that are not listed in brick-and-mortar retail. If I know a product from social media and see it in retail, I can touch it, experience it haptically and ideally buy it. If I like the brand, I look online to see what else is in the range and buy more products. That’s a win-win situation for everyone involved. It increases brand awareness and brand trust – and thus promotes sales across all channels. A social-first brand is one that produces valuable knowledge about customer interests and desires, purchase intentions and price expectations right from the start.

WITH THE BRAND CHAIN, YOU HAVE A KIND OF INCUBATOR FOR EMERGING BRANDS. WHY SHOULD SELLERS AND PRODUCT DEVELOPERS COME UNDER THE UMBRELLA OF SOCIAL CHAIN AG?

**DÜMMEL**: Because they can focus on developing their product, building their customer relationships and the market from the beginning. Production, sourcing, logistics, finance, legal, and marketing – these can take a lot of time and capital away from a seller. If a brand is developing well, we can use the full range of our omnichannel distribution system. We have a stable organisation and large resources at our disposal. Thus, social commerce is maximally scalable in the best case, even if there is a complex system behind it, which we play on extensively. As a social commerce company, you have to master the requirements of the complete production and supply chains, because it is not enough to just recognise a trend and have a good idea. You have to be able to quickly assess how, where and at what price to buy products or manufactures and how to set up efficient logistics so that the product reaches the customer quickly. A seller finds this competence with us and can concentrate on his strengths, which in the best case is a creative, innovative brand with a lot of sales potential.

# Triple A: Three answers from Christian Senitz, CFO

SOCIAL COMMERCE IS A FAST-GROWING BUT STILL VERY YOUNG MARKET. AT THE SAME TIME, MANY E-COMMERCE STOCKS WORLDWIDE CAME UNDER PRESSURE AT THE END OF 2021. WHAT DOES THAT MEAN FOR YOUR COMMUNICATION WITH THE CAPITAL MARKET?

**SENITZ**: Social commerce is really growing rapidly. A recent Accenture study forecasts annual growth rates of 25 percent and a tripling of global sales to over 1.2 trillion US dollars in 2025. Social commerce will grow faster than e-commerce. On the other hand, social commerce is of course a young business model that is perceived very differently by many investors in terms of its characteristics and differentiations. Is it now primarily e-commerce? Social-Media-marketing? Or is it consumer goods production? Of course, one always tries to assign companies to a specific sector. But that is difficult with social commerce because of the deep integration of processes along the entire product and supply chain. In addition, The Social Chain AG originally developed from a social media agency, while the DS Group was primarily known as a B2B partner for the retail sector. Common strengths in the development of products and brands that are also sold directly to the end customer were initially somewhat overshadowed by this. Our new positioning, which we sharpened after the acquisition of the DS Group, is now understood and positively perceived by analysts: Social Chain AG is a brand house of the future that relies primarily on social media for the development of brands and the distribution of products. So it's about much more than "just" marketing and retail, but about building "Social-First-Brands". These shared strengths have also led to the sharpening of the reporting units: Core Brands, Brand Chain, Social Media and Retail with clearly defined performance indicators by which we strategically manage these areas.

DOES THAT EXPLAIN THE FOLLOWING SENTENCE YOU FORMULATED WHEN PRESENTING THE PRELIMINARY FIGURES? "WITH THIS, WE ARE CHANGING THE ENTREPRENEURIAL MODE FROM GROWTH TO SUSTAINABLE PROFITABILITY".

**SENITZ**: At least in part. Building brands has immense potential for sustainability, as it creates value beyond the sum of the individual sales. Brand building is not always profitable per se, however, and often requires long investment phases. Even after we have almost doubled our turnover with the integration of the DS Group, we naturally want to continue to grow. But always with a view to the result. That may sound like a CFO slamming on the brakes, and with many growth stocks, such a statement is certainly pure vision. It's different with us: by combining the strengths of both groups of companies, we have laid the foundation in just a few months for a platform through which products and brands are marketed and distributed in a highly efficient, agile and comprehensive manner. This is perceived as an important part of our equity story, as a real scaling opportunity - and it also sets us apart from the rest of our peer group, some of which only focus on e-commerce, FBA aggregation, social media, etc.-Media-marketing or platform business. We integrate these disciplines into a modern form of social commerce. It also strengthens us for the challenges of the global market, which we cannot meet alone master and must therefore be able to act in an agile manner.

YOUR ROLE ON THE CAPITAL MARKET IS ALSO NEW. HOW DO YOU ASSESS THE PAST YEAR IN THIS RESPECT?

**SENITZ**: A wild ride. But we have taken all the obstacles. The transition to IFRS, the so far largest and trendsetting acquisition in the company's history, the uplisting to the in the Prime Standard of the Frankfurt Stock Exchange and a capital increase of 53 million euros.The year began with the placement of our convertible in April 2021. That is an immense achievement for which other companies think in terms of

**Christian Senitz**
Chief Financial Officer

years rather than months. and that was only possible thanks to the joint efforts and good partners. who accompany us on our way. Of course, there are jolts sometimes. But we are now in a much better strategic and organisational position than we were a year ago. and we will continue to be happy to explain our model and our strategy and to discuss it with existing and future investors. and investors and investors. Our new corporate structure, which brings our assets more clearly to the fore, also contributes to this. In particular, the integration of our core brands into independent companies makes it easier to grasp the diverse values under the umbrella of Social Chain AG more quickly. This has recently been impressively demonstrated with KoRo, a brand whose value has multiplied since our entry. Successful „buy & build" sometimes also includes „sell".

# To our shareholders

# Report of the Supervisory Board of The Social Chain AG for the financial year 2021

## dated 27 April 2022 Pursuant to Sections 171 (2), 176 (1) Sentence 2 of the German Stock Corporation Act (AktG)

**Dear Shareholders,**

2021 was an eventful, intense and successful year for Social Chain AG, both operationally, organisationally and strategically. The entrepreneurial highlight was the most important takeover in the company's history: The acquisition of the DS Group brings Social Chain AG to a new scale in terms of turnover and earnings opportunities - and optimises the already strong position for successful development in the growth market of social commerce. The uplisting to the Prime Standard of the Frankfurt Stock Exchange marks a milestone in terms of long-term perception on the capital market. Both are challenges that other companies would execute in terms of years rather than months. It is therefore all the more gratifying that the Social Chain team, despite these extraordinary extra efforts, has also largely achieved the goals set in the operating business. And this in a business year that was marked by the Corona epidemic and major global problems in supply chains.

The Executive Board and the staff of Social Chain AG have done an excellent job. I would also like to expressly thank the DS Group, which has been part of Social Chain AG under company law since December 2021. In a short time it has become clear that the combination of the two companies is more than the sum of the individual parts. The professionalism, motivation and entrepreneurial excitement with which the integration is being driven forward has exceeded the expectations of the Supervisory Board to date. We are convinced that this transaction will prove to be a sustainably positive decision in the medium and long term: for shareholders, employees, customers and our business partners.

### 1. Cooperation between the Executive Board and the Supervisory Board

The 2021 financial year was a challenging and fulfilling year, also for the Supervisory Board. We intensively advised, accompanied and monitored the Executive Board in all important decisions. 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 also carried out our supervisory and control activities in accordance with the German Corporate Governance Code.

The Supervisory Board was in constant exchange with the Executive Board about the operational and strategic developments in the Group. The Executive Board informed us as a supervisory body promptly, regularly and comprehensively about all entrepreneurially relevant issues. The focus was on business development, planning, liquidity and risk management as well as compliance matters. In 2021, special attention was paid to the strategic development of the Social Chain. Where our approval was required by law, the Articles of Association or the Rules of Procedure, we as the Supervisory Board discussed these matters and passed the corresponding resolutions. The Supervisory Board meetings, some of which were held virtually due to Corona, were characterised by an open and trusting exchange with the Executive Board.

We were always informed comprehensively and in good time. In the case of topics requiring approval, we received the Executive Board's draft resolutions in good time so that we could examine and evaluate them in detail.

In addition to the Supervisory Board meetings, the Executive Board informed us monthly about the relevant operational and financial key performance indicators. Furthermore, financial information during the year (quarterly reports) and the annual financial report were presented. In addition to the regular reporting, the Supervisory Board was informed immediately in the case of special developments and, if necessary, asked to adopt resolutions by circulation procedure. In my function as Chairman of the Supervisory Board, I 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 perform its advisory and control activities.

## 2. Changes in the composition of the Supervisory Board in the 2021 reporting year

There were no changes in the composition of the Supervisory Board in the 2021 financial year.

## 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 Dr Georg Kofler (Chairman), Mr Henning Giesecke (Deputy Chairman) and Ms Henrike Luszick.

In the reporting year 2021, the Supervisory Board held various meetings in person and by telephone. In total, there were five ordinary and eight extraordinary meetings.

**29 January 2021:** The focus of the ordinary meeting was the discussion and resolution on the business and liquidity planning for the 2021 financial year prepared by the Executive Board and submitted to the Supervisory Board. In addition, the strategic planning for the entire Group and the major projects scheduled for the financial year were discussed, in particular the uplisting to the regulated market of the Frankfurt Stock Exchange.

**10 May 2021:** In addition to the members of the Executive Board, the auditor from Deloitte Wirtschaftsprüfungsgesellschaft also took part in the ordinary meeting. Together, the meeting participants discussed the status of the drafts of the annual financial statements of the company, the consolidated financial statements and the Group management report to be prepared by the Executive Board and audited by the auditor. The Supervisory Board was informed in detail about the progress of the audit, the focal points of the audit and the planned schedule for the completion of the audit. In addition, the Supervisory Board was given a comprehensive overview of the business development including current trading as well as the liquidity situation and the medium-term liquidity planning by the Executive Board. The last thematic focus was the discussion of the status of the uplisting project, in particular with regard to the planned schedule, the external consultants to be commissioned and the presentation and approval of the budget required for the project.

**16 June 2021:** As required by law, the persons responsible for the audit of the financial statements of the company‘s auditors, Deloitte Wirtschaftsprüfungsgesellschaft, took part in the ordinary meeting of the Supervisory Board. The main focus of the Supervisory Board meeting was the discussion of the annual financial statements of the company for the 2020 financial year and the audited consolidated financial statements for 2020, including the Group management report and the dependency report on relationships with affiliated companies. In this context, the 2020 consolidated financial statements prepared by the Executive Board and the 2020 annual financial statements of the company prepared by the Executive Board were discussed in detail. In particular, the Supervisory Board received detailed explanations of the focal points of the audit and the material issues identified in the process. Deloitte confirmed that both draft financial statements presented at the meeting had passed the final internal quality control and that Deloitte would subsequently issue an unqualified audit opinion for both drafts. There would be no restrictions on the audit certificate. During the meeting, the report of the Supervisory Board to be prepared by the Supervisory Board to the shareholders in accordance with Section 171 AktG was discussed. Furthermore, after detailed discussion, the Supervisory Board approved the agenda for the Annual General Meeting of the company together with the proposed resolutions contained therein and, in particular, approved by separate, Corona-related resolution the holding of the Annual General Meeting by way of a non-present, virtual General Meeting without the physical presence of the shareholders.

The formal adoption of the annual financial statements of the company for the 2020 financial year and the approval of the consolidated financial statements of the company for the financial year, including the report of the Executive Board on relations with affiliated companies, was carried out by the members of the Supervisory Board on 18 June 2021 after the auditor had formally issued an unqualified audit opinion by circulation.

**1 October 2021:** The main topics of the ordinary meeting were the business development of the Group including liquidity planning and a comprehensive discussion of the assumptions made in the context of forecast budgeting. In addition, the Supervisory Board was informed in detail about the status of the uplisting project, in particular the status of the preparation of the securities prospectus and the timeline for the intended admission of the shares to the regulated market.

**14 October 2021:** The focus of the ordinary meeting was the intended takeover of DS Group by The Social Chain AG. The Supervisory Board had already been routinely informed about the intended transaction in regular update calls on the progress of the transaction since the conclusion of a term sheet. However, the status of the transaction had reached a point at that time where essential contractual documents were at an advanced stage of negotiation.

Therefore, the Executive Board presented the commercial reasons for the intended transaction and, in addition to the financial key figures, the intended synergy effects for the entire Group after completion of the transaction. Subsequently, the Supervisory Board discussed both the economic parameters of the transaction and the strategic plans of the Executive Board associated with the transaction. In particular, the assumptions made by the Executive Board were discussed and the overall risks resulting from the due diligence reports were assessed. The discussion focussed on the synergy effects assumed by the management board of the company of the overall group existing after completion, which make up a significant part of the value assumptions of DS Holding GmbH and were therefore essential for the pricing and valuation. The Supervisory Board askedthe Executive Board to explain in particular the projected synergy effects on both revenues and costs. Furthermore, the Supervisory Board discussed with the Executive Board the borrowing necessary to finance the cash purchase price as well as the equity-financed element of the totalpurchase price.

In addition to the aforementioned meetings, the Supervisory Board convened for further extraordinary meetings when this was necessary or expedient according to the law, the Articles of Association or the Rules of Procedure. This applied in particular to the following extraordinary meetings:

On 13 January 2021, the Supervisory Board appointed Mr Christian Senitz as the new Chief Financial Officer of the Company with effect from 1 March 2021 in an extraordinary meeting.

On 16 March 2021, the Supervisory Board approved the Executive Board's resolution to issue the 2021/2024 convertible bond with a total nominal amount of EUR 25 million.

On 20 August 2021, the Supervisory Board approved the sale of the shares held by Social Chain AG in Synbiotic SE.

On 19 October 2021, the Supervisory Board formally approved the acquisition of DS Group by Social Chain AG and the related material transaction documents and implementation steps.

On 11 November 2021, the Supervisory Board approved the resolution of the Management Board regarding (i) the admission of all shares of the Company to trading on the regulated market of the Frankfurt Stock Exchange and at the same time to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) to the extent described in the securities prospectus, (ii) the conclusion of a listing agreement with Joh. Berenberg, Gossler & Co. KG, Neuer Jungfernstieg 20, 20354 Hamburg, (iii) the conclusion of a standard prospectus insurance policy with a coverage amount of EUR 25 million, and (iv) the publication of a corresponding ad-hoc announcement by the Company.

Further extraordinary meetings were held on 23 November and 24 November 2021, at which the Supervisory Board approved the resolutions of the Executive Board on the implementation of a capital increase with the exclusion of subscription rights as well as the specific pricing and adopted the corresponding amendment to the Articles of Association.

On 3 December 2021, the Supervisory Board resolved in an extraordinary meeting to appoint Mr Ralf Dümmel as a new member of the Executive Board.

All of the aforementioned meetings were duly documented in minutes. All meetings were always 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 21 July 2021, the Annual General Meeting of Social Chain AG elected RSM GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, based in Düsseldorf, as auditors for the 2021 financial year. RSM was subsequently commissioned by the Supervisory Board.

The Supervisory Board commissioned RSM to audit the consolidated financial statements as at 31 December 2021 together with the accounting process, the management report and the early risk detection system.

In accordance with the mandate, the auditors, led by Mr Arno Kramer, fully audited the consolidated financial statements and the individual financial statements of the company prepared by the Executive Board and issued an unqualified audit opinion.

The documents on the annual financial statements 2021, the consolidated financial statements 2021 and the group management report including the non-financial reporting prepared by the Executive Board were then made available to all members of the Supervisory Board in good time for examination. The aforementioned documents were then discussed in detail at the Supervisory Board meeting on 27 April 2022. The Executive Board participated in all discussions of the financial statements and was available to answer questions and provide further information. In addition, the Supervisory Board discussed the content of the 2021 consolidated financial statements and the individual financial statements of the company for the 2021 financial year in detail with the auditor at the Supervisory Board meeting on 27 April 2022 and asked detailed questions about them.

The Supervisory Board then examined the 2021 annual financial statements 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 2021 financial year as prepared by the Executive Board on 27 April 2022. The annual financial statements for 2021 were thus adopted.

The Supervisory Board also examined the consolidated financial statements for 2021, which were also prepared by the company and received an unqualified audit opinion, in the manner described above and then approved the consolidated financial statements for 2021, including the separate non-financial statement, in the version prepared by the executive board on 27 April 2022. With regard to the prepared group management report, the Supervisory Board came to the conclusion after detailed discussion that the estimates of the Executive Board on the situation of the company and the group presented in the group management report correspond to the estimates 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 review did not lead to any objections to the result of the audit by the auditor, which is also in line with the preliminary review by the Audit Committee.

### 5. Conflicts of Interest on the Supervisory Board

Potential conflicts of interest on the Supervisory Board are always disclosed transparently in accordance with legal regulations and dealt with by appropriate measures - in particular abstentions - when resolutions are adopted by the Supervisory Board.

### 6. Supervisory Board committees

There were no Supervisory Board committees in the reporting year 2021. With effect from 1 January 2022, the Supervisory Board established the Audit Committee required by law, which held its first meeting in February 2022.

### 7. Changes in the composition of the Board of Directors

The Supervisory Board of the Social Chain expanded the Executive Board of Social Chain AG to a three-member team in two steps in the 2021 financial year. This was done against the background of the rapid growth and the new size of Social Chain AG through the integration of the DS Group.

On 13 January, the Supervisory Board appointed Christian Senitz as Chief Financial Officer with effect from 1 March 2021. Mr Senitz has broad experience as a financial expert in various companies, in the field of venture capital and in capital market communication. Among other things, he accompanied the IPO and the uplisting of Rocket Internet to the Prime Standard of the Frankfurt Stock Exchange. Senitz started his career at EY (formerly Arthur Andersen), first as an auditor, then in transaction services. In doing so, he participated in numerous international M&A projects.
Mr Senitz holds a degree in commercial law (Diplom-Wirtschaftsjurist (FH)), is a certified public accountant and tax advisor. In the 2021 financial year, Mr Senitz strengthened investor communication and controlling, converted accounting to IFRS and made a decisive contribution to the successful uplisting of Social Chain AG on the Frankfurt Stock Exchange. In addition, Mr Senitz has put CSR issues on his agenda.

Another significant reinforcement is the appointment of Ralf Dümmel as Chief Product Officer of Social Chain AG in December 2021. Mr Dümmel had been managing partner of the DS Group since 1996. Under his leadership, the company developed into an exceptionally successful German trading and brand house with more than 4,000 products and 700 brands, registered designs, patents and utility models. Since 2016, Mr Dümmel has been an investor in the VOX start-up show „Die Höhle der Löwen“. Mr Dümmel is an experienced entrepreneur with a strong, intuitive feel for trends, products and marketing. His passion and openness for new ways inspire the entire team of Social Chain AG. He will help to strengthen the perception of the company as an innovative and agile product and brand house. Internally, too, he will play an essential role in the post-merger integration process through his authoritative demeanour.

### 8. Thanks and outlook

On behalf of the entire Supervisory Board, I would like to thank the Executive Board of Social Chain AG for its excellent work. It has mastered the operational challenges of the 2021 financial year and set the strategic course for the future of the company.

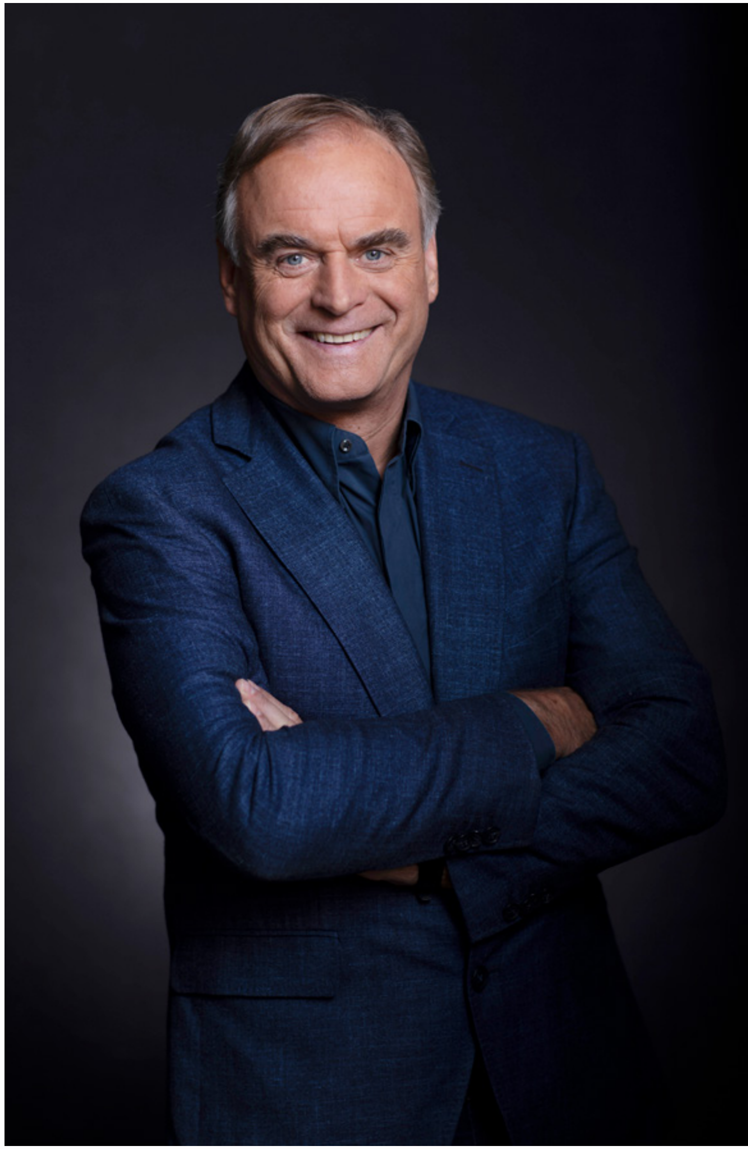
The great commitment of the employees deserves special mention. They have made a decisive contribution to the stable and successful development of the current business in this particularly dy-namic phase of the company‘s development. The start of the post-merger integration is also promis-ing. It is becoming apparent that the idea of the „perfect fit“ of Social Chain and DS Group is working better in reality and in cooperation than hoped for.

The Supervisory Board is convinced that the course set in the 2021 financial year will help to demonstrate the substance, opportunities and stability of the business model - and also to convince new investors of this. The current assessments of the analysts can give cause for confidence in this regard. The goal of Social Chain AG is to participate in the global growth in the area of social commerce and at the same time to shape the future development of the company profitably.

We would be pleased if you would accompany us on this path.

Yours,
Dr. Georg Kofler
Chairman of the Supervisory Board

Berlin, April 2022



# Members of the supervisory board

**Dr. Georg Kofler**
CHAIRMAN

Dr. Georg Kofler startet his media career in 1985 at the Austrian Broadcasting Corporation (ORF). Two years later Kofler 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, including in the field of energy efficiency and technology. The new developments in social media brought Kofler back into media in 2016: He has been the anchor shareholder and Chairman of Social Chain AG, which was founded through a merger between The Social Chain Group AG and Lumaland AG at the end of October 2019. He has been a panel member and investor at the popular TV show „Die Höhle der Löwen“ (German version of the UK show “Dragons’ Den”) since 2017.

**Henrike Luszick**
DEPUTY CHAIRWOMAN AUDIT COMMITTEE

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 HypoVereinsbank 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.

# Members of the executive board

**Wanja S. Oberhof**
CEO

Wanja S. Oberhof has been an entrepreneur and investor for over 15 years. With WAOW Group, Oberhof has been concentrating on working with talented founders and investors to transform innovative ideas into future-oriented business models worldwide since 2011. This includes Uptech AG, which focuses on blockchain technologies and the company builder BridgeMaker GmbH. As CEO of Lumaland AG – a role he assumed in spring 2018 – Oberhof used his entrepreneurial skills and managed to write a rapidly growing buy-build success story. The focus was on strong own brands and profitability in the e-commerce sector. After the merger of the Social Chain Group AG with Lumaland AG, Oberhof became CEO of the newly formed The Social Chain AG in October 2019.

**Christian Senitz**
CFO

Christian Senitz started his finance career in China in 2001. He moved to Berlin to become a certified tax advisor and later a certified auditor at Ernst & Young where he gained experience both in audit and transactional projects in Europe and in 2005/06 in New York. In 2010, Christian moved to Luxembourg to assume a more operational role as part of the senior management of a Real Estate Fund. Between 2012 and 2019, Christian served as International CFO and later as SVP International Finance at Rocket Internet where he was actively involved in Rocket‘s IPO and later in the uplisting to the regulated market at Frankfurt Stock Exchange. During his tenure, he also built the Venture Capital and the Venture Debt structures within Rocket. Before joining the Social Chain AG, Christian Senitz gained operational experience as Managing Director and CFO of EyeEm, a technology-based B2B marketplace for stock images. On 1 March 2021, he joined Social Chain AG as Chief Financial Officer, serving as second Board member with Wanja S. Oberhof (CEO) and Ralf Dümmel (CPO).

**Ralf Dümmel**
CPO

His career with DS Group began over thirty years ago, in 1988, as a sales assistant to the managing director and founder Dieter Schwarz. Just one year later, the qualified retail salesman took over full responsibility for purchasing and sales. He played a major role in developing DS Group and has been Managing Director since 1996. Under his leadership, the company with its headquarters in Stapelfeld near Hamburg and the logistics centre in Gallin in Mecklenburg-Western Pomerania developed into one of the most successful German trading companies. Since 2016, Ralf Dümmel has been an investor in the VOX start-up show “Die Höhle der Löwe” (the German equivalent of the UK‘s “Dragons’ Den” and “Shark Tank” in the US) and with each show, his popularity with the audience increases. Ralf Dümmel was appointed Chief Product Officer of Social Chain AG in December 2021.

The Social Chain AG©

# Sustainability Report 2021

# Foreword by our CFO: Christian Senitz

**Dear Shareholders,**

Only a few years have passed since chief financial officers were interpreting the word sustainability mainly from the perspective of revenue development, profitability and risk minimisation. That has not changed. Thankfully, though, sustainability now signifies so much more, namely the ecological and social responsibilities of companies. However much the word sustainability appeals to me, it does, in its common usage, limit the dimensions of what the notion of 'corporate social responsibility' actually means. This is regrettable, as the social relevance and responsibility of companies can sometimes fall by the wayside in this scenario.

he following applies nonetheless: "All business is social." This adage was always true, long before the advent of social media and commerce. With their earnings, companies lay the foundation for social protections, security, education and much more besides. Their products and services are created by people, for people. Social media and social commerce bring this concept to the fore, even if the universal relevance of the 'social' aspect is frequently overestimated. 'Social' stands for the 're-socialisation' of media and commerce, which had previously enjoyed the easy life in a sender-to-receiver situation and a producer-to-consumer world.

This world view is changing dramatically. Social media and social commerce are shifting the goalposts within social discourse and commerce. They are improving transparency and increasing competition. New channels for communication and sales are emerging. This is just one of the reasons why 'social' is an important part of our company name – as well as our entrepreneurial convictions and social attitudes.

Within this world of change, The Social Chain AG's strategic vision represents its most important contribution to sustainability: to harness the power and intelligence of social media to develop, market and sell products. It is an approach that prevents overproduction as well as unnecessary transports and returns. It creates value for money and is the foundation for fair conditions throughout the production and supply chains.

Everything our employees do is guided by this maxim. Sustainability and profitability are intrinsically linked in many cases, by creating more efficient processes and requiring fewer resources. As a company with a clear focus on the consumer sector, we are – more than ever – keenly aware of our particular responsibility in this regard. Sustainability is becoming a core management task. Sustainability is even becoming measurable in many cases. We will, for instance, achieve climate neutrality in all of our processes by 2027. Sustainability is also becoming a central maxim in our ecosystem of customers, employees, suppliers and other business partners. We have also, for the first time, enshrined our approach towards resources, the environment and each other in a Code of Conduct and Code of Ethics. You will find both of these documents on our website.

But The Social Chain AG's first sustainability report will also contribute to institutionalising our efforts to improve sustainability. We will significantly expand our reporting for the 2022 financial year. Work on this has already begun, establishing indelible links between CSR reporting, CSR strategy and everyday routines. Do not forget: this reporting system is entrusted to a dedicated team of CSR employees whose work helps to ensure that the principles laid out in this document are embodied increasingly throughout the company with each passing day.

And it would delight me if you came to a different appreciation of the word 'social' in our company name after reading these lines. Stay responsible.

Yours,

**Christian Senitz**
CFO

*Everything we do for ourselves, we also do for others. And everything we do for others, we also do for ourselves.*

– THÍCH NHẤT HẠNH

# About our Sustainability Report 2021

This sustainability chapter sets out the sustainability strategy at The Social Chain AG, along with the relevant key performance indicators and the resulting measures. Together with the other contents of the 2021 Annual Report, it uses financial and non-financial information to provide a detailed description of how The Social Chain AG has performed as a company. The Social Chain AG Group ( Social Chain AG or TSC Group for short) is required to prepare a non-financial statement in accordance with the Act to Strengthen Non-Financial Reporting by Companies in their Management and Consolidated Management Reports (CSR Directive Implementation Act, CSR-RUG).

The sustainability goals for the future of TSC Group are defined as well. The Sustainability Report contains the summarised non-financial ESG criteria of the annual report for the Group and its consolidated subsidiaries in accordance with Section 289b (1) and (3) and Section 315b (1) and (3) German Commercial Code (HGB) for the financial year 2021.

**Contents of the non-financial report**
With regard to the required explanations on the business model in accordance with Section 289c (1) HGB, please refer to the “Group Management Report” chapter in the Management Report of The Social Chain AG.

| Aspects and disclosures pursuant to Section 289c HGB | Reported topics | Reporting in the Sustainability chapter |
|---|---|---|
| **Environmental concerns** | Climate, Emissions, Packaging | Our Planet |
| **Staff concerns** | Turnover rate, Women in leadership positions, Staff development, Health & safety, Injury incidence rate, Diversity and equal opportunities | Our staff |
| **Social concerns** | Social responsibility, data protection and due diligence | Our Community |
| **Respect for human rights** | Anti-discrimination Code of Ethics | Our Community |
| **Combating corruption and bribery** | Combating corruption | Our Community |
| **Other aspects** | Donations – supporting communities | Our Community |

**Reporting framework**
This Sustainability Report is based on the standards defined by the Global Reporting Initiative (GRI) and the WBCD/WRI Greenhouse Gas Protocol.

**Materiality assessment**
The topics that our report addresses are determined by the current materiality assessment. Other indicators will become relevant and measurable during the 2022 financial year as well. Future sustainability reports will therefore add substance to these indicators.

We have validated our materiality assessment for determining the main sustainability issues in 2021 both in regard to the legal requirements and based on the materiality concept pursuant to GRI. As concerns identifying potential topics and developing a catalogue of topics, we used internal data analysis, interviews and workshops, as well as customer and service surveys, as important and sound tools to determine the focus topics of our strategy. Our strategy also builds on satisfaction surveys conducted on our staff and customers as well as on interviews with investors.

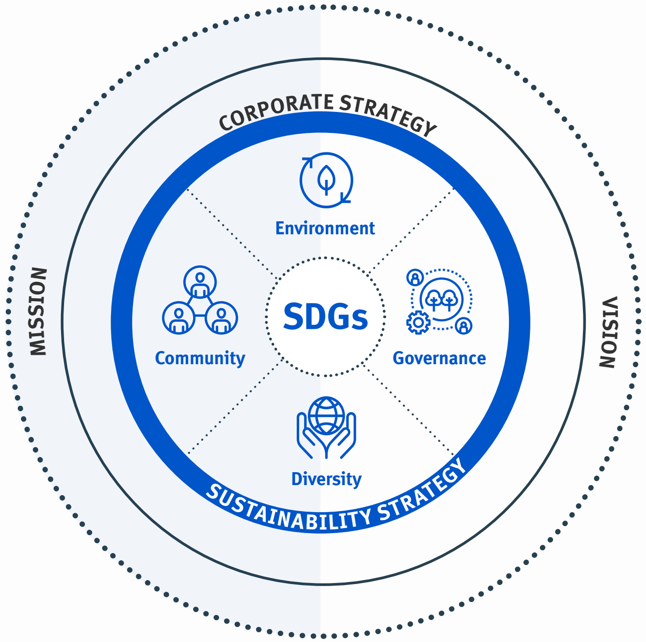
We are always looking for ways to optimise transparency towards – and dialogue with – our stakeholders. This is why this report contains the findings of our detailed materiality assessment of sustainability issues for The Social Chain AG.

The materiality assessment of our sustainability topics constitutes not only an adequate representation of the information requested by our stakeholders for this report. It helps us moreover to design our sustainability vision for the months and years ahead.

**Our sustainability strategy**
TSC Group defines sustainable business practices as an integrated approach to enhance its economic, environmental and social performance. We are aware of our corporate and social responsibility and perceive it as a holistic challenge. For TSC Group, success is more than just improving commercial results in the long term. It also means building on the Group's sustainability strategy and adapting its terms to fresh challenges, improving the non-financial indicators and reconciling the occasionally conflicting interests of our target audiences, in particular those of our employees, the users of our products and platforms, our customers, shareholders and investors, as well as our business partners. TSC Group prepared an enterprise-wide sustainability strategy in 2021. The primary objective of the strategy process was to establish stronger links between sustainability aspects and the corporate strategy of The Social Chain AG, as well as to consider the Group's commercial, ecological and social performance from a holistic perspective.

Our sustainability strategy is based on the UN Sustainable Development Goals (SDGs). They define global priorities and goals for sustainable development by 2030 and aim to harness global efforts to achieve a shared set of goals and targets. TSC Group is determined to contribute to this transformation. While developing our strategy, we classified the following five goals and their contribution to the SDGs as particularly relevant to our corporate activities and and reviewed them once again in 2021: Gender Equality (SDG 5), Reduced Inequality (SDG 10), Climate Action (SDG 13), Peace, Justice and Strong Institutions (SDG 16) and Partnerships to achieve the Goals (SDG 17). Based on this, we divided our sustainability management into four fields of action, in which we pool our activities according to topics and define individual guiding principles: Climate & Environment, Diversity & Inclusion, Society, Governance & Compliance The derived corporate values are elucidated in more detail in our Code of Conduct (Business) and Code of Ethics. The following sections describe the specific goals of the sustainability strategy and their implementation in 2021 for each of the reported topics.

**Reporting limits and data collection**
Like the Management Report, this report includes all companies consolidated within TSC AG. The DS Group has belonged to the Group since 9 December 2021 and is therefore included in this non-financial reporting as well. At present, the sustainability strategy, policies and processes are being reviewed, standardised and updated throughout the company in regard to the reporting topics. Some of the reporting only includes the TSC AG indicators, without the DS Group. Relevant indicators are marked in this report.



**Information according to the EU Taxonomy Regulation**

Sustainability, especially from an ecological perspective, has played a key role in political discourse over recent years. Significant milestones included the UN Climate Change Conference and the EU Commission's Green Deal. The EU wants to become the world's first climate-neutral economic area by 2050. This will require substantial investments, which will mainly come from the private sector. The EU has adopted the Action Plan on Sustainable Finance to improve transparency and comparability for investors: it includes a Disclosure Regulation (EU 2019/2088) and the Taxonomy Regulation (EU 2020/855). Both sets of rules have been in force since 1 January 2022. Together they define new standards in financial reporting for dealing with sustainability risks and negative sustainability impacts, for advertising social and environmental aspects and for sustainable investments. The Taxonomy Regulation sets out six environmental objectives (for more information, visit: https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities_de)

1. Climate change mitigation
2. Climate change adaptation
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

Classification of potentially sustainable activities is limited to the first two objectives in the first year of application. As described in this Sustainability Report, The Social Chain AG has taken numerous measures of varying types and scopes to significantly improve sustainability within the Group. However, an analysis of all Group companies in regard to the objectives of Climate Change Mitigation and Climate Change Adaptation revealed that our business activities are not classified according to the EU Taxonomy Regulation. Unlike steel producers, aviation companies, energy suppliers or others, the commercial activities of our Group are not included as relevant emission sources within the meaning of the delegated act on EU taxonomy. The act defines technical assessment criteria for selected commercial activities that have a significant impact on fulfilment of the aforementioned sustainability objectives 1 and 2.

With regard to both total revenue as well as investment and operating expenditure, there is no taxonomy eligibility in a material extent within the meaning of the corresponding EU regulation. It follows, therefore, that the share of elements without taxonomy eligibility in total revenue, investment and operating expenditure is 100 percent in the context of the EU taxonomy.

We have commenced our analysis of environmental objectives 3 to 6, which, in line with EU requirements, will not be included in the reporting until 2023. An initial review indicates that the circular economy (objective 4) will be the main issue. A statement with regard to the taxonomy eligibility of business processes in these areas will be included in reports on the current financial year 2022.

Irrespective of the EU classification system, we firmly believe that our business model indirectly triggers positive effects, although they cannot be attributed directly to The Social Chain AG within the meaning of the EU taxonomy: consistent development, marketing and distribution of products using the power and intelligence of consumers, as expressed on social media, can sustainably prevent overproduction, unnecessary transport and returns.

**Our ESG management approach**

The Management Board is responsible for non-financial aspects, sustainability performance indicators and ESG information (environment, social, governance) within TSC Group. In order to organise our sustainability efforts, we are taking measures to establish an ESG Committee, which will act as the central and interdisciplinary body for steering, monitoring and updating the sustainability strategy. Executives and specialists from relevant key departments and central ops will sit on this committee.

The Corporate Sustainability Office, which reports directly to the CFO, is responsible for organising the ESG Committee, coordinating and monitoring the defined goals, communicating the sustainability activities and remaining in dialogue with the stakeholders.

We are developing a concept for enterprise-wide monitoring of our ESG responsibilities so that we create complete transparency and ensure that the DS Group is incorporated within this standardised system over the course of consolidation.

We are committed to diversity and equal opportunities

We are committed to sustainability and climate protection

We stand for freedom of expression and democracy

We stand for honesty and openness

# Risk management within ESG

The Social Chain AG has a Risk Management Department that identifies and evaluates the material risks. It determines the potential risks on the one hand and defines suitable action on the other. Scenario analyses are used to monitor the process continuously. For additional information, please refer to our risk and opportunity reporting under Opportunities and risk report.

**Risks in regard to strategy and economic cycles**
TSC Group operates in a competitive environment comprising both direct and indirect rivals. This risk is minimised by continuously investing in and improving the product portfolio, optimising software developments and expanding the network of production sites. The large number of products, services and the company's own internal network also ensure more independence from external influences.

In response to the extensive risks, The Social Chain AG continuously prepares scenario analyses, builds on its strategies and coordinates closely with all stakeholders to maintain enterprise-wide transparency within the Group. The Social Chain AG has developed appropriate measures to accommodate how certain economic changes and the associated customer behaviour may impact our business.

**Risks in regard to overproduction and compliance**
We and our business model are subject to a number of laws and regulations. Compliance with these rules is self-evident to us. Clearly defined recall plans and guidelines for crisis management and escalation processes are key components of our risk management system, as they minimise any such risks quickly and efficiently. More detailed information is available in our Code of Ethics (https://socialchain.com/investor-relations/corporate-governance) and is explained in opportunities and risk report of the Annual Report.

**Growth through customer acquisition**
Our vigorous growth depends strongly on the acquisition of customers. We use proprietary data analytics to optimise our products going forward and to adapt to consumer behaviour. We are constantly developing our product portfolio based on customer experience and external market assessments. To prevent potential customers from jumping ship, we depend on user feedback, especially on online platforms. Customer satisfaction is our top priority in this regard.

**Possible pandemics and COVID 19**
We have introduced strict hygiene standards at all our locations and distribution centres to protect the health and safety of our staff. A broad network of suppliers has been established on most markets to prevent disruption of the supply chain. These measures forestall complications in our workflows.

**Climate change**
We are working hard to reduce our environmental impact in the fight against climate change; nevertheless, extreme weather events such as heat waves and flooding present a risk to our supply chain. We have a broad network of suppliers across several regions to minimise these risks and prevent bottlenecks. TSC Group is reviewing implementation of the recommendations issued by the Task Force on Climate-Related Financial Disclosure (TCFD) for its future reporting.

**Data protection**
As a social commerce company, TSC Group needs to collect personal data from its customers to process and fulfil orders and for all related activities. The company is hence required to comply with numerous laws and directives for the protection and security of customer-related data. In particular, this includes compliance with all aspects of data protection and privacy (e.g. GDPR). Violations of the GDPR, for example, may attract huge penalties.

The Legal Department, the Data Protection Officers and the Data & IT Team continuously monitor data protection requirements and trends in order to mitigate these risks. The security of customer data is assured in close cooperation with IT Security Teams.

## Our Planet

## Our Staff

## Our Community

# Our Staff

## Global Team*

**50**

Nationalities

## Average age*

**33**

Years

## Female managers*

**20%**

Female managers

## Female workforce*

**51%**

Female workforce

## Female Executives*

**58**

Female Executives

## Overview of emissions

| Results per scope (t CO2e) | 2021 | 2020 |
|---|---|---|
| Scope 1 | 379 | 700 |
| Scope 2 | 323 | 866 |
| Scope 3 | 20,673 | 58,759 |
| **Total** | **21,374** | **60,326** |

## Human Resources**

**+9,8%**

Growth in workforce in 2021 compared to 2020

## Turnover rate**

**41%**

Departing employees p.a.

## Injury incidence rate**

**4,55**

Injuries per 200,000 working hours

* TSC Group ** Social Chain and the centrally managed subsidiaries: Number of employees 314

# Our Planet

*What we do today determines what the world will look like tomorrow.*

– MARIE VON EBNER -ESCHENBACH

**Our planet**
TSC Group aims to create a better world with improved quality of life. With this in mind, sustainability is a crucial aspect of our corporate culture to protect our planet. As a global company, we take environmental protection and our impact on nature and its ecosystems very seriously indeed.

We have committed to offsetting all direct C02 emissions generated by our business processes and to creating carbon neutrality throughout our value chain by 2027.
We prepare a central overview of our emissions and determine ways to ensure their reduction and offsetting, for instance by dispensing with unnecessary packaging, building an even leaner supply chain and using renewable energies.

Our innovative direct-to-customer business model is a more sustainable upgrade of the conventional consumer system. We contribute to sustainable development and the United Nations Sustainable Development Goals (SDGs) in a wide variety of ways.

**Optimising C02 management**
TSC Group works consistently towards improving its CO2 management. In particular, the Corporate Sustainability Office monitors direct and historical emissions and cooperates with our partners to develop additional concepts to reduce or offset our emissions. The Corporate Sustainability Office – which reports directly to the Management Board – is responsible for monitoring and implementing our defined objectives.

In Scope 1, the plan is to reduce the value of 701 tCO2e for the 2021 financial year to zero by 2027. We also intend to reduce indirect Scope 2 emissions from 866 tCO2e at present to zero by 2027.

**Completely carbon neutral by 2027**
This commitment means that we offset all non avoidable emissions from internal operations, offices, business travel and deliveries that we already generate and will generate in the future.

**CO2 reduction and offsetting**
Our strategy places a strong focus on promoting the use of renewables. TSC Group is developing a concept to obtain electricity from renewable energy sources, including hydroelectric or wind power. At present, we are also preparing other targets and measures for offsetting and reduction. We will take initiatives by participating in local projects that advance the promotion of offset measures and invest in certified climate protection projects worldwide. Within logistics, we will maintain our focus on optimising the procurement of resources. This will cut transport times significantly and reduce our carbon footprint due to the smaller number of stops between our suppliers and customers. It will also mean a drop in the number of buildings we need to light, heat or cool – which will further reduce our energy consumption. This is already cutting our carbon emissions significantly.

We are also working on a concept to make the shipping of products to our customers completely carbon neutral.

**Avoiding overproduction**
*“Up to 70 percent of all emissions could be saved by 2050 by changing global lifestyles”* – World Climate Council. We will include our community in the product development phase to counteract global overproduction. Firstly, this will create products that are tailored precisely to the needs of our customers, and secondly avoid overproduction during the manufacturing stage, which in turn will lead to less procurement, disposal and associated CO2 emissions. We are building a proprietary data platform that connects all the data points from social commerce and social media. This will enable us to establish our own data analytics system to monitor consumer behaviour and include the findings in our product development

**Packaging**
TSC Group has implemented a proprietary distribution system for its Home & Living products. It creates a short and efficient supply chain, as the products have fewer intermediate stops. By doing so, we avoid unnecessary packaging, hidden environmental impacts and additional CO2 emissions. We will also replace more of our plastic packaging with climate-neutral solutions where possible.

The original materials in which our suppliers pack their products are frequently reused by us to ship the items to customers.

At the same time, TSC Group is constantly looking for new and innovative packaging solutions without compromising on the material quality or recyclability.

Our consistent efforts in the development of packaging are based on UN Sustainable Development Goal 12: Sustainable production and consumption.

**Sustainable production and due diligence**

Quality and sustainability are two of the most important criteria when selecting our suppliers. The packaging-related emissions are the result of our inorganic growth through acquisitions made in 2020 that will have a first full-business year impact in 2021.

Last year, we intensified our search for high-quality raw materials to add to our product portfolio. We extended our Code of Conduct (Business) to include industry certificates and improve our standards.

All suppliers must undergo a thorough assessment by our Social Responsibility Team before we enter into a new partnership and must also accept unannounced monitoring visits or audits to ensure compliance with the Code of Conduct.

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We already use third-party providers to conduct unannounced audits of some subsidiaries. In addition, we place a focus on TÜV certification for product manufacturing, have obtained Demeter certification for food sector products and are working on a concept to implement uniform standards across the Group.

**Review phase for new company investments**

The TSC Group made a number of acquisitions during the financial year based on our 'buy & build strategy'. We will continue to optimise the business model through the systematic acquisition of companies.

In regard to new acquisitions, we have implemented a three-stage review phase based on sustainability criteria. Associated measures are performed during the phase of reviewing the target company. This phase is an integral part of the due diligence process.

Stage 01

Initial Screening
Preliminary assessment of whether the target company violates our own policies

Stage 02

Due diligence
Careful scrutiny based on sustainability-related risks

Stage 03

Decision-making and implementation with due consideration of sustainability factors

## Packaging*

**1577** $tCO_2e$
**2020**

**2340** $tCO_2e$
**2021**

* Inbound packaging, total consumption at the warehouse locations in Germany and USA in tCO2e

**The Job Bike mobility concept**

Cycling is fun, great exercise and protects the environment as well. We have launched an initiative for leasing job bikes to enable our staff to get to work 100% carbon neutrally.

Employees select a bike, which we then lease. They can use the bicycle at their own discretion to travel to work, as well as to exercise and get around in their leisure time. Less CO2, more fitness. This initiative is intended to raise awareness for a more sustainable lifestyle.

# Our staff

*If you want to go fast, go alone; if you want to go far, go together.*

– AFRICAN SAYING

**Our staff**

Our staff makes a crucial contribution to the success of The Social Chain AG. This is why we are determined to attract many talented people to our company, keep them in employment and help them to continue developing at our company. To do so, we create a stimulating work environment that inspires loyalty.

It takes place within an open leadership culture that is built on mutual trust, respect and commitment.
Our Code of Ethics describes the company values that apply to all of our staff members.

**Our strategy**

Our staff represent the foundation for ensuring successful execution of our strategy. It follows, therefore, that the first priority is to recruit excellent employees and executives and to create a favourable working environment. We have made it our mission to offer our employees the necessary tools and competencies to deliver more efficient and tailored services to our customers.

Our corporate strategy engenders a culture of mutual trust throughout our enterprise, in which all employees are given the space they need to develop personal skills and potential to the full.

By doing so, we ensure quick adaptation to changing circumstances, demographic change, the current political situation and the digitalised work environment. It is our firm intention to comply with internationally recognised labour and social standards in every task we address.

We seek to amplify our innovative power by creating an attractive work environment and ensuring significant diversity. This is predicated upon lifelong learning and personal staff development. We work tirelessly to improve The Social Chain AG's attractiveness as an employer so as to continue attracting talent to our company going forward.

At Group level, the HR Department is responsible for staff development and reports directly to the Chief Financial Officer.

Due to our inorganic growth, the number of employees within the Group increased to 1271 as per 31 December 2021. The number of employees was 850 as per 31 December 2020. The number of employees was 536 as per 31 December 2019.

**Staff satisfaction**

The Social Chain AG can count on dedicated employees, as evidenced by their enthusiasm, motivation and strong commitment to our corporate strategy. We use global staff surveys as established feedback tools to actively include all employees in the process of designing their work environment. The findings are communicated to the staff, Management Board, Supervisory Board and stakeholders. We have conducted these global staff surveys on a regular basis since 2020. A dynamic market position and rapid growth confront our employees with fresh challenges every day. We seek to ensure continuous improvement in our staff commitment.

In 2021, employees were interviewed about their current situation at work, flexible work arrangements, stress due to the COVID-19 pandemic and the mood in their teams. This was done to collect meaningful information about their needs and to address these concerns specifically. The findings revealed, for instance, that employees feel safe at our sites and that those who have worked within flexible arrangements since the beginning of the pandemic are coping well. We will continue to use global staff surveys on a regular basis and plan the next one for the summer of 2022.

**The expectations we place in our executives**

Our executives and their teams are key elements in our success. This is why we demand high quality and measure the impact of their leadership. We define this impact to mean that our executives lead by example. Guided by the corporate values set out in our Code of Ethics, they do so by exerting a positive influence on the commitment and development of their staff members and by advancing and executing business strategies.

We want to develop executives who use optimism, empathy and trust to lead their times and in doing so create a competitive advantage for TSC Group.

**Including diversity**

The globalisation of our markets is associated with a wide variety of customer needs. We want our workforce to reflect this diversity as well. This is the only way to ensure that our employees can better meet the demands of our customers.

In our view, diversity means, among other things, that people from different backgrounds work at our company and contribute their personal perspectives and skills to the ongoing development of our business. By appreciating and consistently promoting diversity in our workforce, we increase the performance and innovative power of our teams and enhance the creativity and motivation of our employees, as well as their identification with the company. The promotion and appreciation of diversity across all hierarchical levels are firmly enshrined in our strategy and reflected furthermore in our corporate values. The Social Chain AG stands for a working environment that builds on mutual respect, trust and appreciation. We expect all employees and executives to behave inclusively. In our view, this means creating an environment that nurtures the various aspects of diversity and personal strengths. We seek to create an environment in which women can rise to leadership positions. We have already implemented measures aimed at professional development, which we will continue to strengthen going forward. TSC Group has set itself the goal of recruiting more women to management positions in particular.

In the future, Social Chain AG will support the **Diversity Charter** in order to develop additional innovative measures.

**Competing for talent**

We are determined to recruit and retain the best employees. Faced with fierce global competition for the best specialists and executives, it is becoming increasingly important to offer employees an attractive and persuasive overall package. We are therefore working tirelessly on measures to improve our attractiveness on the global labour markets.

Digital platforms represent our principal method of contacting potential applicants. We also use our career websites for individual countries, as well as global and regional social networks. This enables us to adopt a tailored approach to the various target audiences. We hold regular staff appraisals, in which the staff members join with their executives to define specific measures for further training and development that would improve their personal and professional competencies.

**Health and safety**

**Support during the COVID 19 pandemic**

We gave our staff the option of working from home to protect their health and safety during the COVID 19 pandemic. An internal study on well-being and working from home makes certain that they all receive the support they need.

Our employees quickly got used to working from home. The internal survey also revealed that they were able to maintain or even improve productivity by working in a home environment.

We offered the following services to support our staff members in their offices at home:

1. We provided office equipment (e.g. additional monitors, keyboards, office chairs, laptops), depending on the individual requirements
2. We organised various forms of mental support as well – to counter potential difficulties in regard to isolation, stress and anxiety caused by the COVID 19 pandemic
3. We sent **#WeCare** packages to the home addresses of all staff members
4. We restricted access to all distribution centres and office locations: visitors were required to complete an obligatory health questionnaire
5. We prepared internal COVID 19 regulations
6. We invested in face masks
7. We ensured social distancing
8. We organised testing facilities

**Well-being at the office and working from home**
Our top priority is to make certain that our staff members feel and safe and at ease. In particular, this means that everyone should be welcome at our company and treated equally. Our dealings with each other build on the essential elements of mutual consideration and support for the well-being of all employees. We use the following measures to make sure that all staff members feel at home in our company and that they have options to communicate and resolve issues:

1. All employees whose work did not necessarily have to take place at our offices were at liberty to return We also offered to reimburse taxi costs and parking fees to employees who did have to work at our offices
2. Our offices operated at a maximum capacity of 50 percent at all times so that staff could adhere to social distancing at work
3. It was obligatory to wear a mask wherever social distancing was not possible. The masks were provided by Office Management. We provided our employees with regular health and safety information, the latest company and regional COVID-19 regulations, news and additional training materials
4. We regularly organised virtual **Social Chain Talks** and remote team events

An internal survey asked staff members about their wishes and concerns for work both during and after the pandemic:

## Flexible desk

**61,3 %**

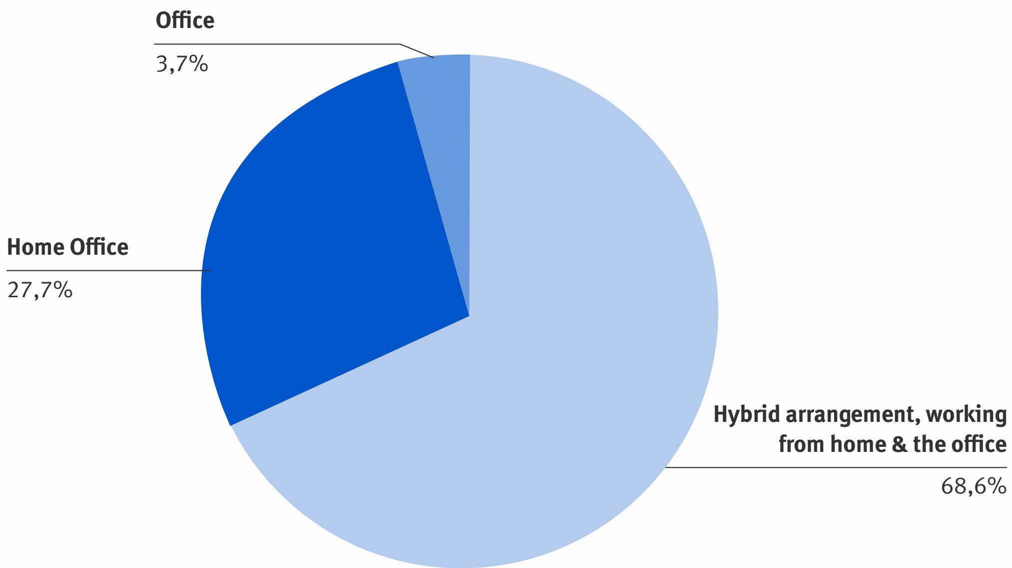
**of employees see a flexible office structure as positive**

## Preferred workplace

**68,6 %**

**of employees would prefer a mix of working from home & the office**

## Preferred working location



# Our community

*Success is liking yourself,
liking what you do,
and liking how you do it.*

– MAYA ANGELOU

**Unsere Community**

With its social commerce activities, TSC Group is exclusively an online retailer that sells its branded products on the consumer market (B2C provider). Influencer marketing is the principal channel. The Group serves the high-growth sectors of Food, Home & Living, Beauty & Fitness. We increasingly count social media platforms like Instagram Shopping among our sales channels. This represents an extremely high-potential opportunity for TSC Group with its products and social media expertise. With this in mind, responsibility towards our community is an immensely important factor.

**Our build & buy strategy**

In total, 38 companies are consolidated within TSC Group as per 31 December 2021. Besides the strong and organic growth in sales, targeted acquisitions are being made to continue developing the company's and Group's business model at a national and international level. As a 'House of Entrepreneurs', we provide particular support to recent start-ups, helping them to build their business, establish international presence, obtain financing and continue growing their brands. This makes us an important incubator for new business models and jobs.

Our activities in this field build on the firm conviction that ecological, commercial and social sustainability are only possible in settings that foster innovation. As a result, The Social Chain AG is consistently committed to raising the social status of entrepreneur communities. We do so firstly by contributing tirelessly to the formation of public opinion by means of communication, especially with regard to the regulatory and fiscal policy environments. In this regard, we firmly believe that a climate that encourages innovation can only be established if ambitious and inventive people enjoy equal access to capital, markets and entrepreneurial expertise.

Secondly, we use our close cooperation with the German version of Dragon's Den, the leading TV show for start-ups with an audience of millions, as a pragmatic way to engender an entrepreneurial culture. Besides Dr. Georg Kofler, chairman of the Supervisory Board, Ralf Dümmel, the new Chief Product Officer at Social Chain AG, is particularly active as an investor on the show and involved in all relevant communication. This involvement brings entrepreneurial initiatives and role models to the attention of a wider audience.

**Governance & compliance**

The key areas of governance & compliance make a material contribution to The Social Chain AG's sustainability strategy. Our Management Board and Supervisory Board believe that strong corporate governance is an essential basis for responsible, transparent corporate management that is geared towards long-term value creation. The German Corporate Governance Code (DCGK) established a standard for transparent control and management of companies. Relevant information on corporate governance at Social Chain AG is contained in particular in the Corporate Governance Statement pursuant to Sections 289f and 315d HGB. Aside from the annual Declaration of Conformity according to Section 161 Stock Corporation Act (AktG), it includes additional relevant information on corporate governance practices at The Social Chain AG.

The Compensation Report contains information on remuneration paid to the Management Board and Supervisory Board.

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 Management Board carries principal responsibility for risk management within the Group.

TSC Group holds that the early identification, analysis and management of potential risks is an elementary component of its corporate strategy. This is rooted in the understanding that consistent application of principles enshrined in a functioning risk management potentially enables the identification and exploitation of opportunities. In order to identify risks and opportunities at an early stage and manage them consistently, we have installed a risk management system that encompasses early detection mechanisms pursuant to Section 91 (2) AktG. The risk management system defines measures for the identification, mapping, assessment, documentation and reporting of risks. This keeps the general risk situation within acceptable limits at all times. At present, there are no discernible risks that might significantly jeopardise the company's success.

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

TSC Group has defined fundamental policies and operating procedures in its Code of Conduct (Business) and Code of Ethics. These policies define the general standards for conduct in business, legal and ethical matters and also describe how employees can report misconduct in the company.

They provide binding guidance and a regulatory framework to all members of the Management Board, the management teams at the subsidiaries of Social Chain AG and the employees of TSC Group, describing how company members should deal with each other, business partners, customers, suppliers and other third parties.

Moreover, the Social Chain AG has established a training programme with online courses. Offered every six months in English and German, the online courses are mandatory for all employees and designed to convey a basic understanding of the main compliance risks.


**Data security**
Increasing quantities of personal data are being generated and processed in a wide variety of ways due to progressive digitalisation and new business models. We aim to handle this data carefully and protect it from misuse. The Group Data Protection Officer is responsible for cooperation and coordination in all important matters of data protection. He reports to the Group General Counsel. The Group Data Protection Officer organises mandatory training and assessments to prevent breaches of privacy and ensure compliance with data protection law. All specific measures are based on the legal provisions, especially the EU General Data Protection Regulation (GDPR) and the Federal Data Protection Act (BDSG), as well as our own privacy policies.

Cyber security risks due to internal or external attacks, as well as internal control vulnerabilities, may affect key aspects of our customer-facing applications, warehouse IT systems, payment systems and internal IT systems. Prominent cyber security risks include outages due to distributed denial of service (DDoS) / ransomware attacks, data loss due to security breaches, incorrect process flows due to integrity breaches or a combination of these factors.

As an expanding and known company, TSC Group is a potential target due to its size, valuable data and its dependence on IT systems. The Group increases its efforts to ensure security and compliance by investing in new technologies and specialised internal resources to mitigate the threats to cyber security.

**Information security**
All the manifold forms of information are of crucial significance to the business operations of TSC Group. Ensuring adequate security for business processes, IT, infrastructures and critical information is therefore a strategic factor in the Group's competitiveness. Enterprise-wide, process-based information security is used as an instrument for the timely identification and appropriate handling of relevant risks. The IT security division carries particular responsibility for protecting the IT systems. Responsible also for risk management, our central IT Department at holding level issues policies with overarching and global validity. We established a central IT portal in 2021 to receive and manage

all requests at a single point and hence to minimise risks. It also provides internal guidance on topics of IT security.

## Overview of our CO2 emissions

**Table 1:** Emissions per scope

| Results per scope (t $CO_2$e) | 2020 | 2021 |
|---|---|---|
| Scope 1* | 379 | 700 |
| Scope 2* | 323 | 866 |
| Scope 3* | 20,673 | 58,759 |
| **Total*** | **21,374** | **60,325** |

To acquire a reliable and undisputable footprint, clear scoping of the organisational and operational boundaries are required. Therefore, the footprint of The Social Chain is drawn according to the GHG Protocol Corporate Standard and GHG Protocol Value Chain Standard. In the report, the greenhouse gas emissions are categorised into three scopes.

Scope 1 emissions — direct emissions from sources that are owned or controlled by the organisation, including on-site fossil fuel combustion and fleet fuel consumption.

Scope 2 emissions — indirect emissions from sources that are owned or controlled by the organisation, including emissions that result from the generation of electricity, heat, or steam purchased by the organisation from a utility provider.

Scope 3 emissions — from sources not owned or directly controlled by the organisation but related to the organisation's activities, for example emissions arising from upstream and downstream supply chain activities

## The Social Chain AG business activities at a glance

| | 2020 | 2021 |
|---|---|---|
| Revenue in EUR | 130,3 million | 318,4 million |
| $CO_2$-emissions in t$CO_2$e | 21,374 | 60,325 |

## Scope 1 and 2 footprint

**Table 2:** Emissions per actitvity for Scope 1 and 2*

| | Activity Group | Activity | 2020 in t$CO_2$e | 2021 in t$CO_2$e |
|---|---|---|---|---|
| Scope 1 | Building | Heating | 345 | 580 |
| | Employees | Fleet | 33 | 118 |
| | Building | Refrigerants | 1 | 3 |
| **Total Scope 1** | | | **379** | **700** |
| Scope 2 | Building | Electricity | 220 | 652 |
| | | District heating | 103 | 214 |
| **Total Scope 2** | | | **323** | **866** |
| **Total Scope 1 & 2*** | | | **701** | **1,566** |

* The company uses petrol and diesel fuel for its vehicles. The fuel consumption has been measured in kilometers, liters and price.

**Emissionen in Tonnen für Scope 3**
**Table 3:** Emissions per actitvity group for Scope 3*

| | Category | Name | 2020 in $tCO_2e$ | 2021 in $tCO_2e$ |
|---|---|---|---|---|
| Scope 3 | 1 | Purchased Goods and Services | 14,621 | 39,217 |
| | 2 | Capital Goods | <0.1 | <0.1 |
| | 3 | Fuel- & Energy Related Activities | 121 | 242 |
| | 4 | Upstream distribution and transportation | 4,317 | 9,713 |
| | 5 | Operational waste | 43 | 103 |
| | 6 | Business travel | 153 | 284 |
| | 7 | Employee commuting | 208 | 545 |
| | 8 | Upstream leased assets | 75 | 153 |
| | 11 | Use of Sold Goods | 3 | 7 |
| | 12 | EoL treatment of Sold Goods | 1,131 | 7,949 |
| | Other | Travel attendees to events | n/a | 547 |
| **Total Scope 3*** | | | **20,673** | **58,759** |

* The company uses petrol and diesel fuel for its vehicles. The fuel consumption has been measured in kilometers, liters and price.

**Results on vertical level**
Table 4 shows the results per scope on vertical level. The year-on variance is mainly due to the aquisition of VonMählen (part of Home and Living) and Clasen Bio (part of Food Chain), and the growth of the scope 3 emissions from the Beauty vertical.

**Table 4:** Emissions per vertical

| | Scope 1 $tCO_2e$ in 2020 | $tCO_2e$ in 2021 | Scope 2 $tCO_2e$ in 2020 | $tCO_2e$ in 2021 | Scope 3 $tCO_2e$ in 2020 | $tCO_2e$ in 2021 | Total $tCO_2e$ in 2020 | $tCO_2e$ in 2021 |
|---|---|---|---|---|---|---|---|---|
| Beauty | 66 | 101 | 45 | 70 | 4,779 | 20,061 | **4,890** | **22,232** |
| Home and Living | 272 | 422 | 205 | 321 | 10,767 | 14,162 | **11,244** | **14,905** |
| Holding | 3 | 3 | 18 | 27 | 201 | 159 | **222** | **189** |
| Food Chain | 20 | 149 | 31 | 412 | 3,917 | 20,910 | **3,967** | **21,470** |
| SC Agency | 18 | 26 | 24 | 36 | 1,009 | 1,467 | **1,051** | **1,529** |
| **Total** | **379** | **700** | **323** | **866** | **20,673** | **58,759** | **21,374** | **60,325** |

| | | | 2020 | 2021 |
|---|---|---|---|---|
| Scope 2 | Location Based | Electricity | 223 $tCO_2e$ | 691 $tCO_2e$ |
| | Market Based | Electricity | 220 $tCO_2e$ | 652 $tCO_2e$ |
| | | | | |
| | Location Based | Sum total | 21,377 $tCO_2e$ | 60,365 $tCO_2e$ |
| | Market Based | Sum total | 21,374 $tCO_2e$ | 60,326 $tCO_2e$ |

Regarding the emission calculation, the activity data for H1 2021 and H2 2020 were collected and extrapolated for the remaining periods. With regard to the supply chain analysis, only the top 10 selling products of the respective companies were analysed.

The Social Chain AG©

# The Social Chain Share

# The Social Chain Share

**The Social Chain Share on the capital market**
2021 was a crucial year for Social Chain AG's long-term presence and success on the capital market. Both internally and externally, important milestones were reached to improve the company's capital market capabilities and sustainability and to increase the international perception of the Social Chain stock.

**Prime Standard Uplisting**
The change from the Entry Standard of the Düsseldorf Stock Exchange to the Prime Standard of the Frankfurt Stock Exchange was of paramount importance. Since 12 November 2021, the Social Chain shares have been listed in the premium segment of the leading German stock exchange. This listing facilitates our access to the international capital market. For many institutional investors, belonging to this premium segment is a basic requirement for an investment. We thus gain additional entrepreneurial flexibility for our buy & build strategy in building up a brand portfolio. This was preceded by a significant enhancement of the internal controlling environment and the change of the accounting to the international IFRS standard.

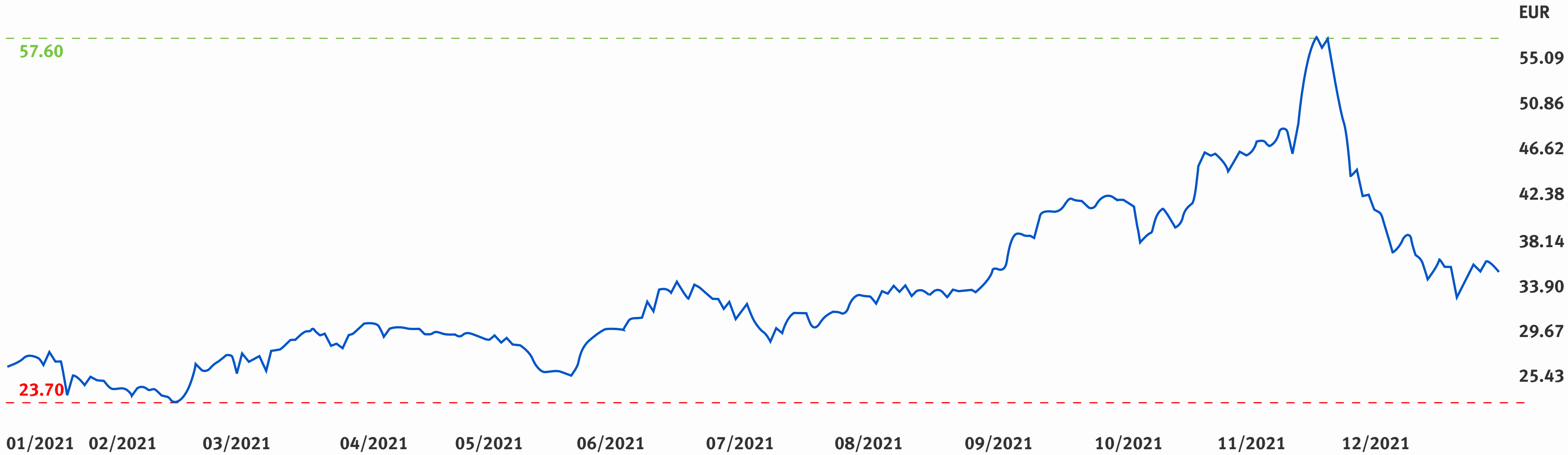
Already ahead of the uplisting, communication about the Social Chain shares was considerably increased and investor relations strengthened. In particular, the Capital Markets Day on 8 March 2021 should be mentioned here with its timely reporting of the 2020 financial year and the outlook for 2021. In addition to the broad, detailed, and regular capital markets information provided in the form of trading updates and media releases, the Executive Board held more than 150 one-on-one meetings with analysts, investors, and media representatives in 2021 and participated in more than 10 investor conferences.

**Capital Measures**
Social Chain AG 2021 supported its future growth with a total of three substantial capital market measures. At the beginning of April 2021, a convertible bond with a volume of EUR 25 million was successfully placed. The term is three years with an interest rate of 5.75% p.a. The conversion price is EUR 32.50. The takeover of DS Group was substantially funded via the capital market: The equity component of the transaction consisted of 2.855 million new Social Chain AG shares from authorised capital, which were issued as a capital increase against contributions in kind. Parts of a cash capital increase, in which 1,145,324 new shares were successfully placed at the end of November at a price of EUR 46.40 per share, also served to finance the DS acquisition. This corresponds to gross issue proceeds of EUR 53.1 million.

The number of Social Chain shares issued increased from 11.35 million to 15.53 million during the year. Capital measures, uplisting and strengthening of investor relations also made the Social Chain share significantly more liquid. In the first 10 months and until admission to trading on the Frankfurt Stock Exchange, the average trading volume was 7,895 shares per trading day. After that, an average of 23,991 shares were traded per trading day. The volume peaked at 84,000 shares in exchange trading.

**Stock market year 2021 and share price**
2021 was a turbulent year in the financial markets worldwide. Above all, the Corona pandemic resulted in significant volatility on all stock exchanges. Overall, the leading German index, DAX, rose by around 15 %. The Social Chain share price rose from EUR 27 to EUR 35.80 at the end of the year and fluctuated between EUR 58 (high) and EUR 23.10 (low) in 2021. Further interim upward price gains in the wake of the uplisting were leveled off at the end of the fourth quarter, but since the uplisting with a significant increase in liquidity in the daily trading volume, so that one of the main goals, namely the more active and available trading of the share, was achieved. Globally, e-commerce stocks came under significant pressure because of Covid19 and major supply chain issues. This trend has continued into the beginning of 2022. Recently, the consequences of the war against Ukraine have impacted negatively, creating uncertainty in the capital markets. The Social Chain share cannot avoid these developments either. However, analysts' evaluations see considerable recovery potential for the share during 2022. You can find an up-to-date overview of the available evaluations and price targets at www.socialchain.com in the Investor Relations section.

# Performance of the Social Chain Share 2021




## Capital market highlights 2021

1. Conversion of accounting to the international IFRS standard
2. First issue of a convertible bond
3. Uplisting to the Prime Standard of the Frankfurt Stock Exchange
4. Capital increase for contribution in kind through the issue of 2.855 million shares
5. A cash capital increase through the issue of 1.145 million shares.

# Combined Management Report for the 2021 financial year

# 1 Basic information about the Group

## 1.1 General Information

The Social Chain AG (hereinafter also referred to as "TSC AG", "Social Chain", "Company" or "Parent Company") is a stock corporation domiciled in Germany with its registered office at Gormannstraße 22, 10119 Berlin. It is registered in the commercial register of the Berlin District Court under the number 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 "TSC Group" or "Group"). Essentially, the Company 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 12 November 2021. Previously, the company was listed on the Regulated Unofficial Market.

This report combines the group management report of TSC Group with the management report of TSC AG. They 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 as well as recognition and measurement policies, which are presented in more detail in the respective notes. The consolidated financial statements have been prepared in accordance with IFRS 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 management report contains forward-looking statements about the business, financial development and earnings. These statements are based on assumptions and forecasts that build on currently available information and current assessments. They are subject to a variety of uncertainties and risks. The actual course of business may therefore deviate significantly from the expected development. TSC AG assumes no obligation to update forward-looking statements beyond what is required by law.

The combined management report for the 2021 financial year is prepared in euros (EUR), the functional currency of TSC AG. Unless otherwise stated, all values are rounded commercially to millions of euros (EUR million) with one decimal place, so rounding differences may occur and the percentages presented do not accurately reflect the figures to which they relate. The management report is prepared for the reporting period from 1 January to 31 December 2021.

## 1.2 Business model

The TSC Group views itself as a next-generation brand and trading house. We primarily apply insights and capabilities from social media in the development of products, as well as in building and distributing brands: this makes us a pioneer in the establishment of internationally scalable social-first brands. Behind this is the integrated competence of product and brand development, social media publishing and social media marketing, combined with an omni-channel sales structure.

The Group's operations are organised into three segments: Social Commerce, Social Media and Retail (DS Group). Compared to the prior year, DS Group is acting as an independent segment for the first time. It is reported separately due to its size. Economic details are only included in the 2021 financial statements for the month of December.

**Social Commerce**

In the Social Commerce segment, our focus is on the three product verticals "Home & Living", "Food" and "Beauty & Health". The following overview shows the most important brands of Social Chain AG as of 31 December 2021. For more information on the brands, refer to the 2021 Annual Report (link in the document). A current version of our Brand Book is always available in the Investor Relations section at www.socialchain.com. The Brand Book also includes DS Group brands that are not addressed in this section.

The Social Chain Group offers its products (reporting date 2021) in a total of 34 countries. The emphasis is on Europe with the focus markets Germany and England, and North America with the focus market USA. Much of the sales to end customers take place in proprietary webshops. At the end of 2021, we attracted a total of 1.69 million active direct customers with an average basket size of approximately EUR 66 pre order all D2C product groups.

**Social Media**

Social media was the nucleus of today's Social Chain Group. We adopted an integrated model of social media marketing and social media publishing from day one. We offer this combination of proprietary reach and agency services to business customers as a service as well. Moreover, we develop online-offline events with deep integration of digital communities and on-site events.

The Social Chain Group's communities have a reach of 86 million followers worldwide. They provide insights into new trends, inspire consumers and reinforce brand messages. An overview of the most important social media channels, which are present on a wide variety of platforms, is available on the company website www.socialchain.com.

The social media experts at the Social Chain Agency are internationally active, with offices in Berlin, Manchester, New York and Los Angeles. The agency's clients include internationally renowned brands such as Apple, Coca-Cola and McDonalds. The performance marketing agency Mint delivers additional expertise, with a focus on social commerce strategies and the building of nascent brands and start-ups.

**Retail (DS Group)**

With completion of the acquisition, DS Group has been included in consolidated reports for the Social Chain Group since December 2021. DS Group is an international retail company with 49 years of market experience. The company specialises in the production, import and sale of innovative products in the consumer goods industry. As one of Europe's largest developers and suppliers of non-food products, the Group supplies over 5,000 products to food retailers, discounters, drugstores, DIY shops, specialist retailers, cash & carries, hypermarkets, mail order companies, home shopping outlets and online marketplaces. With its own brands, such as the oldest German barbecue manufacturer LANDMANN, and numerous other brands, DS Group is one of Europe's largest suppliers to businesses in its sector. In addition, the company has established a broad portfolio in e-commerce, with its own web shops and presence in almost all relevant online marketplaces. For detailed information on DS Group, its brands and products, visit www.dspro.de. DS Group has extensive capacities in the areas of sourcing, product development and logistics. Its existing multi-channel distribution system adds to the sales opportunities and points of sale for the whole Group's current brands and products. Its brand and product portfolio complements the existing Social Commerce product groups at Social Chain AG, especially in the area of "Home & Living". A large proportion of DS products are suitable for direct marketing to end customers and therefore provide considerable synergy potential.

| Social Media | Social Commerce | Retail (DS Group) |
|---|---|---|
| SOCIAL CHAIN | URBANARA® | LANDMANN |
| mint performance marketing | CLASEN BIO | BEEM Designed for Life. |
| GLOW CONVENTION dm | KoRo | HOBERG YOUR PROJECT PARTNER |

## 1.3 Group structure and organisation

TSC AG is the Parent Company of TSC Group and essentially acts as a holding company for the Group. As the Group holding company, TSC AG is responsible for Group control, strategic development, general management functions and the provision of services to affiliates.

As of 31 December 2021, the Group comprises 68 (prior year 38) fully consolidated companies and 5 (prior year 2) associated companies or joint ventures. An overview of the consolidated companies is presented in the Notes to the consolidated financial statements in Section 1.5.1.

In the 2021 financial year, the Management Board of The Social Chain AG consists of Wanja S. Oberhof as Chief Executive Officer (CEO) and was enlarged to include Christian Senitz as Chief Financial Officer (CFO) on 1 March 2021 and Ralf Dümmel as Chief Product and Services Officer (CPO) on 8 December 2021. As CEO, Wanja S. Oberhof is responsible for strategic corporate development, M&A, investor relations and social media. Mr Senitz is in charge of finance, legal, human resources and corporate social responsibility. As Chief Product Officer, Ralf Dümmel leads the product development division, sales and distribution as well as support for the Höhle der Löwen investments. The Executive Board of Social Chain AG is complemented on the Management Board, which is the top management body of the group, having Dr Hanno Hagemann, as Chief Operating Officer responsible for the operative product and brand area including purchasing, and Andreas Schneider, who is in charge of finance at DS Group and coordinates the post-merger integration project of the group in addition to managing IT, logistics and data.

The company is headquartered in Berlin, with additional offices in Manchester, London, New York, Stapelfeld near Hamburg and Munich. As of 31 December 2021, the company employed an average of 1,271 employees (prior year 601).

### Supervisory Board

| Dr. Georg Kofler | Henning Giesecke | Henrike Luszick |
|---|---|---|
| Chairman | Vice Chairman; Audit Committee Chairman | Deputy Chairwoman Audit Committee |

### Management Board

| Wanja S. Oberhof | Christian Senitz | Ralf Dümmel | Dr. Hanno Hagemann | Andreas Schneider |
|---|---|---|---|---|
| CEO | CFO | CPO | COO | CCO |

## 1.4 Strategy and management system

The worlds of retail and brands are in a hitherto unparalleled state of flux. Digitalisation is creating completely new channels to consumers and from consumers to companies, products and brands. We are a social commerce company with our own brands and products. We are actively shaping the future of retail and brands. We harness the power of social media to grow and promote our own brands. Directly or via retail partners.

Our strategy and our actions are “digital first”. Our goal is “direct-to-customer”: from branding and marketing to direct sales of our products in the Food, Home & Living, Beauty & Health categories. We exploit the efficiency of digital points of sale to leverage the sustainable value of direct customer relationships, combining them additionally with on-site points of sale for genuine omni-channel distribution. This maximises sales and contact points for our brands and products.

Our portfolio strategy focuses on brands and products with a clear social media impact. We seek to design as much of the customer journey as possible around and with the help of social media. That’s why we invest heavily in data analysis, social listening, our own reach (social publishing) and social media marketing. To ensure optimal availability of our products, we rely on excellence in purchasing and logistics in addition to omni-channel distribution. Critical business processes are organised exclusively in-house. The acquisition of DS Group has added expertise and resources, particularly in the areas of sales, sourcing, development and logistics.

We create maximum scalability via the omni-channel system, internationalisation and our proprietary technology platform. The omni-channel approach allows us to distribute a love brand to the mass market and sell niche products in long-tail marketing. LINKS analyses interests, purchasing intentions and product satisfaction throughout the digital customer journey. Internationalisation means we can scale sales potential, especially for our core brands. In addition to Europe and the USA, which are the strategic focus today, we have identified Asia as a strategic future market in the mid-term.

Acquisitions are an important part of our growth strategy, especially with a view to our product and brand portfolio and internationalisation. Within our buy & build strategy, we identify developers and manufacturers of products with social-first brand potential. The M&A strategy therefore focuses on companies whose brands and services can be marketed via social media with above-average success. In addition, our acquisition targets include companies with special social media and social commerce capabilities.

In order to manage the Company and its subsidiaries, three key metrics are analysed to determine the extent to which strategic goals are achieved: Revenue, gross profit (gross margin) and (adjusted) earnings before interest, taxes, depreciation and amortisation (EBITDA). Adjustments are made in (adjusted) EBITDA for items that do not reflect the underlying operating performance of the Group and are therefore adjusted in (adjusted) EBITDA due to their significance in terms of size and nature. The adjustments are made to evaluate the effectiveness and success of our buy-and-build strategy and to communicate performance. Examples of adjusted items are costs related to acquisitions (completed or terminated) and the integration of the acquired companies into the Group, refinancing costs, share-based payments, one-off costs related to the establishment of distribution and logistics facilities, costs for the development and integration of IT systems and IT platforms and costs for the preparation of the market strategy as well as costs to enter new markets. Costs and revenues related to divestments are not adjusted, as these are understood to be an outflow of the success of our buy-and-build strategy.

This is consistent with the way financial performance is measured and managed by management.We believe that (adjusted) EBITDA provides useful information to users of the financial statements about our business and financial performance and creates transparency regarding the basis for the Management Board’s decision-making.

Group control, also by means of non-financial performance indicators, is currently still being established. At present, non-financial performance indicators are only available for the B2C area of the social commerce segment; their trends are analysed by the decision-makers on a monthly basis. The most significant non-financial performance indicators are the total number of direct customers, the number of orders and the average cart value. The metric for the number of customers also distinguishes between “direct-to-consumer-customers” and “customers from online marketplaces”. There are currently no non-financial performance indicators in the B2B area of the Social Commerce segment or in the Social Media and Retail segments (DS Group).

## 1.5 Research and development

We define and embody our approach to developing products and brands as “smart customer centric”. Not only do we offer customers the greatest possible end-to-end support throughout their customer journey. Consumers are also the cornerstones of our production and value chain.

Social media enables the quick identification of consumer trends as a basis to infer product preferences. We analyse the social media activities of our own communities, which comprise more than 86 million followers, and are familiar with the transaction data in our e-commerce business. In many cases, social media renders expensive and protracted product development phases obsolete, as we use countless consumer datasets to build products that are precisely tailored to the needs of their target audiences. This procedure is as efficient as it is sustainable. Moreover, social media can also completely replace expensive traditional advertising campaigns. Communities, top influencers, micro-influencer networks and creative social media campaigns create awareness and popularity, with commercial benefits and targeted impact.

In this context, research and development within the Social Chain Group focuses on big data analysis, product development and addressable marketing. A fully cloud-based technology platform is a key components within this system: LINKS connects data points from social commerce and e-commerce. The system analyses follower and consumer interests, purchasing intentions and product satisfaction along the entire digital journey. It also integrates third-party data and offline information from physical retail relationships and market analyses.

Furthermore, the expert strategists at the Social Chain Agency and the performance marketing specialist MINT are the focal points of investment and expenditure in research & development. These specialists – whose knowledge benefits the entire Social Chain Group– work for third-party clients as well, so it is not possible to break down the precise expenses in this area. In addition, we have our own product development teams for our categories “Home & Living”, “Food” and “Beauty & Health” categories.

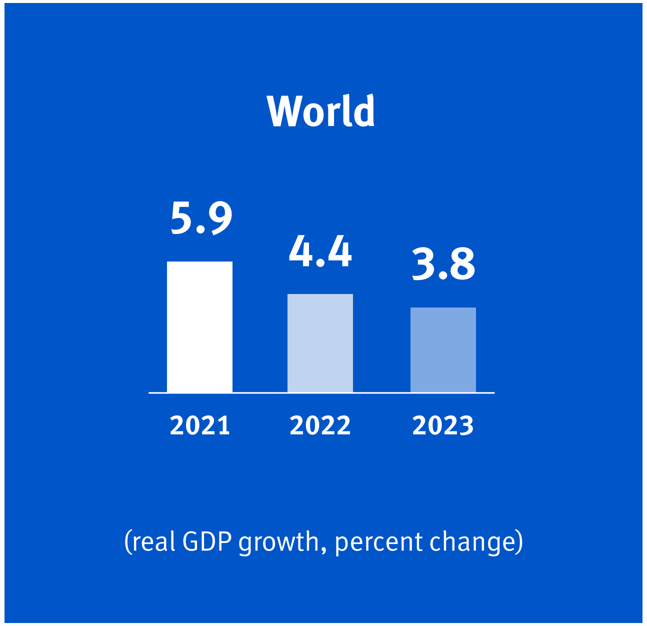
# 2 Economic report

## 2.1 Macroeconomic and industry-related framework conditions

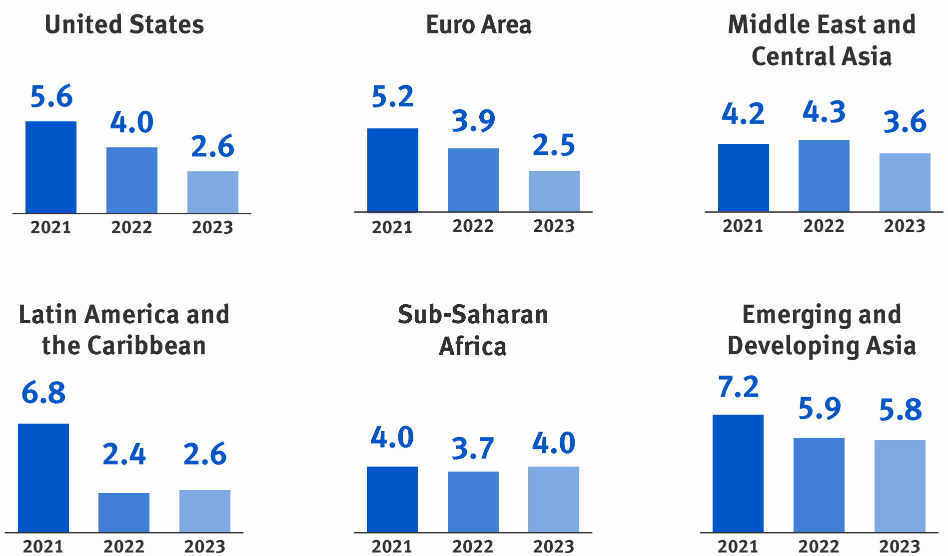
Preliminary calculations by the Federal Statistical Office (Destatis) indicate that Germany – TSC AG's core market – recorded a 2.7% rise in gross domestic product (GDP), adjusted for price and season, in 2021. In this context, economic trends in 2021 remained highly dependent on the spread of COVID 19 infections and the associated restrictions. Supply and material bottlenecks exacerbated this situation. The 2021 GDP was 2.0% lower than 2019 levels, the year immediately preceding the COVID 19 pandemic. [1]

The sharp rise in consumer prices was a noteworthy factor in 2021. While Germany's inflation rate was just 0.5% in 2020, consumer prices increased by an average of 3.1% in a year-on-year comparison in 2021. The 2021 inflation rate was therefore the highest for almost 30 years. This trend was driven mainly by the monthly inflation rates over the second half of 2021.[2] It is continuing into 2022, and the figures for March indicated an inflation rate of 7.3%, also due to the development of commodity prices and the war in Ukraine.

According to the IMF, Germany lagged behind the general recovery on the global markets in 2021. The figures revealed a 5.9% rise in GDP around the world. The USA and the euro area, the most important markets for TSC AG after Germany, reported increases of 5.6% and 5.2%, respectively. But the range of high inflation rates was also present in these two markets, especially over the second half of 2021.




World Economic Outlook Update January 2020 Growth Projections by Region (percent change)



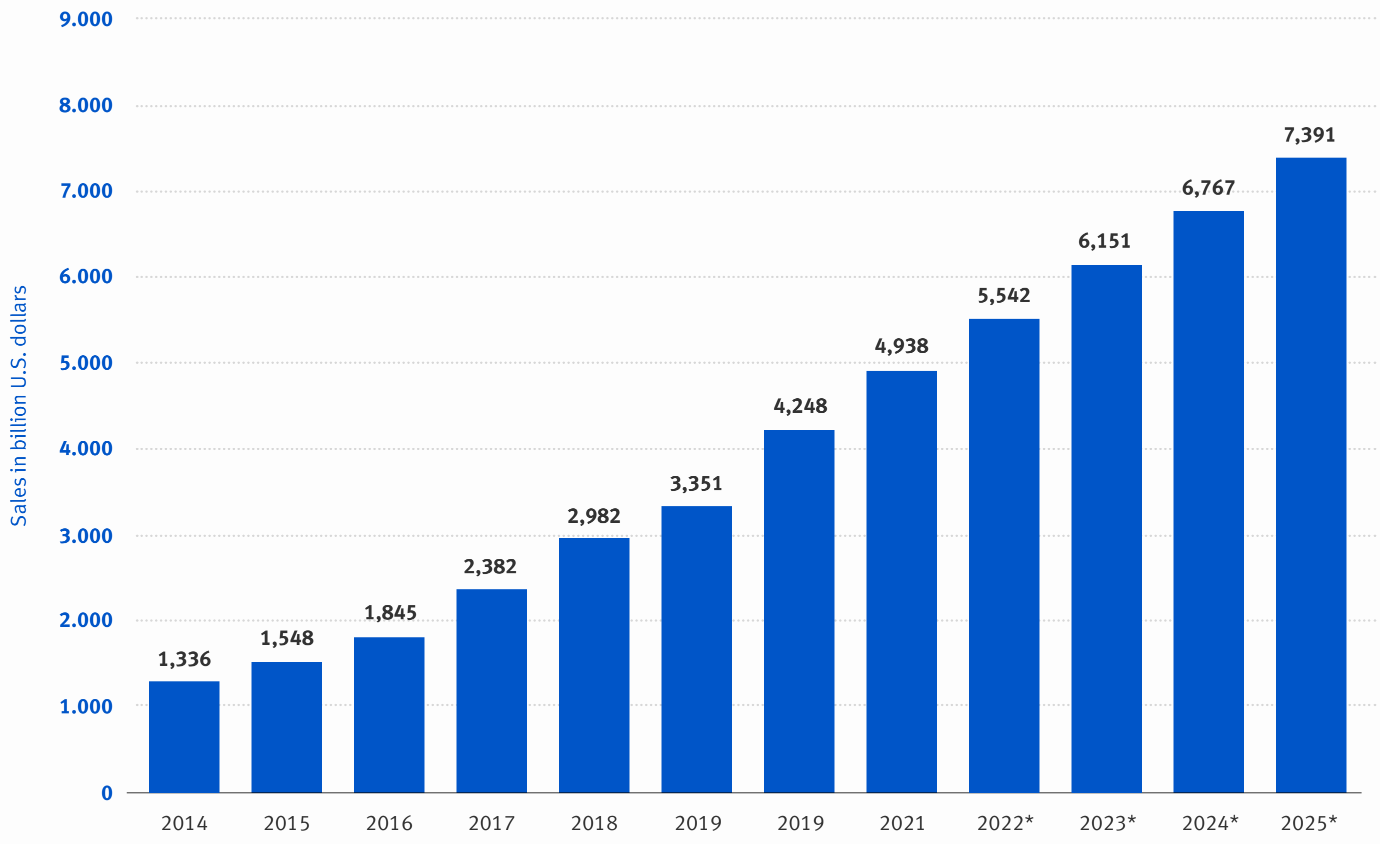

**Source:** IMF, World Economic Outlook Update, January 2022.
**Note:** Order of bars for each group indicates (left to right): 2021, 2022 projections, and 2023 projections.

[1] https://www.destatis.de/DE/Presse/Pressemitteilungen/2022/01/PD22_020_811.html
[2] https://www.destatis.de/DE/Presse/Pressemitteilungen/2022/01/PD22_025_611.html

The global e-commerce sector outperformed the overall economy in 2021, with revenue rising to USD 4.938 trillion (prior year USD 4.428 trillion). This equivalent to a growth rate of 11.5%.[3]

In Germany, gross e-commerce sales increased by 19.0% to EUR 99.1 billion in 2021 (prior year EUR 83.3 billion.). The sector therefore remains on a clear growth trajectory, especially if one considers the food segment with its strong retail share. In 2020, consumers spent one in eight euros in online trade. But after removing food purchases from the sales figures, it is clear that the purchase of goods (without digital services) in the e-commerce sector accounted for one in every five euros spent in retail trade over 2021. The "Bundesverband E-Commerce und Versandhandel" (BEVH) puts gross sales of goods in e-commerce at EUR 99.1 billion in 2021, up from EUR 83.3 billion in 2020. Growth compared to 2020 is 19% and has therefore continued to pick up pace. In 2020, the e-commerce sector grew by 14.6% in a year-on-year comparison. Among the noteworthy aspects, especially in the area of social shopping: mobile devices already accounted for 40% of sales in Germany over 2020.

**Retail E-Commerce sales worldwide from 2014 to 2025**
(in billion U.S. dollars)




* Forecast

**Source:** Statista 2022[4]

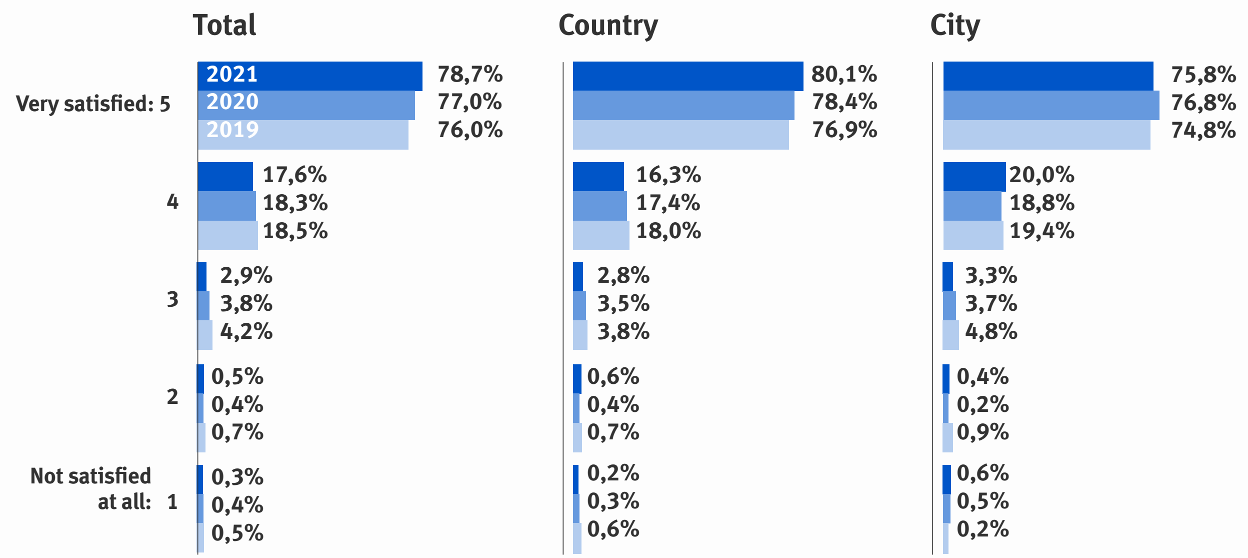
[3] https://www.statista.com/statistics/379046/worldwide-retail-e-commerce-sales/
[4] https://www.statista.com/statistics/379046/worldwide-retail-e-commerce-sales/

The BEVH therefore believes that reliable performance among digital retailers is one of the key drivers of growth. Consumer satisfaction in the e-commerce sector continues to rise as well. An association survey in 2021 revealed that 78.8% of consumers were “very satisfied” (prior year 78.8%). Satisfaction is particularly high outside of urban centres where the local retail segment is weak. Here, the “very good” satisfaction ratings increased from 78.4% in 2020 to 80.1% in 2021.

Widespread availability of internet access as a key requirement for e-commerce is steadily approaching full coverage. The number of internet users in Germany climbed to 78.8 million in 2021 (prior year 77.8 million[6]). This is equivalent to 95% of the national population (2021: 83.2 million residents).[7]

The number of persons aged 16 and over who use stationary and/or mobile offerings on the internet is 61.14 million (as at 1 December 2021).[8] Germans prefer to use smartphones to shop online. Mobile commerce is gaining traction in other countries as well. Contributing to this is the fact that everyday life would be inconceivable for many people without internet shopping. Around one third of internet users shop online at least once per month.[9] This is substantiated once again by the following figures: In January 2021, the number of mobile internet users in Germany has grown to 112.9 million (+1.6%) compared to the prior year, which is equivalent to 134.7% of the population.[10]

**Satisfaction with e-commerce keeps increasing**
96.3% of all customers are „satisfied“ / „very satisfied




**Basis:** Purchases, excluding sales from private via online marketplaces
**Source:** BEVH[5]

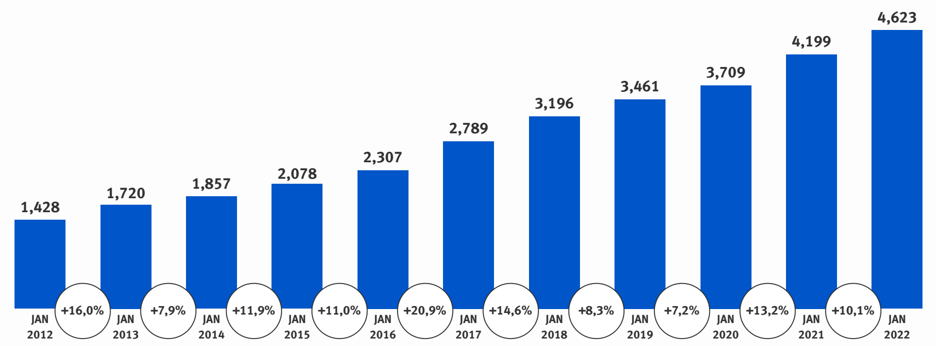
[5] https://www.bevh.org/fileadmin/content/05_presse/Pressemitteilungen_2022/220126_-_Pra__sentation_bevh_Jahrespressegespra__ch_2022.pdf, Seite 16
[6] https://datareportal.com/reports/digital-2021-germany?rq=germany
[7] https://www.internetworldstats.com/stats4.htm
[8] https://www.agof.de/?wpfb_dl=8566
[9] https://de.statista.com/themen/247/e-commerce/#dossierKeyfigures
[10] https://datareportal.com/reports/digital-2021-germany?rq=germany

At global level, there were 4.88 billion internet users and 4.62 billion social media users in 2021.[11] This indicates increasingly convergent use of the internet and social media. The global rise in social media users was 10% last year (basis: reference date January 2022/2021), which continues this noteworthy trend (prior year 4.20 million social media users)

An important factor for the business operations of TSC Group: almost every second social media user around the world visits the social platforms to engage with brands or to learn more about products during the customer journey. Social media is also becoming more important in the shopping habits of the target audience aged 35 and over.

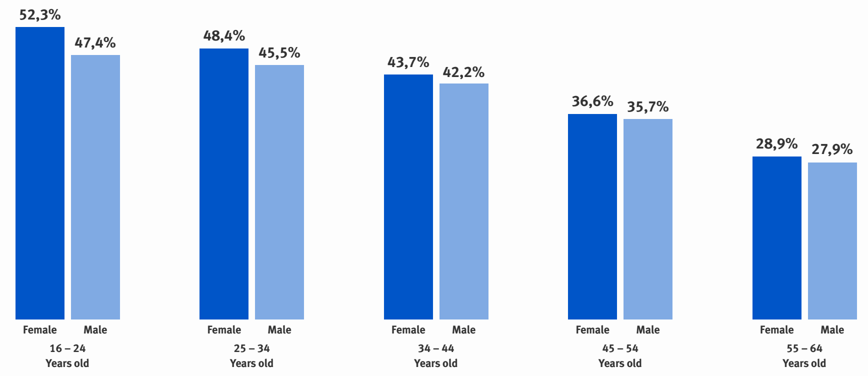
The "Advertising Expenditure Forecasts" study by Zenith, Düsseldorf, reveals that the global advertising market experienced strong post-COVID 19 recovery in 2021, with expenditure rising by 15.6% to USD 705 billion.[13] The total social media marketing spend also increased by 25% year-on-year. Advertisers in Germany are also investing more and more in digital communication channels: around EUR 11 billion in 2021, 10% more than in the prior year.[14]

**Social Media Users Over Time**
Number of social media users (in million) and year change (note: users may not represent unique individuals), Jan. 2022




**Quelle:** We Are Social, Digital 2021[12]

**Use of Social Networks for Brand Research**
Percentage of internet users who use social networks to find information about brands and products, Jan. 2022




Source: GWI (Q3 2021). Figures represent the findings of a broad global survey of internet users aged 16 to 64. See **GWI.com** for full details.

[11] https://datareportal.com/reports/digital-2021-october-global-statshot
[12] https://wearesocial.com/digital-2021
The source is the same for the following citations as well: DIGITAL 2021, GLOBAL OVERVIEW REPORT
[13] https://www.zenithmedia.com/digital-advertising-to-exceed-60-of-global-adspend-in-2022/
[14] https://www.markenartikel-magazin.de/_rubric/detail.php?rubric=marke-marketing&nr=44344

## 2.2 Business performance

### 2.2.1 Earnings

Group sales increased by EUR 182.6 million from EUR 130.1 million to EUR 312.7 million in the 2021 financial year. This development is due firstly to inorganic growth, in particular Carl-Wilhelm-Clasen Group, which was acquired on 31 December 2020 and contributed EUR 57.2 million to sales in the current financial year, and secondly to DS Group, which contributed a further EUR 21.6 million in December 2021. Despite the continuing pandemic situation, it is also a result of organic growth in the social commerce business – particularly in the food chain vertical – and in the agency segment.

EBITDA from continuing operations decreased by EUR -15.6 million from EUR -7.4 million in 2020 to EUR -23.0 million in the 2021 financial year. Included in this are special effects from the additional IFRS conversion and Uplisting Prime Standard projects, as well as financial due diligence and integration of DS Group.

The consolidated result from continuing operations amounted to EUR -80.5 million in the reporting year (prior year EUR -25.1 million).

The group's operating cash flow amounted to an inflow of EUR 22.9 million. (prior year cash outflow of EUR -24.7 million), while an outflow of EUR -110.4 million was reported for cash flow from capital investments (prior year EUR -6.1 million), which results in a free cash flow – defined as the product of operative and capital investment cash flow – amounting to EUR -87.5 million (prior year EUR -30.8 million).

The rise in revenue is also reflected in the development of the most significant non-financial performance indicator for the B2C area, namely the segment of social commerce. The number of orders increased by 74% from 1.34 million in 2020 to 2.33 million in 2021. The customer base grew by 50% over the same period, from 1.13 million consumers at the end of 2020 to 1.69 million at the end of 2021. The high-margin direct-to-consumer sales channel experienced especially vigorous growth, expanding from 0.4 million customers in 2020 to 0.9 million (+117%). This rise emphasises the brand strength of The Social Chain products. The customer base in the sales channel of online marketplaces grew by 0.7 million consumers at the end of 2020 to 0.8 million at the end of 2021, which is equivalent to a rise of 12%. The average cart value increased year-on-year from an average of EUR 65.19 in 2020 to an average of EUR 66.29 in 2021 and reached EUR 72.67 on average in the fourth quarter of 2021.

### 2.2.2 Company acquisitions

The most important event of the 2021 financial year at TSC Group was the acquisition of DS Holding GmbH (together with its subsidiaries the „DS Group“), Stapelfeld, which was fully taken over by purchase agreement dated 19 October 2021. The deal was formally closed on 8 December 2021, so the results will be included in the Group consolidation from this point.

DS Group is an international brand and retail company with over 5,000 products. The company is successful in the development, marketing and sale of its own products and brands. DS Group is one of the largest suppliers of articles for food retailers, discounters, drugstores, teleshopping, DIY shops, hypermarkets, cash & carry, specialist retailers, department stores as well as online and mail order retailers in Europe.

DS Group is organised into 22 subsidiaries, 49 shareholdings and 3 associated companies. The Group recorded sales of EUR 318.4 million in the 2021 calendar year, of which EUR 21.6 million was included in the 2021 consolidated earnings of TSC AG. DS Group had a workforce of 457 employees as of 31 December 2021. Further acquisitions involve the purchase of Vonmählen GmbH, Lüneburg, an online retail firm for mobile phone accessories, as well as the acquisition of MINT Marketing Agency LLC, Los Angeles/CA, United States, a media agency for small and medium-sized corporate clients in the USA.

Refer to Section 1.5.2 of the notes to the consolidated financial statements for additional details.

### 2.2.3 Disposals and companies classified as held for sale

**KoRo Handels GmbH**
A share purchase, by a contemplated option exercise on 5 July 2021 that was formerly contractually granted to the minority shareholders of KoRo Handels GmbH („KoRo“) and deemed to accept TSC AG's offer to sell all shares in KoRo Handels GmbH held by the minority shareholders at that time to TSC AG, ultimately did not become effective. The contractual provisions stipulate that the put option purchase price would be calculated on the basis of a corporate plan adopted by the shareholders' Annual General Meeting and should be settled half in cash and half in shares. After disagreement between the parties regarding the effective exercise of the option by the minority shareholders as well as regarding the purchase price, the Management Board of TSC AG, in mutual agreement with the minority shareholders of KoRo, decided already in Q4

2021 to seek another investor and purchaser for a significant share in KoRo Handels GmbH and, as a result, to relinquish the majority mediating shareholder position against payment of a cash purchase price.

The Group therefore classified all assets and liabilities of KoRo and the fully consolidated subsidiary Koro Eis GmbH, Berlin, as assets or liabilities held for sale as of 31 December 2021.

The following subsidiaries and shareholdings are also listed in the KoRo assets:

- Meine Spielzeugkiste GmbH, Berlin (100 % shareholding)
- WT Foodcom GmbH, Berlin (25,0 % shareholding)

There was no need to write down the assets as at the reporting date. For further details, please refer to the information in the notes to the consolidated financial statements in section 4.12 „Assets and liabilities held for sale“.

KoRo Handels GmbH belongs to the social commerce segment.

**FFLV-Gruppe**
As of 31 December 2021, the Group classified the shareholding in FFLV Inc. ("FFLV Group"), Conroe, Texas, USA – which is included in the balance sheet according to the equity method – and two loans granted to FFLV Group as non-current assets held for sale. The shareholding in FFLV Group was written down to EUR 0.9 million and the loans to EUR 2.2 million.

FFLV Group's shareholdings are in the following companies in particular:

- A4D Inc., Carlsbad (USA); a company specialising in digital performance marketing (4.9% indirect shareholding of TSC AG)
- Coral LLC, Carson City (USA); a consumer goods company that distributes oral hygiene products and dietary supplements (24.99% indirect shareholding of TSC AG)

The Group Management decided to discontinue its investment in FFLV in June 2021, as the FFLV Group does not match the Group's investment portfolio.

The shareholding in the FFLV Group is still recognised according to the equity method (impact on the 2021 consolidated result kEUR -1,738), while the loan granted to the FFLV Group is recognised according to amortised cost (impact on the 2021 consolidated result kEUR -243).

For further details, please refer to the information in the notes to the consolidated financial statements in section 4.12 „Assets and liabilities held for sale“.

FFLV Group belongs to the holding/other segment.

## 2.3 Position of the Group
### 2.3.1 Consolidated earnings situation

The consolidated earnings situation has changed as follows:

| in EUR million | 2021 | | 2020 | | Change | |
|---|---|---|---|---|---|---|
| Revenues | **3127** | **100.0 %** | **130.1** | **100.0 %** | **182.6** | **>100.0 %** |
| Material expenses* | -202.5 | -64.8 % | -67.7 | -52.0 % | -134.8 | >100.0 % |
| **Gross profit (gross margin)** | **110.2** | **35.2 %** | **62.4** | **47.9 %** | **47.8** | **76.7 %** |
| **EBITDA** | **-23.0** | **-7.3 %** | **-7.4** | **-5.7 %** | **-15.6** | **>100.0 %** |
| **Adjustments**** | **17.3** | **5.5 %** | **9.0** | **6.9 %** | **8.3** | **92.2 %** |
| **EBITDA (adjusted)** | **-5.7** | **-1.8 %** | **1.6** | **1.2 %** | **-7.3** | **>100.0 %** |
| Depreciation and amortization and impairments | **-53.8** | **-17.2 %** | **-15.5** | **-11.9 %** | **-38.3** | **>100.0 %** |
| Financial result | -3.8 | -1.2 % | -3.1 | -2.4 % | -0.7 | -22.8 % |
| Income taxes | 0.1 | 0.0 % | 0.8 | 0.6 % | -0.7 | -87.0 % |
| **Net result from continuing operations** | **-80.5** | **-25.7 %** | **-25.1** | **-19.3 %** | **-55.3** | **>100.0 %** |
| Result from discontinued operations | **-1.1** | **-0.4 %** | **-0.6** | **-0.4 %** | **-0.5** | **-81.7 %** |
| **Net result** | **-81.6** | **-26.1 %** | **-25.7** | **-19.7 %** | **-55.8** | **>100.0 %** |

In 2021, the TSC Group revenue increased by EUR 182.6 million to EUR 312.7 million year-over-year. Revenue in the prior year is only comparable to the revenue of the 2021 financial year to a limited extent only for the following reasons:

- The Carl-Wilhelm-Clasen Group (“BioClasen”), Schwarzenbek, was acquired on 17 December 2020. Its revenues (EUR 57.2 million) for all 12 months are included in the 2021 financial year. No BioClasen revenues were included for the 2020 financial year.

- DS Group was acquired on 8 December 2021. The DS Group revenues for the month of December amounting to EUR 21.6 million are considered in the 2021 financial year. DS Group is not included in the 2020 financial year.

- The Group initiated an asset deal on 11 February 2021 to acquire the entire business of the former Vonmählen GmbH (in liquidation), Lüneburg. This led to the establishment of the new Vonmählen GmbH (“Vonmählen”), Lüneburg, which contributed a further EUR 7.3 million in 2021 by selling and trading in smartphone accessories.

- Acquired as per 22 May 2021, the Mint Marketing Agency Inc. (“MINT”) – a marketing agency for small to medium-sized enterprises in the USA – contributed another EUR 1.1 million in 2021.

Refer to Section 1.5.2 of the notes to the consolidated financial statements for details concerning the business combinations.

The revenues are allocated to the following segments:

| in EUR million | 2021 | 2020 |
|---|---|---|
| Revenues from Social Commerce | 239.4 | 104.5 |
| Revenues from Social Media | 49.9 | 24.6 |
| Revenues from Retail (DS Group) | 21.6 | - |
| Other revenues | 1.9 | 1.0 |
| **Revenues** | **312.7** | **130.1** |

The social commerce companies were able to record significant growth in revenues, despite the pandemic restrictions continuing throughout the 2021 calendar year.

The TSC AG Group “Foodchain” vertical especially, which includes the companies KoRo Handels GmbH (“KoRo”), Berlin and the Carl-Wilhelm-Clasen Group (“BioClasen”), Schwarzenbek, continued to grow at an above-average rate compared to the prior year, with revenue increasing by +53.0% to EUR 118.9 million compared to the pro forma revenue in 2020 (EUR 77.7 million). KoRo was able to increase its revenues in the current financial year by EUR 41.0 million from EUR 20.7 million in the prior year to EUR 61.6 million in 2021, mainly due to the company’s highly successful market growth and penetration strategy.

Organic sales growth was recorded by both the Home & Living and Beauty & Health verticals. In the Home & Living vertical, sales increased by EUR 15.6 million to EUR 67.7 million. The Beauty & Health vertical recorded growth of EUR 25.0 million to EUR 52.9 million, mainly driven by Media Chain Products GmbH („MCP“), Berlin, which increased its sales in the current financial year by EUR 27.6 million from EUR 21.8 million in the prior year to EUR 49.4 million in 2021 - primarily due to its vigorous business with products to contain the COVID 19 pandemic over the first half of 2021.

Developments in the social media segment are equally pleasing. Here, the significant increase in revenue from the agency business compensated by a significant margin for the continued loss of revenue from the event business, which remained subject to almost crippling restrictions. Particularly noteworthy in this regard is the development of our US agencies, which increased their revenue by EUR 6.6 million from EUR 4.0 million in 2020 to EUR 10.6 million in 2021. Taken together, the companies within our German and European agency business increased revenue by an aggregate total of EUR 16.4 million, in which the advertising and media agency and consulting business accounted for the lion’s share.

For more details, please refer to the explanations in Section 2 Segment report of the notes to the consolidated financial statements.

Material expenses experienced a year-on-year rise by EUR 134.8 million to EUR202.5 million. The cost of materials ratio in the social commerce segment increased from 53.9% in the prior year to 66.5% in the 2021 financial year, mainly due to shifts in the product mix as well as significantly higher transport costs, whose relative share of product costs increased disproportionately.

Overall, the Group generated gross profits of EUR 110.2 million, which corresponds to an increase of 76.7% or EUR 47.8 million compared to 2020.

EBITDA decreased from EUR -7.4 million in the 2020 financial year to EUR -23.1 million in the 2021 financial year. Aside from the lower relative gross margin, this is mainly due to the EUR -43.8 million (-96.3%) increase in other operating expenses, mainly from higher legal and consulting costs in connection with the acquisition of DS Group and uplisting of the group to the regulated market on 12 November 2021, as well as disproportionately higher distribution costs – caused by the global rise in transport costs.

The increase in expenses for depreciation, amortisation and impairment by EUR 38.3 million to EUR 53.8 million during the 2021 financial year (prior year EUR 15.5 million) is mainly the result of impairment losses on goodwill totalling EUR 45.0 million (prior year EUR 9.2 million).

In the financial results, constant interest income of EUR 1.7 million (prior year EUR 1.6 million) is offset by a rise in interest expenses amounting to EUR 9.6 million (prior year EUR 4.4 million). Regarding net results, the Group generated income from the valuation of financial assets at fair value amounting to EUR 6.2 million (prior year losses of EUR -0.2 million).

Overall, the 2021 financial year closed with a net loss from continuing operations of EUR -80.5 million compared to EUR -25.1 million in the prior year. The total net loss for the year is EUR -81.6 million, considering the results from discontinued operations (prior year EUR
-25.7 million).

## 2.3.2 Consolidated financial position

**Capital structure**
TSC Group finances its activities by debt and equity.

Liabilities to banks and loans (excluding overdraft facilities) in the financial year increased by EUR 155.4 million to EUR201.3 million. This was due to absorbing financial loans from the newly integrated companies in the amount of EUR 131.6 million and the taking out of new financial loans in the amount of EUR 50.6 million. This was offset by repayments in the amount of EUR 26.0 million.

The Group equity as of 31 December 2021 is EUR 196.5 million compared to EUR 98.7 million in the prior year. The equity ratio was 31.0% (prior year 48.1%). Refer to Section 2.3.3 Consolidated asset position for further information on the development of equity.

**Investments**
In 2021, The Social Chain AG invested in intangible assets in particular to improve the enterprise-wide processes and use of information, mainly in the development of an enterprise-wide BI tool (EUR 1.2 million) and in the implementation of a system-based internal control and risk management system (EUR 1.4 million). Vonmählen GmbH, Lüneburg, incurred acquisition costs of EUR 0.8 million, primarily for an ERP system and website set-ups.

During the third and fourth quarters, LGR Nuss & Trockenfrucht Veredelungs GmbH & Co. KG, Schwarzenbek – which belongs to the BioClasen Group – made extensive investments in the scheduled expansion of its production facilities by adding a second production line. The costs were incurred primarily to lease a new production site (capitalised right of use in the amount of EUR 1.4 million), acquire technical equipment (EUR 1.7 million) and lease technical machinery (EUR 2.8 million). Complete commissioning is earmarked for early 2022. Carl-Wilhelm-Clasen GmbH invested in a lease on another warehouse (EUR 2.7 million).

Additional material investments in the form of long-term leases were also made by LINKS Logistik GmbH, Berlin, which leased a warehouse in Kassel (EUR 1.5 million) and other facilities (EUR 1.1 million), as well as by Social Chain UK and Social Chain US, which made significant modifications (extension and renewal) to their leases on office space (EUR 0.8 million respectively), and TSC AG, which renewed its current office lease (EUR 1.5 million).

**Liquidity**
The consolidated cash flow has changed as follows:

| in EUR million | 2021 | 2020 |
|---|---|---|
| Cash flow from operating activities | 22.9 | -24.7 |
| Cash flow from investing activities | -110.4 | -6.1 |
| Cash flow from financing activities | 94.8 | 33.5 |
| Effect of exchange rate changes on cash and cash equivalents | 0.1 | -0.1 |
| Net changes in cash and cash equivalents | 7.5 | 2.6 |
| Cash and cash equivalents at the beginning of the period | 9.4 | 6.8 |
| **Cash and cash equivalents at the end of the period** | **16.8** | **9.4** |

The Group's operating cash inflow amounted to EUR 22.9 million in 2021 (prior year cash outflow of EUR -24.7 million). The cash inflows are primarily due to changes in working capital, with a positive effect on cash flow totalling EUR 48.8 million (prior year EUR -16.5 million), which contrasts with a negative group result of EUR -25.9 million, adjusted for non-cash income and expenses (prior year -8,2 million).

The positive working capital effect is mainly due to the acquisition of the DS Group and time differences in the settlement of trade receivables and payables. As per 31 December 2021, trade receivables (excluding receivables acquired as part of corporate transactions) were reduced by EUR 5.9 million compared to the prior year and trade payables were increased by EUR 53.4 million (including liabilities acquired as part of corporate transactions) compared to the prior year. This is offset by the increase in inventories (not including the inventories acquired in the course of corporate transaction), which affected cash flow in an amount of EUR -20.1 million (prior year EUR -7.5 million). All other changes to working capital have an aggregate positive effect of EUR 9.7 million.

The cash outflow from investment activities amounting to EUR -110.4 million (prior year EUR -6.1 million) primarily included payments for acquisitions (less the currencies purchased for this purpose) amounting to EUR 103.7 million (prior year EUR -5.2 million), which is mainly attributable to the cash portion in the acquisition of DS Group. The remaining effect is largely due to additions and disposals of intangible assets in the net amount of EUR -4.1 million (prior year EUR 0.4 million).

The cash inflow from financing activities amounted to EUR 94.8 million for the financial year (prior year EUR 33.5 million) and was largely due to borrowings (including the issue of a convertible bond) in the amount of EUR 75.6 million (prior year EUR 30.5 million) with repayments in the amount of EUR 26.0 million (prior year EUR -11.6 million). Cash capital increases were implemented in the amount of EUR 52.6 million (prior year EUR 19.7 million), cf. the explanations on the asset position in Section 2.3.3. Interest payments amount to EUR 2.8 million (prior year EUR 2.6 million).

Overall, cash and cash equivalents increased by EUR 7.4 million from EUR 9.4 million in the prior year to EUR 16.8 million as of 31 December 2021.

### 2.3.3 Consolidated asset position

The consolidated asset situation has changed as follows:

| in EUR million | 2021 | | 2020[1] | | | Change |
|---|---|---|---|---|---|---|
| Non-current assets | 368.9 | 58.3 % | 153.9 | 75.0 % | 215.0 | >100.0% |
| Current assets | 264.4 | 41.7 % | 51.4 | 25.0% | 213.0 | >100.0% |
| Total assets | 633.2 | 100.0% | 205.3 | 100.0% | 428.0 | >100.0% |

[1] The values deviate from those reported in the 2020 consolidated financial statements due to the final valuation of the acquisition of Carl Wilhelm Clasen GmbH. Refer in this regard to Section 1.5.2 of the notes to the consolidated financial statements as per 31 December 2021.

The balance sheet development is shaped by the acquisitions in the 2021 financial year and by the very pleasing and in some cases significantly disproportionate growth of individual social commerce companies that were acquired prior to the 2020 financial year.

The non-current assets of EUR 368.9 million (prior year EUR 153.9 million) mainly includes goodwill in the amount of EUR 201.4 million (prior year EUR 103.0 million), intangible assets amounting to EUR 60.8 million (prior year EUR 21.1 million), rights of use amounting to EUR 54.3 million (prior year EUR 5.4 million), financial assets amounting to EUR 26.4 million (prior year EUR 14.1 million) and deferred tax assets amounting to EUR 4.6 million (prior year EUR 2.8 million).

The increase in goodwill by EUR 98.4 million to a total of EUR 201.4 million results primarily from the acquisition of the DS Group (EUR 145.1 million) and MINT (EUR 0.2 million) in the 2021 financial year. On the other hand, there were reductions in goodwill of EUR -48.4 million due to impairments of EUR -44.9 million (prior year EUR -9.2

million), reclassifications of goodwill for KoRo Handels GmbH to assets held for sale in the amount of EUR 3.4 million and due to currency effects.

Within the scope of company-specific purchase price allocations, intangible assets totalling EUR 37.5 million were identified in the acquisition of the DS Group, of which customer relationships and orders on hand (EUR 24.7 million) and trademarks (EUR 12.8 million).

The increase in rights of use is essentially the result of acquiring DS Group and the rights of use taken over for land (EUR 34.7 million) as well as for the vehicle fleet and other facilities (EUR 1.8 million). Further additions refer mainly to leases taken out by the former TSC AG Group on production and warehouse space (EUR 5.6 million), office space (EUR 3.1 million), technical equipment and machinery (EUR 2.8 million) as well as other equipment (EUR 1.1 million).

The change in non-current financial assets by EUR 12.4 million to EUR 26.4 million is primarily the result of adding the investments in DS Impact GmbH, which were recognised at fair value in the amount of EUR 10.9 million, and the increase in the fair values of other derivatives by EUR 3.9 million. This is offset by the sale of securities in the amount of EUR 8.8 million.

Non-current assets account for 58.3% (prior year 75.0%) of total assets and are almost entirely financed on a long-term basis.

The current assets amounting to EUR 264.4 million (prior year EUR 51.4 million) are composed of inventories, receivables, cash reserves, securities and other assets.

Inventories increased compared to the prior year by EUR 85.3 million to EUR 107.8 million, mainly due to the EUR 65.3 million in merchandise obtained during acquisition of DS Group and the further accumulation of inventories at most of the social commerce and retail companies at the end of the year.

Trade receivables increased by EUR 64.5 million, primarily because of absorbing the DS Group receivables of EUR 70.6 million at the time of acquisition.

Assets held for sale in the amount of EUR 22.8 million (prior year EUR 0.0 million) list all assets of KoRo Handels GmbH, Berlin, totalling 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 amounting to EUR 2.2 million.

All other items on the current assets had only insignificant changes.

The total equity and liabilities are split as follows:

| in EUR million | 2021 | | 2020[1] | | Change | |
|---|---|---|---|---|---|---|
| Equity | 196.5 | 31.0 % | 98.7 | 48.1 % | 97.9 | 99.2 % |
| Non-current liabilities | 136.5 | 21.4 % | 36.5 | 17.8 % | 99.1 | >100.0% |
| Current liabilities | 301.1 | 47.6 % | 70.1 | 34.1 % | 231.0 | >100.0% |
| Liabilities | 633.29 | 100.0% | 205.3 | 100.0% | 428.0 | >100.0% |

[1] The values deviate from those reported in the 2020 consolidated financial statements due to the final valuation of the acquisition of Carl Wilhelm Clasen GmbH. Refer in this regard to Section 1.5.2 of the notes to the consolidated financial statements as per 31 December 2021.

The consolidated equity has changed as follows:

| in EUR million | | 2021 | | 2020 | | Change |
|---|---|---|---|---|---|---|
| Issued capital | 15.5 | 79 % | 11.3 | 11.5% | 4.2 | 36.8 % |
| Capital reserves | 335.3 | 170.6 % | 167.2 | 169.4 % | 168.1 | >100.0% |
| Accumulated other comprehensive income (OCI) | 1.5 | 0.8 % | -0.2 | -0.2% | 1.6 | >100.0% |
| Retained earnings | -4.4 | -2.2 % | -9.1 | -9.2% | 4.7 | -51.4 % |
| Profit/ Loss carry-forward | -153.3 | -78.0 % | -72.8 | -73.8 % | -80.5 | >100.0 % |
| Non-controlling interests | 1.9 | 1.0 % | 2.2 | 2.2 % | -0.3 | -11.7 % |
| **Equity** | **196.5** | **100.0%** | **98.7** | **100.0%** | **97.9** | **99.2 %** |

The group reports equity of EUR 196.5 million as of 31 December 2021 (prior year EUR 98.7 million). The equity ratio was 35.7% (prior year 48.1%).

Capital increases were implemented as follows in the 2020 and 2021 financial years:

- On 27 February 2020, the share capital was increased by EUR 0.2 million and the capital reserves by EUR 3.7 million through contribution of the shares in Urbanara GmbH in exchange for the issue of new shares.

- On 11 March 2020, the share capital was increased by EUR 0.1 million and the capital reserves by EUR 1.44 million through contribution of additional shares in Solidmind Nutrition GmbH in exchange for the issue of new shares.

- On 14 July 2020, the share capital was increased by EUR 0.1 million in total and the capital reserves by EUR 2.7 million through contribution of the shares in KoRo Handels GmbH in exchange for the issue of new shares and through contribution of the shares in drtv GmbH in exchange for the issue of new shares.

- On 12 August 2020, a cash capital increase of EUR 10.1 million was carried out by issuing new shares in the share capital of EUR 0.5 million and by paying EUR 9.6 million into the capital reserves.

- On 8 December 2020, a cash capital increase of EUR 10.0 million was carried out by issuing new shares in the share capital of EUR 0.5 million and by paying EUR 9.5 million into the capital reserves.

- On 18 January 2021, the share capital was increased by EUR 0.1 million and the capital reserves by EUR 1.9 million through the contribution of shares in Clasen Bio in exchange for the issue of new shares.

- On 7 April 2021, capital reserves were increased by EUR 3.5 million through the issue of convertible bonds. Refer to Section 4.15 of the notes to the consolidated financial statements for explanations concerning the convertible bond.

- On 12 July 2021, the share capital was increased by EUR 0.01 million and the capital reserves by EUR 0.2 million through the contribution of 12.5% of the shares in MINT in exchange for the issue of new shares.

- A capital increase against cash contribution was carried out on 24 November 2021. This increased the share capital by EUR 1.1 million and the capital reserves by EUR 51.5 million.

- On 16 December 2021, the share capital was increased by EUR 2.9 million and the capital reserves by EUR 109.1 million through the issuance of shares as consideration for acquisition of 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 2021 financial year.

Transaction costs recognised in the capital reserves reduced the capital reserves by EUR 0.6 million in the 2021 financial year (prior year EUR 0.3 million). The recognition of equity-settled share-based payments increased the capital reserves by EUR 0.8 million (prior year EUR 5.6 million).

Retained earnings amounted to EUR -4.4 million as of 31 December 2021 (prior year EUR -9.1 million) and include written put options on non-controlling interests and the change in non-controlling interests due to changes in the consolidation scope without loss of control.

The Group's liabilities mainly include financial liabilities, trade payables, provisions and non-financial liabilities.

The rise in non-current liabilities by EUR 99.9 million is due to the increase in other non-current financial liabilities by EUR 86.8 million and an increase in deferred tax liabilities by EUR 12.2 million.

The change in non-current financial liabilities is mainly due to the absorption of long-term leasing liabilities (EUR 33.9 million) and long-term liabilities to banks (EUR 14.3 million) within the framework of the acquisitions. Moreover, a convertible bond with a par value of EUR 25.0 million was issued on 7 April 2021. Its debt component was recognised in the amount of EUR 19.4 million as of 31 December 2021.

The change in financial liabilities amounting to EUR 158.6 million is the dominant factor in the short-term debts. This is mainly attributable to an increase in liabilities to banks and to loans that were mainly absorbed as part of the acquisitions (EUR 117.3 million), new bank loans as well as shareholder and other loans in the amount of (EUR 45.2 million) and refund liabilities accepted as part of the acquisitions (EUR 20.6 million). Furthermore, short-term debts increased by EUR 50.8 million due to an increase in trade payables, almost all of which were absorbed during the corporate transactions.

### 2.3.4 Overall statement on the position of the Group

Overall, development of the Group's business did not fully reflect the positive expectations. Forecasts have been increasingly uncertain since the emergence of the COVID 19 pandemic and its effects on the national and international markets. Group revenue (without acquisitions) did rise, but not to the envisaged extent. Management had projected consolidated revenues of EUR 350 million for the full year 2021 – which fully considered revenues for companies consolidated for the first time on an annualised basis – although the agency and event business were very challenging to project. In view of the acquisitions made in 2021, this forecast was increased to just under EUR 620 million over the course of 2021. Taking into account the full-year turnover of companies that are only included in the group net revenues on a pro rata temporis basis, net revenuest amounted to EUR 610.1 million, or EUR 312.7 million if the net revenuest of new acquisitions are taken into account on a pro rata temporis basis.

The positive pro forma EBITDA, adjusted for special effects, originally planned for 2021, was recently forecast to at around EUR 20 million. In 2021, EUR 19.5 million was achieved, which is slightly less than expected.

It follows, therefore, that the overall financial position was characterised by the considerable financing requirements for the purchase of goods and by special charges for the integration of newly acquired companies, the strengthening of the internal control system as well as expenses incurred in relation to capital market activities.

### 2.3.5 Pro forma financial information

*This section contains information unrelated to the management report that is not part of the audit of the annual and consolidated financial statements.*

This pro forma financial information for TSC Group has been prepared according to the IDW HFA 1.004 accounting guideline. Pro forma financial information is used to present what the material effects of corporate transactions on historical financial statements would have been if the entity had existed throughout the reporting period in the structure created by the corporate transaction. Given that pro forma financial information models a hypothetical situation, not all of the details convey the results that would have occurred if the considered events had actually taken place at the beginning of the reporting period. Therefore, it does not reflect the actual earnings position of the TSC Group.

Refer to our explanations in Section 1.5.2 of the notes to the annual financial statements for the corporate transactions that have been taken into account.

| In EUR million | Consolidated 2021 income statement without intercompany transactions | DS Group | Others | Consolidated income statement for 2021 | Pro forma income statement transactions in 2021 | Pro forma consolidated income statement for 2021 |
|---|---|---|---|---|---|---|
| Revenues | 282.6 | 21.7 | 8.4 | 312.7 | 297.5 | 610.2 |
| EBITDA | -25.3 | 2.1 | 0.2 | -23.0 | 23.4 | 0.4 |
| Adjusted EBITDA | -8.2 | 2.4 | 0.2 | -5.7 | 25.2 | 19.5 |
| **Net result** | **-81.7** | **-0.1** | **0.2** | **-81.6** | **24.4** | **-57.1** |

## Pro forma explanations

We grouped the individual contribution transactions into significant contribution groups, especially for company acquisitions entering the Group at the same acquisition date. We used the income statements of the acquired companies available to us for the full 2021 financial year to calculate the pro forma financial information for the pro forma income statement.

The itemised breakdown of the pro forma figures for the twelve-month period ending 31 December 2021 is as follows:

| In EUR million | DS Group | MINT Marketing | Pro forma income statement transactions 2021 |
|---|---|---|---|
| Pro forma revenues | 296.8 | 0.7 | 297.5 |
| Pro forma EBITDA | 23.2 | 0.2 | 23.4 |
| Pro forma adjusted EBITDA | 25.0 | 0.2 | 25.2 |
| **Pro forma consolidated result** | **24.2** | **0.2** | **24.4** |

## Consolidation assumptions

The pro forma financial information is prepared based on the following assumptions:

- The expenses and income of the consolidated companies were reported in the pro forma income statement with the amounts for the entire 2021 financial year, except where they relate to periods in which they were already included in the Group.
- Sales and expenses between the group companies were fully eliminated. An elimination of interim results was not necessary.
- Additional effects due to synergy, extraordinary items and special effects that were related to the acquisition or contribute to the future profitability of the acquired companies are not considered.
- The numbers for DS Group as shown in the pro forma figures are derived from the income statements prepared in accordance with local accounting standards (German Commercial Code, HGB) for 2021. In preparing the pro forma income statement, further adjustments were made to the input figures for the purpose of reconciliation with IFRS principles, both regarding those that affect the consolidated closing balance sheets at the time of inclusion in the group, and those for the standardised application of accounting policies, disclosure, accounting, and valuation methods.
- Regarding other insignificant acquisitions, an adjustment was carried out from local GAAP to IFRS and to uniform Group reporting, accounting and valuation methods due to the inclusion of the relevant companies in the Group over the course of the year.

We would like to point out furthermore that the pro forma financial information is only meaningful in conjunction with the respective annual, consolidated or interim financial statements by the company preparing the pro forma financial information.

## 2.4 Additional management reporting on the separate financial statements of TSC AG

The management report has been combined with the group management report. 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 individual 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 the overall strategy, financing activities, in particular the raising of capital and the financing of subsidiaries, as well as management services for the subsidiaries.

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

As the statutory annual financial statements of TSC AG were prepared in accordance with the German Commercial Code (HGB) and the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), there are differences with regard to the recognition and measurement principles. These differences primarily relate to financial instruments, deferred taxes and the recognition of transaction costs within equity, 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 position of the Company

The Company’s earnings position in the 2021 financial year was shaped by very high consulting expenses from the special projects of IFRS conversion and Uplisting Prime Standard, as well as financial due diligence and integration of DS Group.

| in EUR million | 2021 | 2020 | Change |
|---|---|---|---|
| Revenues | 2.8 | 0.8 | 2.0 |
| capitalized self-constructed assets | 0.1 | - | 0.1 |
| Other operating income | 4.6 | 5.2 | -0.5 |
| Personnel expenses | -5.5 | -2.2 | -3.3 |
| Depreciation | -0.4 | - | -0.4 |
| Other operating expenses | -20.0 | -9.3 | -10.7 |
| Other interest and earnings | 2.2 | 0.8 | 1.4 |
| Depreciation of financial assets | -8.0 | -0.9 | -7.1 |
| Interest and similar expenses | -2.7 | -1.0 | -1.7 |
| **Annual result** | **-26.9** | **-6.7** | **-20.3** |

TSC AG revenues increased by EUR 2.0 million to EUR 2.8 million during the 2021 financial year. Given that TSC AG exclusively has a holding and central service function within the Group, this increase is almost exclusively for revenues from subsidiaries due to intercompany charges.

The decrease in other operating income is mainly attributable to the fact that this item included a one-off effect of EUR 2.0 million from the sale of the shares in Solidmind Nutrition GmbH in 2020. By contrast, income from the reimbursement of third-party costs was higher in 2021.

The rise in personnel expenses is due to workforce increase. The Company had taken over the employees of The Social Chain Group AG with effect from March 2021. Moreover, additional employees were hired during the year due to continuing expansion, so that the average number of employees increased from 27 to 43 compared to the prior year.

Depreciations in the 2021 financial year include depreciations on loans to associated companies in an amount of EUR 0.3 million.

Compared to the prior year, other operating expenses increased significantly from EUR 9.3 million to EUR 20.0 million. This is attributable to the special projects mentioned at the start of this section on the Company's earnings position. These are one-time effects that should not be expected in this magnitude in the coming years.

The impairments of financial assets refer to impairment losses of the investment in the FFLV Inc. group in the amount of EUR 1.7 million, in Ravensberger Holding GmbH in the amount of EUR 6.2 million and in Möbelfreude Vertriebs GmbH in the amount of EUR 0.1 million.

The rise in interest income is due to the larger amount of short-term loans to associated companies. EUR 0.9 million of the increase in interest expenses is due to interest expenses from the convertible bond issued on 7 April 2021 with a par value of EUR 25.0 million. Furthermore, the rise was also attributable to greater liabilities towards associated companies as well as towards shareholders and third parties.

Overall, the annual result fell significantly from EUR -6.7 million to EUR -26.9 million, as explained above.

### 2.4.2 Financial position of the Company

The company refinanced itself primarily by issuing a convertible bond (EUR 25.0 million) and 1.1 million new shares on the capital markets during a cash capital increase of EUR 52.6 million proceeds. With an amount of EUR 3.9 million, TSC AG's liabilities to banks (prior year EUR 3.1 million) are of minor importance in a balance sheet total of EUR 353.1 million.

The TSC AG equity as of 31 December 2021 is EUR 276.4 million compared to EUR 134.3 million in the prior year. The equity ratio was 78.3% (prior year 79.4%).

Cash and cash equivalents as of 31 December 2021 were EUR 3.1 million (prior year EUR 0.5 million).

### 2.4.3. Asset position of the Company

The TSC AG assets have changed as follows:

| **in EUR million** | **2021** | **2020** | **Change** |
|---|---|---|---|
| Intangible assets | 2.6 | - | 2.6 |
| Property. plant and equipment | 0.3 | 0.4 | -0.1 |
| Financial assets | 280.6 | 115.0 | 165.6 |
| **Non-current assets** | **283.5** | **115.4** | **168.1** |
| Receivables and other assets | 66.3 | 49.4 | 16.9 |
| Securities | - | 3.7 | -3.7 |
| Cash on hand and bank balances | 3.1 | 0.5 | 2.6 |
| **Current assets** | **69.4** | **53.7** | **15.7** |
| **Deferred expenses** | **0.2** | **0.1** | **0.1** |
| **Total assets** | **353.1** | **169.2** | **183.9** |

The increase in intangible assets is due to advance payments and expenses for internal development of a BI tool as well as for the development and implementation of an IT-assisted internal control and risk management system.

Financial assets in the 2021 financial year are shaped by additions from the acquisition of DS Group, Stapelfeld, on 8 December 2021. The addition of EUR 165.6 million refers to the equipment for TSCDS Holding GmbH, Berlin, which was established specifically for the corporate transaction, and which holds all shares in DS Holding GmbH, Stapelfeld, the parent company of the acquired DS Group.

The decrease in marketable securities results from the sale of all shares in SynBiotic SE as of 30 June 2021.

The TSC AG liabilities have changed as follows:

| in EUR million | 2021 | 2020 | Change |
|---|---|---|---|
| **Equity** | **276.4** | **134.3** | **142.1** |
| **Outstanding contributions due on resolved capital increase** | **-** | **2.0** | **-2.0** |
| **Provisions** | **5.9** | **1.0** | **4.9** |
| **Bonds** | **22.6** | **-** | **22.6** |
| Liabilities due to banks | 3.9 | 3.1 | 0.8 |
| Trade payables | 5.2 | 2.4 | 2.8 |
| Liabilities to affiliated companies | 10.4 | 5.8 | 4.6 |
| Other liabilities | 28.6 | 20.6 | 8.0 |
| **Liabilities** | **70.7** | **31.9** | **38.9** |
| **Total equity and liabilities** | **353.1** | **169.2** | **183.9** |

The equity and liabilities were driven in particular by the equity contributions in 2021 totalling to EUR 169.0 million. The most significant additions were made through the capital increase against contributions in kind (EUR 111.9 million) and the cash capital increase (EUR 52.6 million) in the course of the acquisition of DS Group. Other additions relate to the contribution share for BioClasen amounting to EUR 2.0 million in January 2021 and first conversions of the convertible bond in November and December 2021 (EUR 2.4 million). This was offset by the net loss for the year of EUR -26.9 million due to the special projects mentioned in the results of operations.

The increase in the bond item is due to the Company's first issue of a convertible bond worth EUR 25.0 million on 7 April 2021. The convertible bond has a term of 3 years. As of 31 December 2021, 2,412 of the 25,000 convertible bonds had already been converted into equity.

### 2.4.4 Overall statement on the position of the Company

Several significant projects shaped the year 2021, all of which were brought to a successful conclusion. The Management Board holds that this has laid the organisational foundation to scale the Group's business model in the years ahead. The Company occupies a solid financial and organisational position on a growth market.

# 3 Opportunities and risk report

The identification and prompt exploitation of opportunities and the mitigation of risks are essential for our Group.

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

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

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

## 3.1 Opportunities

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

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

The following section explains the individual opportunities listed above in more detail:

**Continued above-average market growth for social media advertising (industry opportunity)**
Social media platforms have complemented existing media such as TV and print in recent years. Everyday media use has reached high levels, especially among young target groups, and in some cases has overtaken established media. The advertising industry and, more specifically, brand owners with a large media budget have increasingly shifted budgets to online media. Social media advertising budgets are growing disproportionately and, with a usual delay, will adjust proportionately to the high levels of usage. TSC Group is extremely well positioned to command a share of the expanding budgets due to its brand awareness and successful campaigns for prestigious brands such as Beats (Apple), Coca-Cola and Uber.

**Participation in the further expansion of online trading (industry opportunity)**
Online retail has been growing at double-digit rates for years across all sectors, and this trend is predicted to continue in the years ahead. In contrast, growth in new customers via other sales channels such as over-the-counter retail stores is rising at a slower rate as regards customer acquisition and turnover. With its social commerce activities, TSC Group was a pure online retailer until the end of 2021, selling its own branded products in the consumer market (B2C provider). Social media represents the principal marketing channel. The Group operates in the high-growth sectors of Food, Home & Living, Beauty & Health. TSC Group is therefore able to participate at an above-average rate in the strong market growth of online trading as well as in the market trend due to its brand and product diversity. In addition, the social media platforms are increasingly turning into sales channels, such as Instagram Shopping, which opens up enormous opportunities for TSC Group based on its products and social media expertise. There will be other available opportunities in conjunction with the numerous products designed for social commerce, which will expand the Group's product portfolio as part of the acquisition of DS Group.

**Expansion into the Asian market (regional opportunity)**
TSC Group realises its business model combining social media and social commerce primarily in Germany, the UK and the US. The US has been and will remain a particular focus of investment activities. This also applies for 2022. Besides the aforementioned markets, the Asian market above in particular will promise special opportunities for TSC Group in the years ahead.

Strategic partnerships will be used to secure both the sourcing of products with stable supply chains and to provide access to new sales markets. These activities will focus on China and the Southeast Asian market. The combination of social media marketing, social media-oriented products, physical conventions such as Glow and the well-established DS infrastructure Group appears highly promising.

**Development of a data platform (LINKS) connecting all significant data points from social commerce and social media (technological opportunity) and developing logistics concepts**
TSC Group emerged from two groups of companies. The former Lumaland Group focused on product sourcing and distribution. The former The Social Chain Group AG and its subsidiaries concentrated on social media with its own media channels (publisher) and social media marketing (agency). Both former subgroups used IT systems to run their business. The unique business model combining social commerce and social media offers a special opportunity to connect all data from the respective activities in compliance with legal and data protection requirements. Suitable BI systems can be used to recognise trends at an early stage, control the development of products to reflect the target audience and optimise sales for specific channels – accompanied by social media marketing. In the years ahead, TSC Group will also make capital investments in establishing suitable IT systems and processes to seize this special opportunity.

**Systematic acquisition of companies to optimise the business model (M&A opportunity)**
In addition to high organic growth, TSC Group's business model also includes ongoing acquisitions and disposals of companies. The Group has already acquired and integrated a large number of companies, providing expertise and capital to build added value. The combination of newly acquired businesses with other existing intangible fixed assets – including proprietary social media channels or D2C brands –presents considerable opportunities. The aim of the acquisitions is to implement the business model combining social media and social commerce in the regions of Germany, UK, and US. TSC Group has been and continues to be an attractive buyer of companies and is appreciated as an M&A partner due to its competence and special assets. This presents significant opportunities for above-average growth in revenue and earnings. The long-established strategy years is pursued actively, using both cash and the Company's shares as acquisition currency. Further acquisition targets will be on the agenda once the integration of DS Group is complete after its acquisition in 2021.

## 3.2 Risks and risk management

**Structure and responsibilities of risk management**
TSC Group believes that the early identification, analysis, and management of potential risks is an elementary component of its corporate strategy. This is rooted in the understanding that consistent application of principles enshrined in a functioning risk management potentially enables the identification and exploitation of opportunities. In order to identify risks and opportunities at an early stage and manage them consistently, we have installed a risk management system that encompasses early detection mechanisms pursuant to Section 91 (2) AktG. The risk management system defines measures for the identification, mapping, assessment, documentation, and reporting of risks. This always keeps the general risk situation within acceptable limits. At present, there are no discernible risks that might significantly jeopardise the company's success.

The Social Chain AG has implemented a risk management system that is upgraded continuously. The Management Board carries principal responsibility for risk management within the Group.

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

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

The risk management system is structured as follows: besides the compliance manager, there is a risk manager for each defined risk who regularly reports to the Management Board about risks and their assessment. In addition, the risk manager makes ad hoc reports when necessary in particular situations. As a rule, the risk manager is in charge of

- identifying, measuring and documenting risks;

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

Furthermore, there are plans to continue expanding the remit of the compliance management, so that the compliance manager, together with the risk manager, will implement the tasks outlined above both promptly and comprehensively.

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

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

**Identified risks**
In the reporting period, the Group did not identify any risks that might endanger the existence of TSC Group as a going concern. The following lists the top risks that we have identified:

- Changes to regulatory requirements (regulatory risk)
- Insufficient innovative power among online shops and changes in sales platforms (industry risk)
- Lack of suitable managers and employees (industry risk)
- New regulatory requirements for data protection (regulatory risk)
- Threat to cyber security (internal risk)
- Market dominance of social media platforms and changes in algorithms (industry risk)
- Emergence of new financially potent competitors (market risk)
- Sharp declines in demand (market risk)
- Impairment of goodwill and other intangible assets (balance sheet risk)
- Price, default and liquidity risks as well as risks from cash flow fluctuations (financial risks)
- Specific risks from Brexit (regulatory and financial risk)
- Risks from the increasing importance of US business (financial and internal risk)
- Macroeconomic uncertainties due to COVID 19 (market risk)
- Risks from non-compliance with ESG/CSR standards (regulatory risk)
- Logistics risks (financial risk and industry risk)
- Risks from product defects (financial risk and industry risk)
- Risks from criticism in social media cause damage to the brand and image (industry risk)
- Risks from investment and divestment decisions (financial risk)

The following provides a more detailed description of the individual risks as outlined above.

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

As a social commerce enterprise, 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 respect, the Group is subject to numerous laws and rules based on the confidentiality, integrity and availability of personal data, including, in particular, every aspect of data protection and the protection of privacy (e.g. GDPR). As a popular example, GDPR introduced considerable penalties for violations.

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

TSC Group monitors the regulatory environment and obtains information about expected and implemented regulatory adjustments going forward.

**Insufficient innovative power among online shops and changes in sales platforms (industry risk)**
Innovative adaptations to the various shops of the individual Group companies are required on a regular basis to meet the growing and changing demands for D2C products and services and to harness market opportunities. Neglect of the necessary adjustments or inadequate implementation of such measures can lead to customer churn and, as a result, to significant losses of revenue. In addition, changes to distribution platforms such as Amazon can have a negative impact on revenue and profitability through algorithm and commission adjustments.

The sales departments continuously monitor the sales trend, the functionality of the online shops and the connection to the marketplaces. Algorithm changes or non-functioning online shops 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 mitigate the risks.

**Lack of suitable managers and employees (industry risk)**
Profitable growth of a corporate group requires suitable managers and qualified employees. An entrepreneurial mindset, creativity and personal development with managerial capabilities are necessary to reach and/or exceed the goals. TSC Group is a group with many young and talented founders. There is a risk that the founders and employees may be reluctant to work for a longer period in a listed group or may not develop their skills.

TSC Group creates an entrepreneurial environment that cultivates talent management and continuously monitors managers and employees. To this end, remote workplaces and open structures enable the global recruitment of talented employees to prevent shortages of qualified employees at specific locations.

**New regulatory requirements for data protection (regulatory risk)**
Internet privacy regulations could affect our strategy for collecting and using personal data in our marketing undertakings 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 and with relevant rules in other countries where we do business. Local authorities may interpret relevant data protection laws restrictively, and there is no guarantee that we will be able to comply with such inhibitive approaches. Any failure on our part to comply with the applicable regulations may attract penalties and other sanctions. For example, the GDPR imposes fines of up to EUR 20 million (in the European Union (GPB 17.5 million in the UK)) on data protection breaches, or 4% of the global annual turnover of the infringing party, whichever is higher in the circumstances. Even if we as TSC do not use the data collected in the verticals of our social 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 social commerce business. In addition, there is still a degree of legal uncertainty in the European Union regarding cookie banner settings on our websites, which may lead to non-compliant use of cookies and hence attract significant fines. We may incur significant costs to ensure compliance with data protection regulations, which vary in the different geographic territories in which we operate.

The central Legal Department at TSC Group monitors all relevant legal changes and informs the operating units at an early stage about changes in legal provisions as well as in data protection. This mitigates the risks from potential fines or cost risks from implementation measures.

**Threat to cyber security (internal risk)**
Cyber security risks due to internal or external attacks, as well as internal control vulnerabilities, may affect key aspects of our customer-facing applications, warehouse IT systems, payment systems and internal IT systems. Prominent cyber security risks include outages due to distributed denial of service (DDoS) / ran-

somware attacks, data loss due to security breaches, incorrect process flows due to integrity breaches or a combination of these factors.

As an expanding and known company, TSC Group is a potential target due to its size, valuable data and its dependence on IT systems. The Group increases its efforts to ensure security and compliance by investing in new technologies and specialised internal resources to mitigate the threats to cyber security.

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

**Market dominance of social media platforms and changes in algorithms (industry risk)**
Prominent social media platforms are constantly changing their business models and modifying their algorithms. Understanding the consequences of these changes and reacting promptly is essential to the Group's business model. It cannot be ruled out that we may lose reach on our own social media channels, that channels are blocked or that followers lose interest in the content. In addition, it cannot be excluded that the changes will have a negative impact on the Group's activities as a social media agency.

Moreover, large providers are increasingly crowding out smaller ones and using acquisitions to bolster their market power. American and Chinese providers dominate the market at global level. It cannot be ruled out that political influence or increasing market dominance may lead to adverse consequences.

TSC Group is part of the market and a key player thanks to its large number of highly qualified and experienced social media employees, influencers, and founders. The Group is of relevance to the platforms due to its proprietary content production and social media channels. The potential risks outlined above are permanently monitored and mitigated as a result. These measures also present significant market opportunities, especially through the acquisition of DS Group.

**Emergence of new financially potent competitors (market risk)**
Social media create a new and internationally expanding media industry dominated by large global players. New financially potent competitors can penetrate the market and use considerable capital investments to change its structures. This may include:

- Established media companies aligning their business model more with social media
- E-commerce companies using high capital investments to align their business model with social media
- Financial investors with large funds

TSC Group observes the changes in the market and, in addition to potential for growing competition, also perceives opportunities in its current portfolio.

**Sharp declines in demand (market risk)**
Like other companies, TSC Group is generally dependent on consumer behaviour in the German, UK, and US markets. In addition, media consumption and social media usage are important for the Group's development.

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

TSC Group's activities are broadly based, leaving it independent of a single undertaking or activity. Several revenue streams and product ranges avoid high dependencies and have proven to be robust even in the event of a crisis. Nevertheless, the increased risk of a decline in private consumption and thus a decline in demand is given greater weight in 2022, and the level of uncertainty in the planning has increased compared to 2021 from management's perspective.

**Impairment of goodwill and other intangible assets (balance sheet risk)**
TSC Group was, among other things, established by the acquisition of companies and a great number of contributions of company shares against issuance of new shares or stocks. Moreover, companies were acquired in return for cash payments, in which the purchase prices were higher than the recognised equity. For every transaction, valuation reports were prepared, and asset values were determined using the DCF method.

The positive difference was allocated to tangible and intangible assets based on the PPA method (purchase price allocation) and any remaining difference was recognised as goodwill in the consolidated balance sheet. The recoverability of balance sheet assets and of goodwill depends on adherence to the underlying multi-year corporate budget plan. It cannot be excluded that individual companies or assets do not attain the target values as expected and that goodwill or the intangible assets recognised in the balance sheet will incur an impairment loss as a result.

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

**Price, default and liquidity risks as well as risks from cash flow fluctuations (financial risks)**
TSC Group is subject to general price and default risks but does not consider these factors to be very significant. In particular, the social commerce business is not exposed to any default risk as payments are made via credit card or payment service providers such as PayPal. The default risk in the social media segment is countered by verifying and assessing the creditworthiness of the future business partner before entering into joint projects as well as by regularly agreeing part payments. The price risk in the social commerce business is viewed as low due to the product homogeneity.

Currency risks are also assessed as low because all Group companies operate almost exclusively on their respective regional markets, both for purchasing and selling, which means that there are no significant currency risks in this regard either due to the like-for-like transactions. However, the increasing importance of international business and the growing profitability of companies, especially in the USA, will result in a greater currency risk. The rise in purchasing volumes in Asia will generally heighten price and currency risks as well. The Company monitors all transactions and partially hedges risks through letters of credit and currency hedges.

**Specific risks from Brexit (regulatory and financial risk)**
The UK's withdrawal from the European Union is leading to increased uncertainty regarding business activities in the UK. The Group has been active in London and Manchester for several years via its subsidiaries. It cannot be ruled out that Brexit will have negative impacts on the business model of TSC Group, in particular regarding taxes, exchange rates, cooperation with international customers and the import and export of goods. The effects observed so far are minor and have no impact on the business model and activities in the UK. The Management does not expect any relevant negative impact in the near future either.

**Risks from the increasing importance of US business (financial and internal risk)**
The Group has increased its activities in the USA since the 2020 financial year. The acquisitions in the USA are intended to strengthen the Group's market position and provide access to the world's second largest social media market. Business activities in the USA involve increased legal, regulatory, financial, and organisational risks.

In addition, the geographical distance to the company's headquarters in Berlin may exacerbate integration and control of these companies due to the COVID 19 restrictions. It is conceivable that integration of the companies and activities cannot be implemented as intended, on time or in the anticipated scope. Changes in legal and consumer protection regulations may also have a negative impact on the business model in the USA.

In addition, it cannot be ruled out that Group-wide processes and standards will not be implemented at all, in full or one time, and that monitoring will be associated with increased time and resource expenditure.

**Macroeconomic uncertainties due to COVID 19 (market risk)**
COVID 19 has had a significant impact on the global economy since 2020 and has led to the following and other effects that are material to TSC Group as well:

- Increased trend towards digitalisation and online sales
- Suspension of all major events
- Supply bottlenecks, especially from Asia
- Increasing cost of logistics services
- Increased trend towards working from home

TSC Group's business, financial performance and result of operations depend on global macroeconomic conditions, the occurrence of disasters and unexpected events and their impact on consumer spending, among other things. Events affecting either multiple markets in which the Group operates or individual countries in which a significant portion of revenues or profits are generated may impact the industry in which The Social Chain operates in those regions and disrupt the Group's or its suppliers' operations. The current global COVID 19 pandemic is having a particularly strong impact, causing uncertainty throughout the global market and trade environment, and disrupting trade chains. Such developments may have a material adverse effect on the TSC Group's business, financial performance, and result of operations. COVID 19 has also massively affected the event business with the Shine Conventions.

At the same time, TSC Group has weathered the pandemic well due to its large number of different activities, quick cost adjustments and digital business model with a high share of online sales. Risks are permanently monitored and opportunities arising from developments exploited. The trends described above offer considerable opportunity, especially through the acquisition of DS Group.

**Risks from non-compliance with ESG/CSR standards (regulatory risk)**

TSC Group has made compliance with all ESG and CSR standards a top priority. Today, investors in the capital market and the Group expect consistent procedural and organisational assurance of compliance with these standards.

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

It cannot be ruled out that new or existing requirements will not be immediately recognised or adequately assessed. This may result in a failure to meet to an adequate extent the individual ESG and CSR standards and the expectations of stakeholders or the public. Non-compliance with ESG/CSR may be caused by rapid expansion into new markets and potentially insufficient awareness of the socio-economic environment. Non-compliance with the standards may also impact financing opportunities and costs.

Compliance with certain ESG and CSR standards may, however, attract additional costs as well. Future changes in regulatory and legal requirements related to climate change might affect the Group's growth and financial results.

In addition, inappropriate selection of suppliers, especially regarding CSR regulations, can have a negative effect on the group. The group has introduced suitable organisational policies (Code of Conduct) for the selection of suppliers as well as a Code of Ethics.

**Logistics risks (financial risk and industry risk)**

TSC Group offers various product categories via its distribution channels. The products are produced and sourced nationally and internationally. For the Social Chain Group to achieve the projected revenue, the goods must be delivered to the warehouses in Germany in the agreed time, quantity, and quality. Since 2020, there have been logistical bottlenecks and rising transport costs, especially in container shipping from Asia. Risks from the disruption of supply chains or cost increases for transportation may also arise in the future. In addition, these risks will increase and persist in light of the hostilities in Ukraine.

Social Chain has overcome the challenges and enabled sales growth since 2020 through a broad portfolio of suppliers, sufficient stocking of goods and close cooperation with each of its logistics partners. The acquisition of DS Group in the 2021 financial year will present significant opportunities for cost optimisation and risk mitigation in logistics, most notably due to the bundling of logistics sites and more efficient use of space.

**Risks from product defects (financial risk and industry risk)**

The success of the social commerce business depends on the quality, price and adherence to promised product features of the products sold. Compliance with ESG standards is also an important success factor today.

Defective products may be sold in individual cases as most products are sourced abroad, including from suppliers in emerging markets. This can lead to customer dissatisfaction and returns or recalls in trade. Group subsidiaries haven experienced sporadic cases in the past. It cannot be ruled out that defective products will be sold, resulting in reputational damage, delisting from distribution partners, liability claims or even fines.

TSC Group has implemented suitable organisational measures to mitigate the risks described above. This includes, among other things, mandatory compliance with code of conducts by suppliers, quality controls at production sites and quality audits with our distribution partners.

**Risks from criticism in social media cause damage to the brand and image (industry risk)**

Social Chain operates a large number of its own social media channels, markets products via social media and through influencers, and produces social media content. Social commerce is a growth driver for the Group. Harnessing the marketing potential of various products via social media is among the Group's core competencies.

Social media platforms enable customers and users to participate with others in content creation, ratings, and opinion-forming. In individual cases, a customer may spread negative reviews about the Group's products or services via social media and in doing so provoke a "shit storm". There may be a significant negative impact on reputation and revenue if the Group or a subsidiary does not respond appropriately or at all.

Social Chain has a large number of experienced social media staff who monitor its social media channels as well as brand and product activities in the social media domain. Social media tools and permanent monitoring help to mitigate potential risks.

**Risks from investment and divestment decisions (financial risk)**
TSC Group pursues a consistent buy-and-build strategy to exploit market opportunities and to grow profitably – either organically or through acquisitions – in the relevant national and international markets.

The acquisition of companies may also create significant risks that have a considerable adverse impact on the Group's financial position and result of operations. Among others,

- the expected revenue and earnings targets may not be attained
- problems occur during integration
- legal, tax or regulatory risks arise
- technological developments lessen the importance of the acquisition
- market assumptions and the competitive situation may turn out differently.

Risks such as those outlined above cannot be completely ruled out due to the large number of acquisitions.

In addition, a significant portion of the purchase price for acquired companies may be attributable to goodwill and other intangible assets. This could result in a considerable balance sheet risk if the individual risks described above actually occur and valuations have to be downgraded.

In addition, TSC Group may not be able to identify acquisition or investment opportunities that meet its strategic objectives, or such opportunities may be identified but the Group is unable to negotiate acceptable terms. This may adversely affect the Group's growth targets. Put and call options for minority interests and their valuation risk are an example in this context.

In addition to the risks from acquisitions, there are also risks associated with the disposal of Group companies. Company disposals usually include a comprehensive list of guarantees from which downstream risks may arise. Furthermore, it cannot be ruled out that companies will be disposed of below book value or acquisition cost.

Social Chain engages professional support from renowned advisors for all transactions (legal, tax, commercial due diligence) and mitigates potential risks by using the central Legal Department as well as the financial division.

**Assessment of identified risks**
The assessment of identified risks is based on a systematic evaluation methodology. Risks are analysed and evaluated in relation to two dimensions:

- Possible 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 risk assessment is the combination of probability of occurrence and possible impact.

We distinguish between gross and net risk in our risk assessments. Gross risk describes the inherent risk prior to implementation of risk-mitigation measures. By contrast, net risk refers to the residual risk after accounting for the risk-mitigation measures implemented in the Group. This distinction enables a better understanding of how the risk-mitigation measures take effect.

In the following risk matrix, the identified gross and net risks are assigned to different risk classes according to their expected probability of occurrence and their potential impact, and are clearly presented.

| Damage \ Probability | **Unlikely:** Max. 1 entry / 5 years | **Possible:** Min. 1 entry / year | **Likely:** Min. 1 entry / month | Amount of risks |
|---|---|---|---|---|
| **High:** > EUR 1,5 million | gross risks: 0<br>net risks: 5 | gross risksn: 6<br>net risks: 2 | gross risks: 10<br>net risks: 1 | gross risks: 16<br>net risks: 8 |
| **Medium:** kEUR 250 – EUR 1,5 million | gross risks: 0<br>net risks: 7 | gross risks: 1<br>net risks: 1 | gross risks: 1<br>net risks: 0 | gross risks: 2<br>net risks: 8 |
| **Low:** < kEUR 250 | gross risks: 0<br>net risks: 0 | gross risks: 0<br>net risks: 2 | gross risks: 0<br>net risks: 0 | gross risks: 0<br>net risks: 2 |
| Amount of risks | gross risks: 0<br>net risks: 12 | gross risks: 7<br>net risks: 5 | gross risks: 11<br>net risks: 1 | Total: 18 |

The risk matrix enables risk comparisons and contributes to improving transparency regarding our Group's overall risk.

Since risks change constantly, the development of already identified risks and the possible emergence of previously irrelevant risks are monitored, while the adequacy and effectiveness of the measures selected to manage risks are reviewed regularly.

We do not see any substantial risk to the company as a going concern, taking into account the potential financial impact, the probability that the risks outlined in this report occur and the current business forecasts. On the contrary, we firmly believe that the opportunities – which we rate higher than the risks mentioned – create a solid foundation for continued growth and increased profitability.

**Summary**

According to Management, none of the risks described above are to be expected, and there have been no signs of relevant, negative effects so far. In view of recent developments in 2022 (Ukraine war, increased inflation risk, ongoing COVID 19 related supply chain issues), management will regularly monitor the development of private consumption of its customer groups as well as the general demand to be able to react to this in time. Cooperation, integration, and promotion of the activities is eveloving as expected and the revenue and EBITDA forecasts for 2022 are positive. The Management uses Group-wide standards to monitor the activities and incorporates the controlled enterprises in its risk management system. In addition, special opportunities and risks arise from the acquisition and integration of DS Group.

# 4 Internal control and risk management system in relation to the financial reporting process

The accounting-related internal control system (ICS) is an integral part of the comprehensive enterprise-wide control and risk management system. Its objective as part of TSC Group's general ICS is to ensure the reliability and transparency of financial reporting. TSC Group has implemented appropriate structures, processes, and controls to this end. They are designed to ensure that the results of the financial reporting process are free of errors and presented at the due date.

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

TSC Group's ICS is predominantly based on process-integrated, organisational preservation measures, such as the segregation of duties with corresponding access restrictions in IT or payment policies. Process-integrated controls reduce the probability of errors occurring and/or support the detection of errors that have occurred.

The accounting-related ICS is designed by the Management 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, which are then included in the consolidated financial statements. Both processes are monitored by a stringent internal control system, which ensures both the compliance of financial reporting and adherence to the relevant legal provisions. The cross-divisional key functions are managed centrally, while the Group companies prepare their financial statements on a decentralised basis and in accordance with local legal requirements.

The main regulations and instruments used in the preparation of the consolidated financial statements are:

- Clearly defined segregation of duties and assignment of responsibilities between the functions involved in the financial reporting 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 as well as the performance of impairment tests on goodwill.

- use of appropriate IT financial systems and application of detailed authorisation concepts to ensure task-appropriate powers while observing principles of segregation of duties;
- system-side controls and other in-process accounting controls in the consolidated companies within the scope of the consolidated financial statements as well as other relevant processes at Group and company level;

- Inclusion of risks recorded and assessed in the risk management system in the annual financial statements to the extent required by existing accounting rules.

An internal audit department has not yet been established and will be part of the internal development of the ICS. It will be tasked with independent reviews of the functionality and efficiency of the accounting-related internal control and risk management system.

# 5 Outlook

The development of TSC Group depends in almost all its activities on the overall economic trends and the resulting purchasing power of consumers. Although TSC Group was able to react promptly to the COVID 19 changes and expects to identify changes early and respond adequately also in the future, the predictability of future developments as compared to a situation without global crises is highly limited due to the hardly foreseeable impact of the global Covid-19 pandemic, which also differs from region to region, and the geopolitical development due to the hostilities in Ukraine. However, there are several indicators that would allow a limited forecast.

## 5.1 Macroeconomic and industry-related framework conditions

The prospects concerning macroeconomic trends in the 2022 financial year and beyond remain characterised by increased uncertainty.

The International Monetary Fund last revised its forecast for the development of the global GDP downwards in April 2022. Accordingly, the IMF anticipates only a moderate recovery of the global economy in 2022, with growth reaching 3.6%. This is primarily due to the persistent problems in the supply chain, as well as rising inflation, and effects of the Ukraine war as well as the Russia sanctions. The IMF has issued the following forecast for TSC Group's current core markets in 2022: Germany (2.1%), United Kingdom (3.7%), USA (3.7%). For 2023, the current forecast of the IMF with a global GDP growth forecast of 3.6% is subdued compared to 2022.[15]

While the IMF forecast takes into account the duration of the COVID 19 pandemic and global supply chain problems, it must be assumed that the invasion of Ukraine by Russian troops will further dampen economic growth, especially for Germany and the European region.

While the IMF forecast takes into account the duration of the COVID 19 pandemic and global supply chain problems, it must be assumed that the invasion of Ukraine by Russian troops will further harm economic growth, especially for Germany and the European region.

In March 2022, the German Institute for the World Economy (IfW) lowered its economic forecast for the current year in view of the consequences of the Ukraine war to 2.1 %. The German Institute for Economic Research (DIW) had assumed 4.0% growth in gross domestic product (GDP) as recently as December. The inflation rate in Germany determined by the Federal Statistical Office increased to 7.3% in March 2022, the highest level for more than 40 years.[16]

The IFW also expects global growth to weaken to 3.5% due to high raw commodity prices, supply bottlenecks and uncertain sales markets.[17]

By contrast, a number of studies have indicated that expansion of the e-commerce sector is continuing unabated, and that the rapid growth will persist in the years ahead, especially in the area of social commerce. It must be noted in this regard, however that some studies do not address the Ukraine war in particular, the rise in inflation and the associated curtailment of purchasing power. We anticipate nonetheless that the above-average development of e-commerce and social commerce compared to the retail sector will continue both at global level and in the markets that are particularly relevant to The Social Chain AG.

The Bundesverband E-Commerce und Versandhandel Deutschland e.V. (BEVH) expects that the sales of products will grow by another 12.0% to EUR 110 billion in 2022. The Accenture study "Why Shopping's Set for a Social Revolution" of January 2022 predicts that the social commerce sector will grow three times as fast as traditional e-commerce until 2025. If so, global social commerce revenues will rise by USD 0.5 trillion to USD 1.2 trillion in 2025. This is equivalent to an annual growth rate of 24%.[18]

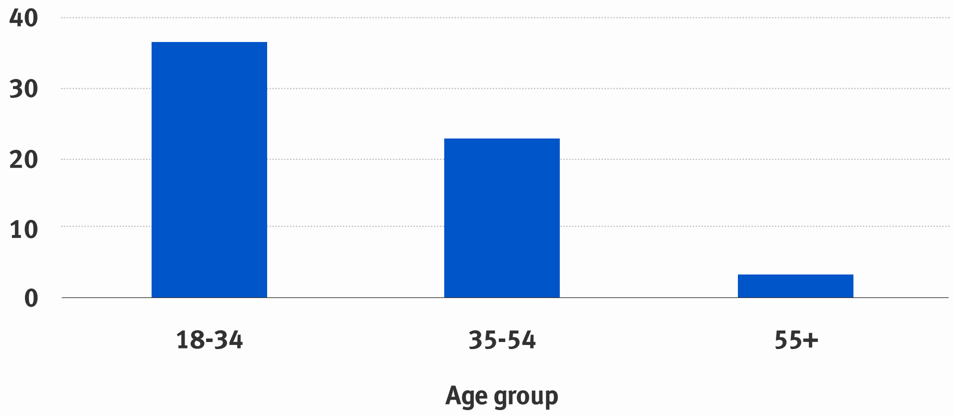
The community of e-commerce users in Germany is also growing with the rising popularity of e-commerce and social commerce in particular. A forecast predicts that there will be around 68 million users in Germany by 2024.

[15] https://blogs.imf.org/2022/04/19/war-dims-global-economic-outlook-as-inflation-accelerates/
[16] https://de.statista.com/statistik/daten/studie/1045/umfrage/inflationsrate-in-deutschland-veraenderung-des-verbraucherpreisindexes-zum-vorjahresmonat/
[17] https://www.handelsblatt.com/politik/konjunktur/nachrichten/konjunktur-heftiger-gegenwind-institut-fuer-weltwirtschaft-halbiert-wachstumsprognose/28171910.html
[18] https://www.accenture.com/il-en/insights/software-platforms/why-shopping-set-social-revolution

It is noticeable here that the group of those buying online is becoming progressively younger. About 43% belong to the group aged 20 to 39. By contrast, over 70s account for just 3% of online buyers.[19]

Not only is the younger generation financially independent, it has also experienced the digital transformation at first-hand, which makes them more willing to shop using social media. Consumers therefore feel closer to their favourite brands than ever before. At the heart of this trend are influencers, whose posts and live streams have added a new component to social shopping: entertainment. By building a loyal audience, celebrities on social media have created important incentives to buy. So much so that, according to a survey, most users around the world are likely to buy from influencers they follow.[20]

**Spending Behaviour of Gen Y&Z (%)**




The generation aged 18-34 in particular catches the eye once again, with 37% of them confessing that their online purchases are guided by influencers more than by traditional advertising (2020).

The online shopping experience will shift increasingly in the direction of social commerce. The future lies in the establishment of online communities and live shopping, in which influencers are the trailblazers and sources of inspiration.

In future, e-commerce and social commerce will be the principal drivers of advertising and marketing. Advertising on digital channels will account for over 60% of advertising spend for the first time in 2022. According to Zenith Media, the global advertising market will continue to recover from the 2020 downturn, with growth reaching 9.1% in 2022. A global advertising spend of USD 873 billion is anticipated in total.[21]

Spending in Germany on digital marketing is expected to reach EUR 12.8 billion in 2022, equivalent to a year-on-year rise of almost 20%.[22]

## 5.2 Expected economic development of TSC Group

Despite the good overall economic growth expectations for the e-commerce sector, the continuing supply chain problems, rising inflation, record debt as well as the omicron wave lead to an unchanged low visibility of the future impact on the business development of the TSC Group.

The forecast based on the relevant financial performance indicators therefore comes with uncertainties for the group, as a precise assessment of the duration

[19] https://de.statista.com/themen/247/e-commerce/#dossierKeyfigures
[20] https://www.statista.com/topics/8757/social-commerce/#dossierKeyfigures
[21] https://www.zenithmedia.com/digital-advertising-to-exceed-60-of-global-adspend-in-2022/
[22] https://wearesocial.com/de/blog/2022/02/digital-2022-report-726-millionen-deutsche-nutzen-social-media/

and effects of the above-mentioned factors is currently impossible. In particular, the business development in the area of social events and trade fairs is still difficult to estimate due to the impairment of public life by the Corona pandemic in the 2022 financial year but is expected to be significantly better than in 2021.

Based on the business performance thus far and the successful integration of companies and brands acquired until now and those that were sold in Q1 2022, and pending possible M&A activities, management expects to grow revenues approximately to EUR 535 million in 2022 with a significantly positive EBITDA in the mid double-digit million range, which includes the results from the deconsolidation of the shares in KoRo, which have already been sold in 2022.

After a challenging 2021 shaped by one-time effects, we anticipate – based on the business performance to date – strong organic growth of around 30%, especially in the area of core brands and the brand chain. However, growth will therefore be lower than last year. We expect a clear recovery in the area of social media with organic growth of around 35%.

In addition to the existing business and the sales expectation of EUR 535 million in 2022, we are exploring opportunities through further targeted acquisitions to further develop the business model nationally and internationally. Such M&A transactions should become more concrete, especially in the second half of the year. The expectation is that companies with annual revenues of EUR 50 million and a slightly positive EBITDA can be acquired, which would then increase the sales expectation for 2022 accordingly, or - in the case of sales - can reduce it accordingly.

Progressive integration of DS Group will also contribute to the positive development. We are therefore in a position to increasingly harness synergy effects impacting costs. But the full implications of these effects will not become apparent until the financial years ahead. This will require the investment of effort and resources in the coming 3 years, especially in the area of technology. We estimate the synergy gains at EBITDA level will amount to approx. EUR 40-50 million in 2022-2024.

The significant expenses from the post-merger integration, development of the LINKS platform as well as an increased working capital requirement for the build-up of inventories in the growing social commerce business will place a particular burden on operating cash flow in the 2022 financial year. The corresponding liquidity and financing requirements for completed and planned acquisitions have been and will be covered by means of bank loans and from the net inflows obtained from company disposals already achieved in Q1 2022 and the selective sale of additional companies during 2022. Based on current planning, the Group therefore has sufficient liquidity at its disposal.

## 5.3 Overall statement on the outlook reporting

The TSC Group is well-positioned in the COVID 19 crisis and beyond. In a short time, an international and integrated social media company emerged that is able to accelerate its high organic growth via targeted acquisitions. Our business model with diverse revenue streams resulting from the combination of social media and social commerce has proven robust, even in economic crises.

Russia launched a military assault on Ukraine on 24 February 2022. The war continues at the time of writing, and it is not possible to predict how the conflict will develop.

This situation leads to uncertainties and risks concerning the development of the global economy and the sectors in which our Group is active. The war between Russia and Ukraine has a negative impact on our business activities in several respects – whether in the form of elevated risk exposure or regarding risks that in some cases have already materialised.

The following risks warrant particular mention:

- Increasing disruption of global supply and logistics chains. For instance, TSC Group has sourced some wood products from Ukraine until now. These deliveries cannot be maintained at present and will be compensated using alternative supply sources.

- Continued rise in energy, material and freight and transport costs. It will not be possible to absorb these additional costs – or only to a small extent – by increasing sales prices.

- A downturn or even collapse in consumer demand (partly in response to the sharp rise in the cost of living).

- Rise in the number of cyber-attacks.

We continuously monitor and analyse the developments and infer specific concrete countermeasures we may take to minimise any negative impacts. There are no noteworthy impacts on the revenue side at present, as sales in Ukraine and Russia have been insignificant thus far.

This war has already unleashed significantly more negative effects on the global economy than other military conflicts in the recent past. Nevertheless, the possible course, duration, and outcome of the conflict, as well as the associated impacts on the overall political and economic situation (around the world), remain very murky at present. The potential escalations inherent to this war must also be classified as highly alarming.

These very high levels of uncertainty have prevented us thus far from making any quantitative adjustments in our consolidated Management Report with regard to the assessment of individual risks. Similarly, no adjustments to expectations and valuations have been included in the overall statement on the expected development of the Group in the 2022 financial year – apart from the reference to the uncertainty arising from the war.

We are monitoring the situation very closely and will account for the burdens resulting from this conflict in the regular forecasts on consolidated earnings.

# 6 Explanatory report of the Management Board pursuant to Section 176 (1) sentence 1 AktG on the disclosures under takeover law pursuant to Sections 289a (1) and 315a (1) HGB

**Composition of issued capital**
The issued capital of TSC AG amounts to EUR 15,527,775.00. It is 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, in particular preference shares or shares with ancillary obligations.

With the approval of the Annual General Meeting, the Company issued convertible bonds (WKN A3E5FE / ISIN DE000A3E5FE7) which amounted to EUR 25,000,000.00 in the 2021 financial year, and which can be converted by the beneficiaries into ordinary shares in the Company at a current conversion price of EUR 32.50 at any time up to their final maturity date. As at the balance sheet date 31 December 2021, convertible bonds amounting to 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 in the Articles of Association regarding voting rights or the transfer of shares.

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

| Name / Company |
|---|
| Dr. Georg Kofler, Berlin, Germany |
| Frau Daniela Hagemann and Dr. Hanno Hagemann, jeweils Timmendorfer Strand, Germany |

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

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

**Voting rights control for participation by employees**
There is no capital participation model for employees enabling them to directly exercise their control rights.

**Legal provisions and regulations set out in the Articles of Association on the appointment and dismissal of members of the Management Board and regarding amendment of the Articles of Association**
The appointment and dismissal of the Management Board is governed by Sections 84, 85 AktG.

Amendments to the Articles of Association of TSC AG are governed by the legal provisions set forth in Sections 119 (1) no. 5, 133 as well as 179 (1) and (2) AktG. In derogation from the aforementioned legal provisions, the Supervisory Board is authorised to pass resolutions on amendments to the Articles of Association that only relate to their wording, in accordance with Section 9 (3) of the Articles of Association of TSC AG.

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

**Authorisation of the Management Board to issue shares**
By resolution of the Annual General Meeting of 29 August 2017, the share capital of the Company is conditionally increased by up to EUR 200,000.00 through issuance of up to 200,000 no-par value ordinary registered shares. (Conditional Capital 2017/I). As per the resolution of the Annual General Meeting of 19 August 2019, the Conditional Capital declared on 29 August 2017 was reduced to EUR 76,000.00. The Conditional Capital 2017/I may only be used to fulfil subscription rights that are or were granted based on the authorisation of the Annual General Meeting of 29 August

2017 under agenda item 9, amended by the resolution of the Annual General Meeting of 28 August 2018 under agenda item 7. The Conditional Capital increase will only be implemented to the extent that the holders of the subscription rights issued under the Lumaland Stock Option Plan 2017 exercise their right to subscribe for shares in the Company and the Company does not deliver treasury shares or grant a cash settlement to fulfil the subscription rights.

By resolution of the Annual General Meeting of 19 August 2019, the Management Board is authorised, with the consent of the Supervisory Board, to grant up to 242,000 subscription rights until 18 August 2024, which in total entitle the holders to subscribe to up to 242,000 no-par value registered shares with a notional interest in the share capital of EUR 1.00 each (Conditional Capital 2019/II). The Conditional Capital 2019/II may only be used to fulfil subscription rights granted based on the authorisation of the Annual General Meeting of 19 August 2019 in accordance with the resolution under agenda item 11. The conditional capital increase will only be implemented to the extent that the holders of the subscription rights issued under the Lumaland Share 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 satisfy the subscription rights.

By resolution of the Annual General Meeting of 11 May 2020, the Executive Board was authorised, with the consent of the Supervisory Board, to increase the share capital on one or more occasions until 10 May 2025 by a total of up to EUR 5,094,859.00 against contributions in cash and/or contributions in kind. After partial utilisation and partial cancellation by resolution of the Annual General Meeting of 11 December 2020, the authorised capital still amounts to up to EUR 608,058.00 (Authorised Capital 2020/I).

By resolution of the Annual General Meeting of 11 May 2020, the share capital is conditionally increased by up to EUR 4,075,887.00 through the issuance of up to 4,075,887 no-par value registered shares (Conditional Capital 2020/I). The Conditional Capital increase may only be used to grant new shares to holders of conversion or option rights granted by the Company or by companies in which the Company directly or indirectly holds a majority interest based on the authorisation of the Annual General Meeting of 11 May 2020 in accordance with the resolution under agenda item 2.

By resolution of the Annual General Meeting of 11 May 2020, the share capital is conditionally increased by up to EUR 700,971.00 by issuing up to 700,971 no-par value registered shares (Conditional Capital 2020/II). The conditional capital increase may only be used to fulfil subscription rights granted based on the authorisation of the Annual General Meeting of 11 May 2020 in accordance with the resolution under agenda item 3. The Conditional Capital increase will only be implemented to the extent that the holders of the 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 fulfil the subscription rights.

By resolution of the Annual General Meeting of 30 July 2021, the Management Board was authorised, with the consent of the Supervisory Board, to increase the share capital on one or more occasions until 14 July 2026 by a total of up to EUR 5,111,421.00 against cash and/or contributions in kind (Authorised Capital 2021/I). The Authorised Capital 2021/I still exists in the amount of EUR 1,111,097.00 as of 31 December 2021 after partial utilisation.

The share capital is conditionally increased by up to a total of EUR 125,877.00 by resolution of the Annual General Meeting of 30 July 2021 (Conditional Capital 2021/I). The Conditional Capital increase may only be used to fulfil subscription rights granted based on the authorisation of the Annual General Meeting of 30 July 2021 in accordance with the resolution under agenda item 7. The Conditional Capital increase will only be implemented to the extent that the holders of the 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 fulfil the subscription rights.

By resolution of the Annual General Meeting of 11 December 2020, the Management Board is further authorised to acquire treasury shares of TSC AG with the consent of the Supervisory Board. The authorisation is limited to treasury shares with a notional interest in the share capital of up to 10%. The authorisation may be exercised in whole or in part, once or several times. The authorisation is valid until 10 December 2025.

**Significant agreements of the Company that are conditional upon a change of control following a takeover bid**
There are no material agreements of the Company that are conditional upon a change of control following a takeover bid.

**Compensation agreements of the Company entered into with the members of the Management Board or employees in the event of a takeover bid**
There are no compensation agreements of the Company made with the members of the Management Board or employees in the event of a takeover bid.

## 7 Compensation Report

The Compensation Report pursuant to Section 162 AktG is made publicly available on the TSC AG website at https://socialchain.com/investor-relations/corporate-governance. The Compensation Report does not form part of the independent auditor's audit of the financial statements.

## 8 Non-financial statement (Sustainability Report)

Regarding the non-financial information, please refer to the explanations in the separate combined Sustainability Report of TSC AG and its subsidiaries, including the non-financial statement (Section 289b, Section 315b HGB), as part of the Annual Report in the Sustainability Report. The non-financial statement does not form part of the independent auditor's audit of the financial statements.

## 9 Corporate governance statement

The corporate governance statement pursuant to Section 289f HGB/ Section 315d HGB, including the declaration of compliance pursuant to Section161 AktG, is made publicly available on the TSC AG website at https://socialchain.com/investor-relations/corporate-governance. The corporate governance statement does not form part of the independent auditor's audit of the financial statements.

Wanja S. Oberhof

Ralf Dümmel

Christian Senitz

Berlin, 27. April 2022

# Consolidated financial statements

# Statement by the Executive Board and assurance pursuant to Sections 297(2) and 315(1) of the German Commercial Code (HGB)

The management board of The Social Chain AG is responsible for preparing the Consolidated Financial Statements and Management's Report of the 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 net assets, financial position and results of operations of the Social Chain group, and the Management's Report of the The Social Chain AG includes a fair review of the development and performance of the business as well as position of the Social Chain, together with a description of the principal opportunities and risks associated with the expected development of the Social Chain.

Berlin, 27 April 2022

Christian Senitz

Wanja S. Oberhof

Ralf Dümmel

# Consolidated Income Statement
## for the period from 1 January to 31 December 2021

| in EUR thousand | Note | 01.01. – 31.12.2021 | 01.01. – 31.12.2020[1] |
|---|---|---|---|
| Revenues | 3.1 | 312,672 | 130,094 |
| Change in inventory | | 673 | -31 |
| Capitalized internally generated assets | | 555 | 0 |
| Other operating income | 3.2 | 4,488 | 7,777 |
| Material expenses | 3.3 | -203,167 | -67,702 |
| Personnel expenses | 3.4 | -48,262 | -31,590 |
| Net loss allowance from trade receivables and contract assets | 4.10 | -629 | -435 |
| Other operating expenses | 3.5 | -89,308 | -45,503 |
| **Earnings before interest, tax, depreciation and amortization (EBITDA)** | | **-22,978** | -7,389 |
| Depreciation and amortization and impairments | 4.1 – 4.3 | -53,808 | -15,466 |
| **Earnings before interest and tax (EBIT)** | | **-76,786** | **-22,855** |
| Financial income | 3.6 | 9,093 | 2,022 |
| Financial expenses | 3.6 | -11,131 | -5,057 |
| Share of profit or loss of associates and joint ventures | 3.7 | -1,738 | -39 |
| **Earnings before tax (EBT)** | | **-80,562** | **-25,929** |
| Income taxes | 3.8 | 104 | 797 |
| **Net result from continuing operations** | | **-80,458** | **-25,132** |
| Result from discontinued operations | 3.9 | -1,097 | -603 |
| **Net result** | | **-81,554** | **-25,736** |
| thereof attributable to | | | |
| Shareholders of the parent company | | -80,724 | -26,605 |
| Non-controlling interests | | -831 | 870 |
| Earnings per share from continuing operations (basic/diluted) (in EUR) | 3.10 | -6,83 | -2,50 |
| Earnings per share from discontinued operations (basic/diluted) (in EUR) | 3.10 | -0,08 | -0,04 |
| Earnings per share (basic/diluted) (in EUR) | 3.10 | -6,91 | -2,55 |

[1] The figures differ from those reported in the 2020 Consolidated Financial Statements, as the income and expenses of Social Moms GmbH were retrospectively reclassified to the result from discontinued operations for comparative purposes. See also Note 3.9.

# Consolidated statement of comprehensive income
## for the period from 1 January to 31 December 2021

| in EUR thousand | 01.01. – 31.12.2021 | 01.01. – 31.12.2020 |
|---|---|---|
| Net result | -81,554 | -25,736 |
| Measurement of financial instruments at fair value through profit or loss (FVOCI) | -115 | -187 |
| thereof taxes | 94 | 81 |
| **Other comprehensive income not to be reclassified to profit or loss in subsequent periods** | **-115** | **-187** |
| Foreign currency conversion | 1,755 | -1,288 |
| **Other comprehensive income to be reclassified to profit or loss in subsequent periods** | **1,755** | **-1,288** |
| **Other comprehensive income** | **1,640** | **-1,475** |
| **Total comprehensive income (loss)** | **-79,915** | **-27,211** |
| thereof attribuable to | | |
| Shareholders of the parent company | -79,084 | -28,081 |
| Non-controlling interests | -831 | 870 |

# Consolidated Balance Sheet
## as of 31 December 2021

| in EUR thousand | Note | 31.12.2021 | 31.12.2020[1] |
|---|---|---|---|
| Intangible assets | 4.1 | 60,805 | 21,077 |
| Goodwill | 4.1 | 201,413 | 102,963 |
| Property, plant and equipment | 4.2 | 20,460 | 4,776 |
| Right-of-use assets | 4.3 | 54,269 | 5,361 |
| Associates and joint ventures accounted for using the equity method | 3.7 | 893 | 2,621 |
| Non-current trade receivables and other receivables | | 0 | 130 |
| Other non-current financial assets | 4.4 | 26,447 | 14,055 |
| Non-current income tax receivables | 4.5 | 0 | 104 |
| Other non-current non-financial assets | 4.6 | 0 | 12 |
| Deferred tax assets | 4.7 | 4,602 | 2,820 |
| **Non-current assets** | | **368,891** | **153,919** |
| Inventories | 4.8 | 107,832 | 22,549 |
| Current contract assets | 4.9 | 2,059 | 1,344 |
| Trade receivables and other receivables | 4.10 | 74,567 | 10,115 |
| Other current financial assets | 4.4 | 6,453 | 1,314 |
| Current income tax receivables | 4.5 | 77 | 76 |
| Other current non-financial assets | 4.6 | 34,115 | 6,616 |
| Cash and cash equivalents | 4.11 | 16,443 | 9,361 |
| Assets held for sale | 4.12 | 22,809 | 0 |
| **Current assets** | | **264,357** | **51,374** |
| **Total Assets** | | **633,248** | **205,294** |

| in EUR thousand | Note | 31.12.2021 | 31.12.2020[1] |
|---|---|---|---|
| Issued capital | 4.13 | 15,528 | 11,348 |
| Capital reserves | 4.13 | 335,323 | 167,206 |
| Accumulated other comprehensive income (OCI) | 4.13 | 1,486 | -153 |
| Retained Earnings | 4.13 | -4,418 | -9,088 |
| Profit/Loss carry-forward | 4.13 | -153,319 | -72,837 |
| **Equity attributable to the shareholders of the parent company** | | **194,600** | **96,477** |
| Non-controlling interests | 4.13 | 1,946 | 2,204 |
| **Equity** | | **196,546** | **98,680** |
| Non-current financial liabilities | 4.15 | 113,769 | 26,982 |
| Non-current provisions | 4.17 | 166 | 8 |
| Non-current income tax liabilities | | 241 | 218 |
| Other non-current non-financial liabilities | 4.16 | 194 | 316 |
| Deferred tax liabilities | 4.7 | 21,235 | 9,021 |
| **Non-current liabilities** | | **135,604** | **36,545** |
| Trade payables | 4.14 | 68,730 | 17,939 |
| Other current financial liabilities | 4.15 | 197,451 | 38,871 |
| Current provisions | 4.17 | 3,795 | 4,006 |
| Current income tax liabilities | | 2,324 | 58 |
| Current contract liabilities | 4.9 | 4,348 | 1,063 |
| Other current non-financial liabilities | 4.16 | 15,100 | 8,131 |
| Liabilities held for sale | 4.12 | 9,350 | 0 |
| **Current liabilities** | | **301,097** | **70,068** |
| **Total Equity and Liabilities** | | **633,248** | **205,294** |

[1] The figures differ from those reported in the 2020 Consolidated Financial Statements due to the final valuation of the acquisition of Carl Wilhelm Clasen GmbH. See also Note 1.5.2.

# Consolidated statement of changes in equity
## for the period from 1 January to 31 December 2021

| in EUR thousand | Issued capital | Capital reserve | Accumulated OCI: Reserve from foreign currency translation | Accumulated OCI: Reserve from the valuation of financial instruments | Retained Earnings | Loss carry-forward | Equity attributable to the shareholders of the parent | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|---|
| **As of 1 January 2020** | **9,994** | **134,957** | **913** | **409** | **-11,545** | **-46,229** | **88,449** | **1,515** | **89,964** |
| Net result | 0 | 0 | 0 | 0 | 0 | -26,605 | -26,605 | 869 | -25,736 |
| Other comprehensive income | 0 | 0 | -1,289 | -187 | 0 | 0 | -1,476 | 0 | -1,475 |
| **Total comprehensive income** | **0** | **0** | **-1,289** | **-187** | **0** | **-26,605** | **-28,081** | **869** | **-27,211** |
| Capital increases | 1,404 | 26,642 | 0 | 0 | 0 | -2 | 28,046 | -181 | 27,865 |
| Share-based payments | 0 | 5,607 | 0 | 0 | 0 | 0 | 5,607 | 0 | 5,607 |
| Put options written on NCI | 0 | 0 | 0 | 0 | 2,457 | 0 | 2,457 | 0 | 2,457 |
| **As of 31 December 2020** | **11,348** | **167,206** | **-376** | **222** | **-9,088** | **-72,837** | **96,477** | **2,204** | **98,680** |
| Net 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 increases | 4,105 | 162,543 | 0 | 0 | 0 | 242 | 166,890 | 0 | 166,890 |
| Issuance 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 |
| Put options written on NCI | 0 | 0 | 0 | 0 | 6,062 | 0 | 6,062 | 0 | 6,062 |
| **As of 31 December 2021** | **15,528** | **335,323** | **1,379** | **107** | **-4,418** | **-153,319** | **196,410** | **1,946** | **196,546** |

# Consolidated Statement of Cash Flows
## for the period from 1 January to 31 December 2021

| in EUR thousand | 01.01. – 31.12.2021 | 01.01. – 31.12.2020 |
|---|---|---|
| **Net result** | **-81,554** | **-25,736** |
| Income taxes | -104 | -797 |
| **Result before tax** | **-81,658** | **-26,532** |
| | | |
| Financial result | 3,776 | 3,074 |
| Depreciation of property, plant and equipment and right-of-use assets | 4,620 | 3,003 |
| Amortization of intangible assets | 4,209 | 3,257 |
| Impairments | 44,978 | 9,244 |
| Gain (-) / loss (+) from the disposal of property, plant and equipment | -2,565 | -138 |
| Profit (-) / loss (+) from the disposal of subsidiaries | 0 | -5,656 |
| Share-based payment expenses | 790 | 5,609 |
| Other non-cash income (-) and expenses (+) | -72 | 8 |
| | | |
| **Changes in working capital** | | |
| Decrease (+) / Increase (-) in inventories | -20,135 | -7,454 |
| Decrease (+) / Increase (-) in trade receivables and other current receivables | 5,911 | 7,249 |
| Decrease (+) / Increase (-) in contract assets | -715 | 279 |
| Decrease (+) / Increase (-) in other non-financial assets (excluding contract assets) | -20,525 | -2,316 |
| Increase (+) / Decrease (-) in trade payables | 53,406 | -15,565 |
| Increase (+) / decrease (-) in other non-financial liabilities (incl. contract liabilities) | 25,559 | -1,671 |
| Increase (+) / decrease (-) in provisions | 2,844 | 1,371 |
| Change in income tax receivables and liabilities | 2,480 | 608 |
| Other changes in working capital | 17 | 911 |
| **Cash flow from operating activities** | **22,921** | **-24,719** |

# Consolidated Statement of Cash Flows
## for the period from 1 January to 31 December 2021

| in EUR thousand | 01.01. – 31.12.2021 | 01.01. – 31.12.2020 |
|---|---|---|
| Cash proceeds from disposals of property, plant and equipment | 2,565 | 318 |
| Cash proceeds from disposals of intangible assets | 0 | 40 |
| Payments for the acquisition of companies and businesses, less cash and cash equivalents acquired | -103,702 | -5,193 |
| Cash proceeds from disposals of companies and businesses, less cash and cash equivalents | 9 | -478 |
| Payments for investments in property, plant and equipment | -3,281 | -792 |
| Payments for investments in intangible assets | -4,196 | -31 |
| Payments for the purchase of loans | -2,191 | 0 |
| Interest received | 422 | 20 |
| **Cash flow from investing activities** | **-110,374** | **-6,116** |
| | | |
| Cash received from capital increases against cash contribution | 52,032 | 19,673 |
| Cash received from the issuance of convertible bonds | 25,045 | 0 |
| Cash received from loans granted | 50,562 | 30,496 |
| Repayments of loans | -26,037 | -11,613 |
| Repayments of lease liabilities | -2,941 | -2,419 |
| Interest paid (incl. interest portion from lease contracts) | -2,835 | -2,607 |
| Cash paid for restricted cash (loan collateral) | -996 | 0 |
| Dividends paid to holders of non-controlling interests | -50 | 0 |
| **Cash flow from financing activities** | **94,781** | **33,530** |
| | | |
| Net change in cash and cash equivalents | 7,459 | 2,559 |
| Effects of exchange rate changes on cash and cash equivalents | 131 | -136 |
| Cash and cash equivalents at the beginning of the period | 9,361 | 6,801 |
| **Cash and cash equivalents at the end of the period** | **16,820** | **9,361** |

## 1. Basics

### 1.1 General information about the company and the Group

The Social Chain AG (hereinafter also referred to as “TSC AG”, “Company” or “Parent Company”) is a stock corporation based in Germany with its registered office at Gormannstraße 22, 10119 Berlin. It is registered in the commercial register of the District 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 associates and joint ventures (hereinafter also referred to as “TSC Group” or “Group”). Essentially, the company 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 12 November 2021.

The TSC Group is an integrated social media company that combines social media, social commerce, and brick-and-mortar retail under one roof. The TSC Group is a pioneer in the establishment, development and scaling of social media brands. TSC AG’s strategy focuses on brands, social experiences and product worlds that are identified, developed, and primarily marketed directly to end consumers (direct to consumer brands) via social media.

The Group’s core markets are Europe, with a focus on Germany and Great Britain as well as North and South America, with a focus on the USA. Asia is another strategic target market.

### 1.2 Declaration of Compliance

The consolidated financial statements for the year ended 31 December 2021 have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations of the IFRS Interpretations Committee (IFRS IC) as adopted in the European Union (EU). In addition, the provisions of Section 315e (1) of the German Commercial Code (HGB) are considered.

The accounting policies used in the preparation of the present consolidated financial statements have been applied consistently throughout all periods disclosed. They are explained in Note 1.7. In addition, in the 2021 financial year, the Group initially applied the IFRS standards and IFRS interpretations presented in Note 1.4.1.

### 1.3 Accounting Principles

The consolidated financial statements for the financial year ended 31 December 2021 are prepared under the premise of going concern.

The Group’s financial year comprises twelve months and ends on December 31.

The consolidated financial statements are prepared in euro (EUR), the functional currency of TSC AG. Unless otherwise stated, all values are commercially rounded to thousand of euro (EUR thousand), so that rounding differences may occur and the percentages presented do not exactly reflect the figures to which they refer.

The consolidated financial statements are prepared using the acquisition cost principle. This excludes certain financial assets and liabilities (including derivative financial instruments) and share-based payments, which are measured at fair value.

Assets and liabilities are classified into current and non-current. They are classified as current if they are due within a year or less. Current assets and liabilities also include trade receivables and payables that are sold, consumed and realized as part of the ordinary business cycle, even if their realization is not expected within twelve months after the balance sheet date. To the extent that assets and liabilities have both a current and a non-current component, they are divided into their maturity components and reported as current and non-current assets or liabilities in accordance with the balance sheet item presentation.

The consolidated income statement is prepared in accordance with the total cost method.

In the Statement of Cash flows, the cash flow from operating activities is calculated 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 31 December 2021 are prepared by the Executive Board and approved by resolution of the Executive Board. The Supervisory Board may amend the consolidated financial statements approved by 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 2021 financial year, the Group applied for the first time the following new or revised IFRS standards and IFRS interpretations, which have already been adopted by the EU and which are to be applied bindingly for financial years beginning on 1 January 2021:

- Amendments to IFRS 4: Insurance Contracts - Deferral of IFRS 9
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2
- Amendments to IFRS 16: Leasing – Covid-19 Related Rental Concessions after 30 June 2021 (Mandatory application for financial years beginning on or after 1 April 2021. Social Chain AG already decided not to apply these facilitations in the 2020 financial year.)

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 and 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 earlier. 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 starting on | Adoption by the EU | Impact on the consolidated financial statements |
|---|---|---|---|
| Amendments to IFRS 3 Business Combinations – Amendments by reference to the Conceptual Framework | 1 January 2022 | Ja | None |
| IFRS 17 Insurance Contracts | 1 January 2023 | Ja | None |
| IFRS 17 Insurance Contracts – Initial Application of IFRS 17 and IFRS 9 – Comparative Information | 1 January 2023 | Nein | None |
| Amendments to IAS 1 Classification of Liabilities as Current or Non-current | 1 January 1 2023 | Nein | None |
| Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies | 1 January 1 2023 | Ja | None |
| Amendments to IAS 8 Definition of Accounting Estimates | 1 January 1 2023 | Ja | None |
| Amendment to IAS 12 Deferred Taxes related to Assets and Liabilities arising from a Single Transaction | 1 January 1 2023 | Nein | None |
| Amendment to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use | 1 January 1 2022 | Ja | None |
| Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Costs of Fulfilling a Contract | 1 January 1 2022 | Ja | None |
| Miscellaneous – Annual Improvements 2018 – 2020 | 1 January 2022 | Ja | None |

## 1.5 Composition of the Group
### 1.5.1 Consolidation scope

As of 31 December 2021, the Group comprises 68 (prior year 38) fully consolidated companies and 5 (prior year 2) associates or joint ventures that are 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 according to Section 313 of the German Commercial Code (HGB)**

| No. | Name and registered office of the company | 31 December 2021 Share of capital in %[1] |
|---|---|---|
| 1 | The Social Chain AG, Berlin | |
| | **Fully consolidated subsidiaries** | |
| 2 | #DoYourSports GmbH, Berlin[2] | 100.00% |
| 3 | BEEM Asia Limited, Hongkong, Kowloon | 100.00% |
| 4 | Beem Germany GmbH, Stapelfeld | 100.00% |
| 5 | Belsonno GmbH, Berlin[2] | 100.00% |
| 6 | BytePark GmbH, Berlin | 100.00% |
| 7 | Carl Wilhelm Clasen GmbH, Schwarzenbek | 100.00% |
| 8 | datalytix.io GmbH, Stuttgart | 51.00% |
| 9 | DEF Media GmbH, Berlin[2] | 100.00% |
| 10 | drtv.agency GmbH, Stuttgart | 51.00% |
| 11 | DS Aviation GmbH, Stapelfeld | 100.00% |
| 12 | DS Care 4U GmbH, Lüttow-Valluhn | 100.00% |
| 13 | DS Direct GmbH, Stapelfeld | 100.00% |
| 14 | DS Holding GmbH, Stapelfeld | 100.00% |
| 15 | DS Impact GmbH, Stapelfeld | 100.00% |
| 16 | DS Marketing GmbH, Stapelfeld | 100.00% |
| 17 | DS MewiTec GmbH, Stapelfeld | 100.00% |
| 18 | DS Produkte GmbH, Stapelfeld | 100.00% |
| 19 | DS Select GmbH, Stapelfeld | 100.00% |
| 20 | DSQ Hongkong Ltd., Hongkong, Kowloon | 87.55% |
| 21 | Exzellenz Verdon (Ningbo) Trading Co. Ltd., China, Ningbo | 100.00% |
| 22 | Exzellenz Verdon Ltd., Hongkong, Kowloon | 87.55% |
| 23 | Glow Media Group Ltd., Vereinigtes Königreich, Manchester[2] | 100.00% |
| 24 | in-trading Handelsgesellschaft mbH, Bad Segeberg | 100.00% |
| 25 | KoRo Eis GmbH, Berlin | 46.54% |
| 26 | KoRo Handels GmbH, Berlin | 58.18% |
| 27 | Landmann Germany GmbH, Stapelfeld | 100.00% |
| 28 | Landmann Hungaria Kft., Ungarn, Vecses | 100.00% |
| 29 | Landmann International GmbH, Stapelfeld | 100.00% |
| 30 | Landmann Ltd. UK, Vereinigtes Königreich, Huntingdon | 100.00% |
| 31 | Landmann Polska Sp.z.o.o., Polen, Jawor | 100.00% |
| 32 | LGR Nuss & Trockenfrucht GmbH & Co. KG, Elmenhorst/Lanken | 100.00% |
| 33 | LGR Nuss & Trockenfrucht Veredelung Verwaltungs GmbH, Elmenhorst | 100.00% |
| 34 | LINKS Logistics GmbH Berlin[2] | 100.00% |
| 35 | Lions Chain GmbH, Berlin[2] | 100.00% |
| 36 | Lumaland Inc., Vereinigte Staaten, Muskegon | 80.00% |
| 37 | Lumaland International GmbH, Berlin[2] | 100.00% |
| 38 | Lumaland Vertriebs GmbH, Berlin[2] | 100.00% |
| 39 | Mabyen GmbH, Düsseldorf | 51.08% |
| 40 | Media Chain GmbH, Berlin[2] | 100.00% |
| 41 | Media Chain Group Ltd., Vereinigtes Königreich, Manchester[2] | 100.00% |
| 42 | Media Chain Products GmbH, Berlin[2] | 100.00% |
| 43 | MINT Marketing Agency LLC, Vereinigte Staaten, Los Angeles, CA | 25.00% |
| 44 | Möbelfreude Vertriebs GmbH, Berlin[2] | 100.00% |
| 45 | Pacific Trade Connection Ltd. Hongkong, Kowloon | 100.00% |
| 46 | PL FoodCom GmbH, Elmenhorst/Lanken | 100.00% |
| 47 | Ravensberger Holding GmbH, Berlin[2] | 100.00% |
| 48 | Ravensberger Logistik GmbH, Berlin[2] | 100.00% |

| No. | Name and registered office of the company | 31 December 2021 Share of capital in %[1] |
|---|---|---|
| 49 | Ravensberger Matratzen GmbH, Berlin[2] | 100.00% |
| 50 | Shine Conventions GmbH, Berlin[2] | 96.99% |
| 51 | sib Silvester in Berlin Veranstaltungen GmbH, Berlin | 96.99% |
| 52 | smilebaby GmbH, Berlin[2] | 100.00% |
| 53 | Social Chain Germany GmbH, Berlin | 85.97% |
| 54 | Social Chain GmbH, Berlin[2] | 100.00% |
| 55 | Social Chain Group Ltd., Vereinigtes Königreich, Manchester[2] | 100.00% |
| 56 | Social Chain Home & Living B.V., Niederlande, Swalmen | 100.00% |
| 57 | Social Chain Ltd., Vereinigtes Königreich, Manchester[2] | 100.00% |
| 58 | Social Chain Media & Commerce GmbH, Berlin | 75.10% |
| 59 | Social Chain USA, Inc., Vereinigte Staaten, New York, NY | 100.00% |
| 60 | Social Moms GmbH, Berlin[2] | 100.00% |
| 61 | The Fitness Chain GmbH, Berlin[2] | 100.00% |
| 62 | The Social Chain Commerce Alliance GmbH, Berlin[2] | 100.00% |
| 63 | The Social Chain Group AG, Berlin[2] | 100.00% |
| 64 | TSCDS Holding GmbH, Berlin | 100.00% |
| 65 | Urbanara GmbH, Berlin[2] | 100.00% |
| 66 | Urbanara Home & Living GmbH, Berlin[2] | 100.00% |
| 67 | Vision Personalservice GmbH, Valluhn | 100.00% |
| 68 | VonMählen GmbH, Lüneburg | 100.00% |
| | **Other subsidiaries** | |
| 69 | JOYLETICS mgmt. GmbH, Berlin | 100.00 % |
| 70 | LINKS Operations & Intelligence GmbH, Berlin | 100.00 % |
| 71 | Meine Spielzeugkiste GmbH, Berlin | 58.18 % |
| 72 | MINUMA mgmt. GmbH, Berlin | 100.00 % |
| | **Associates and joint ventures** | |
| 73 | FFLV Inc., Vereinigte Staaten, Conroe, TX | 49.00 % |
| 74 | GentleMonkeys GmbH, Unterföhring | 25.00 % |
| 75 | Gomago GmbH, Cremlingen | 10.00 % |
| 76 | LAX GmbH, Berlin | 74.99 % |
| 77 | Schreibathlet GmbH, Idstein | 12.50 % |

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

| No. | Name and registered office of the company | 31 December 2021 Share of capital in %[1] | Currency | Earnings in EUR thousand | Equity in EUR thousand |
|---|---|---|---|---|---|
| | **Other companies** | | | | |
| 78 | Andreas Plath GmbH, Hamburg | 25.00% | EUR | -106 | 14 |
| 79 | Caps Air GmbH, Hamburg | 30.00% | EUR | 0 | 63 |
| 80 | Catlabs GmbH, Grünwald | 30.00% | EUR | 16 | 32 |
| 81 | Clou-Innovations GmbH, Berlin | 25.10% | EUR | -9 | -52 |
| 82 | Detlev Sommer GmbH, Jena | 20.00% | EUR | -27 | -8 |
| 83 | DeWok GmbH, Pulheim | 20.00% | EUR | 8 | 7 |
| 84 | Flexmed AG, Liechtenstein, Triesen | 23.00% | CHF | 29 | 10 |
| 85 | Flüwa GmbH, Osthofen | 20.00% | EUR | -10 | 15 |
| 86 | Fugentorpedo GmbH, München | 20.00% | EUR | 34 | 169 |
| 87 | GeRoTech-Innovations GmbH, Österreich, Wien | 25.00% | EUR | 0 | 47 |
| 88 | Iss doch Wurscht GmbH, Duisburg | 25.00% | EUR | 0 | 25 |
| 89 | MY BEAUTY LIGHT GmbH, Kassel | 20.00% | EUR | 0 | 359 |
| 90 | puffin GmbH, Lilienthal | 49.00 % | EUR | -134 | 735 |
| 91 | Rokitta's GmbH, Friedrichstadt | 35.00% | EUR | 108 | 266 |
| 92 | Rollyzberg Gmbh i. Gr., Berlin | 20.00% | EUR | 0 | 25 |
| 93 | simply wet GmbH, Reinfeld | 20.00% | EUR | -56 | -198 |
| 94 | VapoGroup GmbH, Stuttgart | 20.00% | EUR | 0 | 25 |
| 95 | waschies GmbH, Kulmbach | 20.00% | EUR | 89 | 244 |
| 96 | We Love Product GmbH, Berlin | 50.00% | EUR | 0 | 23 |
| 97 | yucona GmbH, Berlin | 20.00% | EUR | -9 | 16 |

[1] Calculated shareholding quota of the Group

The management of the Group determined that the Group controls the following companies, even though TSC AG directly or indirectly holds less than 50% of the voting rights, as TSC AG is exposed to variable returns due to its shareholding in the companies owing to specific provisions in the agreements regarding decisions and resolutions or has rights to and the ability to affect those returns through its control of the company.

| Investment | Voting Rights 2021 | Voting Rights 2020 |
|---|---|---|
| MINT Marketing Agency LLC, Vereinigte Staaten, Los Angeles, CA | 25.00 % | - |
| KoRo Eis GmbH, Berlin[1] | 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 management of the Group determined that the Group does not control the following companies, even though TSC AG directly or indirectly holds more than 50% of the voting rights, because TSC AG does not, due to specific provisions in the agreements regarding decisions and resolutions or due to the insolvency of the companies, have the ability to determine the relevant activities of the respective companies.

| Investment | Voting Rights 2021 | Voting Rights 2020 |
|---|---|---|
| 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 | 58.18 % | 58.18 % |
| MINUMA mgmt. GmbH, Berlin | 100.00 % | 100.00 % |

[1] There is joint control of the company.

The Group’s management has determined that the Group exerts significant influence over the following companies, even though TSC AG directly or indirectly holds less than 20% of the voting rights, since TSC AG has the ability to participate in the financial and operating policy decisions of the investee due to specific regulations, in particular in the form of cooperation agreements.

| Investment | Voting Rights 2021 | Voting Rights 2020 |
|---|---|---|
| Gomago GmbH, Cremlingen | 10.00 % | - |
| Schreibathlet GmbH, Idstein | 12.50 % | - |

The Group’s management has determined that the Group does not exert significant influence over the companies presented in the list of shareholdings under “Other Companies”, even though TSC AG directly or indirectly holds 20% or more of the voting rights, since TSC AG does not have the ability to participate in the financial and operating policy decisions of the investee due to specific regulations.

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

For 22 domestic subsidiaries in the 2021 financial year, the Group made use of the exemption provision of Section 264 (3) of the German Commercial Code (HGB) for the preparation in accordance with the provisions for corporations, audit and disclosure of its own annual financial statements and, if applicable, its own management report. The formal requirements of the respective Group company and 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 which are disclosed instead of the individual financial statements.

All of the English subsidiaries, i.e. Social Chain Group Limited, Manchester, GB, registered in the United Kingdom’s registrar of companies under number 10717194, Social Chain Limited, Manchester, GB, registered in the United Kingdom’s registrar of companies under number 09166785, Media Chain Group Limited, Manchester, GB, registered in the United Kingdom’s registrar of companies under number 10611522 and Glow Media Group Ltd., Manchester, UK, registered in the United Kingdom's registrar of companies under number 09961357 have not been audited by an external auditor pursuant to Section 479A of the UK Companies Act 2006. The English companies are included in the consolidated financial statements of The Social Chain AG. In order to meet the formal requirements for claiming the exemption provision, The Social Chain AG has issued to the English subsidiaries a letter of comfort regarding the debt assumption within the meaning of Section 479A UK Companies Act 2006 (= English commercial law).

## 1.5.2 Business combinations and other additions to the Group

**Financial year 2021**

The following table provides an overview of the business combinations carried out in the 2021 financial year.

| Acquired subsidiary | Acquired share | Focus of business activities | Segment |
|---|---|---|---|
| DS Group | 100.00 % | Retail and wholesale of miscellaneous goods at home and abroad | Retail |
| Vonmählen GmbH | 100.00 % | Online distribution of mobile phone accessories | Social Commerce |
| MINT Marketing Agency LLC | 25.00 % | Marketing agency for small and medium-sized corporate clients in the USA | Social Media |

**DS Group**

With the purchase agreement from 19 October 2021 TSC AG acquired 100% of the DS Holding GmbH, Stapelfeld (together with the subsidiaries referred to as "DS Group"). 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 equity component results from the issue of 2,855,000 new shares from the authorized capital and is based on the closing price of The Social Chain AG share on 8 December 2021 amounting to EUR 39.20. A portion of 50% of the cash component was financed from own funds. The remaining EUR 50,000 thousand was financed via 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 was on 8 December 2021. The DS Group is included in the consolidated Group since 8 December 2021.

The DS Group is an internationally active trademark and trading company with currently over 5,000 products. DS Group successfully develops, markets and distributes of its own products and brands. The DS Group is one of the major suppliers of articles for food retailers, discounters, drugstores, teleshopping, DIY stores, hypermarkets, cash & carry, specialist retailers, department stores as well as online and mail order retailers in Europe. In 2021, the Group generated revenues of EUR 318,409 thousand, of which EUR 21,643 thousand is included in TSC AG's Consolidated Financial Statements for 2021. As of 31 December 2021, the DS Group had a total of 484 employees.

Legally, the DS Group comprises, including the DS Holding GmbH, 22 subsidiaries, 49 investments and 3 associated companies. The operating subsidiaries of the DS Group are presented in the following table.

| DS Subsidiary | Share | Focus of business activities | Vertical |
|---|---|---|---|
| DS Holding GmbH | 100.00 % | Holding of the DS Group | Other |
| DS Produkte GmbH | 100.00 % | Online distribution of mobile phone accessories | DS Trading |
| DS MewiTec GmbH | 100.00 % | Trade and distribution of respirators and rapid tests | DS Trading |
| Landmann Germany GmbH | 100.00 % | Trade and distribution of grills and barbecue accessories | DS Trading |
| in-trading Handelsgesellschaft mbH | 100.00 % | E-commerce of DS products | DS In-trading |
| DS Direct GmbH | 100.00 % | Wholesale of goods | DS Trading |
| Beem Germany GmbH | 100.00 % | Trade and distribution of coffee and tea makers | DS Beem |
| DS Marketing GmbH | 100.00 % | Provision of services for holding companies and affiliates, in particular graphics, marketing and other services | DS Trading |
| Vision Personalservice GmbH | 100.00 % | Recruitment services | DS Trading |
| DS Impact GmbH | 100.00 % | Holding of investments at home and abroad as well as their strategic advice; the wholesale trade as well as the import and export and the production of goods | DS Trading |
| Landmann International GmbH | 100.00 % | Holding company for foreign Landmann companies | DS Landmann |
| Landmann Hungaria Kft. | 100.00 % | Trade and distribution of grills and barbecue accessories in Hungary | DS Landmann |
| Landmann Ltd. UK | 100.00 % | Trade and distribution of grills and barbecue accessories in the UK | DS Landmann |
| Landmann Polska Sp.z.o.o. | 100.00 % | Trade and distribution of grills and barbecue accessories in Poland | DS Landmann |
| DS Select GmbH | 100.00 % | E-commerce, collection and evaluation of end user data. Wholesale of goods | DS Trading |
| DS Care 4U GmbH | 100.00 % | Wholesale of goods | DS Trading |
| DS Aviation GmbH | 100.00 % | Operation and maintenance of aircraft together with chartering | DS Trading |
| Pacific Trade Connection Ltd. (HKK) | 100.00 % | Product quality monitoring and quality optimization | DS Trading |
| DSQ Hongkong Ltd. (HKK) | 100.00 % | Quality monitoring and quality optimization | DS Trading |
| Exzellenz Verdon Ltd. (HKK) | 100.00 % | Distribution of kitchen products in Southeast Asia | DS Trading |
| Exzellenz Verdon (Ningbo) Trading Co. Ltd. | 100.00 % | Distribution of kitchen products in China | DS Trading |
| BEEM Asia Limited | 100.00 % | Trade and distribution of coffee and tea makers in Southeast Asia | DS Trading |

Within TSC AG, the DS Group represents an independent segment ("Retail (DS Group)"). For organizational purposes, Blitz B21-527 GmbH, Berlin, was founded on 26 August 2021 and renamed TSCDS Holding GmbH, Berlin, by the end of 2021. The main purpose of TSCDS Holding is holding all shares in the DS Holding GmbH. All shares in TSCDS Holding are held by TSC AG.

At the time of acquisition, trade receivables and other receivables for all DS companies comprise contractually agreed gross amounts of EUR 78,305 thousand gross, of which EUR 440 thousand was considered irrecoverable resulting in a fair value of EUR 77,865 thousand for the acquired portfolio of trade receivables and other receivables.

As part of company-specific purchase price allocations being still provisional for the DS Group, intangible assets totaling EUR 37,618 thousand were identified during the acquisition of the DS Group and revaluation premiums were made for inventories (EUR 4,377 thousand) and land (EUR 316 thousand), of which the following amounts are attributable to the following subsidiaries (EUR thousand):

| Subsidiaries | Marketing-related intangible assets | Customer relations and order backlog | Land | Inventories | Total |
|---|---|---|---|---|---|
| DS Produkte GmbH | 7,645 | 16,501 | 316 | 3,257 | **27,719** |
| Landmann International GmbH | 3,816 | 1,544 | – | 469 | **5,829** |
| in-trading Handels-gesellschaft mbH | – | 4,561 | – | 66 | **4,627** |
| Beem Germany GmbH | 1,361 | 2,190 | – | 585 | **4,136** |
| **Total** | **12,822** | **24,796** | **316** | **4,377** | **42,311** |

Going forward, the Executive Board of TSC AG expects positive synergy effects of a total of EUR 40 to 50 million earnings from the transaction in the first three years. Significant growth is expected in Europe and the USA. In addition, the diverse sales channels of the DS Group increase the sales opportunities of the existing Social Chain own brands.

**Vonmählen GmbH**

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

In the course of company-specific purchase price allocations, the Vonmählen trademark amounting to EUR 529 thousand was identified during the acquisition of Vonmählen GmbH.

**MINT Marketing Agency Inc.**

With a share purchase agreement dated 22 May 2021, TSC AG acquired 25% of the shares in Mint Marketing Agency Inc. for a purchase price of EUR 316 thousand, of which 50% was paid in cash and 50% was paid in treasury shares. Mint Marketing Agency Inc. operates a marketing agency for small and medium-sized businesses in the United States. By acquiring the shares, TSC AG increased its market share on the US market. Due to a different distribution of voting rights, TSC AG controls the acquired company since 22 May 2021.

**Summary of business combinations in 2021**

For the business combinations that occurred in the financial year 2021, the following table presents a summary of the consideration paid, the fair values of the identifiable acquired assets, the liabilities assumed and any non-controlling interests at the time of acquisition.

| Acquisition date in EUR thousand | DS Group | Vonmählen GmbH | Mint Marketing Agency LLC | Preliminary figures for all M&A transactions in 2021 |
|---|---|---|---|---|
| Intangible assets | 39,895 | 529 | - | 40,424 |
| Property, plant and equipment | 15,725 | 104 | 12 | 15,841 |
| Right-of-use assets | 31,060 | - | - | 31,060 |
| Financial assets and other non-current assets | 14,806 | - | - | 14,806 |
| Inventories and contract assets | 69.887 | 145 | - | 70,032 |
| Trade receivables | 70,621 | 0 | 250 | 70,870 |
| Other current assets | 7,245 | 13 | 13 | 7,271 |
| Cash and cash equivalents | 9 | - | 247 | 256 |
| | | | | |
| Provisions | 8,037 | - | - | 8,037 |
| Financial liabilities | 118,684 | - | 19 | 118,703 |
| Trade payables & contract liabilities | 31,708 | - | - | 31,708 |
| Liabilities from taxes / deferred tax liabilities | 13,112 | 115 | - | 13,227 |
| Other liabilities | 10,547 | - | - | 10,547 |
| | | | | |
| **Net assets acquired** | **67,158** | **676** | **503** | **68,337** |
| Non-controlling interests | 44 | - | 377 | 420 |
| **TSC's share of acquired net assets** | **67,114** | **676** | **126** | **67,916** |
| | | | | |
| Goodwill from acquisitions | 145,083 | -248 | 190 | 145,025 |
| **Total consideration** | **212,197** | **428** | **316** | **212,941** |
| thereof in shares | 111,916 | | 158 | 112,074 |
| thereof in cash | 100,281 | 428 | 158 | 100,867 |

The preliminary goodwill recognized for the DS Group represents the value that is strategically expected to result from synergy effects and from the expansion of distribution channels, resulting in significant growth in Europe and the USA. The resulting recognized goodwill is not tax deductible. The negative goodwill of EUR 248 thousand resulting from Vonmählen GmbH was recognized in other operating income.

The following table summarizes selected key figures of the income statement for the M&A transactions realized in the 2021 financial year, which from the Company's point of view represent significant performance indicators.

| in EUR thousand | DS Group | Vonmählen GmbHt | Mint Marketing Agency LLC | Preliminary figures for all M&A transactions in 2021 |
|---|---|---|---|---|
| Date of first-time consolidation | 8 December 2021 | 11 Februar 2021 | 22 May 2021 | - |
| Acquisition costs[1] | 2,506 | - | 10 | 2,516 |
| Umsatzbeiträge in 2021 seit Erwerbszeitpunkt | 21,643 | 7,332 | 1,105 | 30,080 |
| Revenue contributions in 2021 since acquisition date | 2,086 | 74 | 157 | 2,317 |
| Contributions to EBITDA in 2021 since acquisition date | -262 | 57 | 143 | -61 |
| Pro forma revenues in the twelve-month period until 31 December 2021[2] | 318,409 | 7,332 | 1,813 | 327,554 |
| Pro forma EBITDA in the twelve-month period until 31 December 2021[2] | 25,216 | 74 | 400 | 25,690 |
| Pro forma profit / loss in the twelve-month period until 31 December 2021[2] | 24,112 | 57 | 387 | 24,556 |

[1] All listed costs associated with the acquisition were excluded from the consideration transferred and reported as an expense in the consolidated statement of profit or loss under the item "Other operating expenses".

[2] For the TSC Group, these "pro forma" results are a first economic measure of the combined Group's annual performance, which is intended to provide an approximation for comparisons in future periods, not taking into account additional effects from synergies, extraordinary items and special items related to the acquisition or contributing to the future profitability of the acquired company. Nor are unwinding effects on the consolidated result from amortization of intangible assets recognized as part of the purchase price allocation taken into account here.

**Increase of shareholding in KoRo**
Effective from 21 April 2021, the shareholding in KoRo Handels GmbH, Berlin (Germany), was increased by EUR 2,000 thousand by way of a capital increase. The shareholding thus increased from 55.58% to 58.18%. The amount was fully paid in cash.

A put option exercise by the co-shareholders of KoRo Handels GmbH on 5 July 2021 became ultimately not effective and TSC AG and the co-shareholders could not reach an agreement on the effective exercise of the put option and the amount of the purchase price due in the case of an effective exercise of the put option as well as other conditions. TSC AG therefore continues to hold 58.18% of the shares in KoRo Handels GmbH, Berlin, as of 31 December 2021. The Executive Board of TSC AG decided in the fourth quarter of 2021 to consider a sale of the majority of its shares in KoRo Handels GmbH and in order to find an amicable resolution. The assets and liabilities of the subsidiary are therefore disclosed as assets and liabilities held for sale in the Consolidated Financial Statements of TSC AG. For further details, please refer to Note 4.12.

**Increase of shareholding in BytePark**
With a business and share purchase agreement dated 11 August 2021, The Social Chain Group AG, a 100% subsidiary of TSC AG, acquired all remaining shares in BytePark GmbH. The shareholding thus increased from 51% to 100%. The purchase price amounted to EUR 850 thousand.

**Increase of shareholding in Social Moms**
With a share purchase agreement dated 10 November 2021, The Social Chain Group AG, a 100% subsidiary of TSC AG, acquired all remaining shares in Social Moms GmbH for a purchase price of EUR 5 thousand. The shareholding thus increased from 80% to 100%. At the end of the financial year, the Executive Board decided to discontinue the business operations of Social Moms GmbH.

**Foundations**
In October 2021, the Group founded Social Chain Home & Living B.V. (Netherlands). The purpose of the company is the distribution of mattresses, beanbags and other home accessories in the Netherlands. The company is a 100% subsidiary of the Group.

In May 2021, the Group, together with other co-shareholders, founded WT Food GmbH, Berlin, with a share capital of EUR 25 thousand. The business purpose of the company is trading various goods in the food sector. The shareholding quota of TSC AG is 25%.

In March 2021, the Group, together with other co-shareholders, founded Meine Spielzeugkiste GmbH, Berlin, with a share capital of EUR 25 thousand. The business purpose of the company is trading toys. The shareholding quota of TSC AG is 58.18%.

In March 2021, the Group founded PL FoodCom GmbH, Elmenhorst, with the purchase of a shelf company. The purpose of the company is the distribution of nuts and other legumes in Poland. TSC AG's shareholding quota is 100%.

**Sale of shares**
With a business and share purchase agreement dated 16 March 2021, the Group sold 24.9% of its shares in Social Chain Media und Commerce GmbH, Berlin. The shareholding in the subsidiary, which remains fully consolidated, decreased from 100% to 75.1%. The sale price for the sold shares amounted to EUR 6. At the end of the financial year, the Executive Board decided to discontinue the business activities of Social Chain Media und Commerce GmbH.

**Financial year 2020**
The M&A activities of the 2020 financial year were characterized by international expansions, in particular in the USA (hereinafter: "US acquisitions"), as well as by the acquisition of the Carl Wilhelm Clasen Group (hereinafter: "Clasen Bio") for the purpose of expanding the food vertical. In addition, a large number of smaller transactions was carried out, in particular the acquisition of smaller subsidiaries as part of the strategic acquisition policy and the increase of existing shareholdings in the Group's investees.

**Clasen Bio**
On 17 December 17 2020 TSC AG acquired 100% of the shares in Carl Wilhelm Clasen GmbH, Elmenhorst (D), and its subsidiary LGR Nuss & Trockenfrucht Veredlungs GmbH & Co KG, Elmenhorst (D), for a total purchase price of EUR 4,230 thousand. The business activities of the Clasen Bio Group focus on the distribution of currently around 85 organic and Demeter products in eight product groups: nuts, dried fruits, snacks, seeds, cereals, legumes, powders and special flours. These are sold primarily via food retailers as well as via social commerce platforms and, from 2021, also via their own online shop.

At the time of acquisition, trade receivables and other receivables for all companies comprise contractually agreed gross amounts of EUR 2,538 thousand gross, of which EUR 22 thousand was considered irrecoverable. This results in a fair value of EUR 2,516 thousand for the acquired portfolio of trade receivables and other receivables.

As already described in the Notes to the Consolidated Financial Statements of the prior year , the purchase price allocation of the transaction of Carl Wilhelm Clasen GmbH (including its subsidiaries) had not been completed at the time of disclosure of the 2020 Consolidated Financial Statements. The following table shows the balance sheet changes resulting from the purchase price allocation completed in 2021. The adjustments from the purchase price allocation were made as of 31 December 2020 The purchase price allocation does not affect the consolidated profit or loss statement of 2020.

| in EUR thousand | Balance sheet as of 31 December 2020 as reported | PPA Adjustment Clasen Bio | Adjusted balance sheet as of 31 December 2020 |
|---|---|---|---|
| Trademarks | 0 | +428 | 428 |
| Customer relations | 0 | +2,119 | 2,119 |
| Goodwill | 5,158 | -1,792 | 3,366 |
| Deferred tax liabilities | 0 | +755 | 755 |
| **Assets/liabilities of the Group** | **204,539** | **+755** | **205,294** |

**US acquisitions: FFLV, A4D and Coral**

As of 31 December 2020, TSC AG acquired 49% of the shares in FFLV Inc., Delaware, for a purchase price of EUR 2,599 thousand (USD 3,000 thousand). Additionally, a voting agreement for the benefit of TSC AG was concluded on the balance sheet date. Due to additionally agreed management arrangements for the benefit of the minority shareholder, the acquired company FFLV Inc. was deemed a joint venture as of 31 December 2020, and therefore included in the Consolidated Financial Statements as an investment accounted for using the equity method.

At the time of acquisition, FFLV Inc.'s investees comprised, inter alia, the following companies:

A4D Inc., Carlsbad (USA), is a specialist company for digital performance marketing with an integrated business model of technology, creativity, and brand management, which sustainably supports its customers from the digital economy in the development of scalable business models. TSC AG indirectly held 4.9% of the shares in A4D Inc. as of 31 December 2020.

The investment portfolio of FFLV Inc. also includes a 51% stake in Coral LLC, Carson City (USA). This company is a consumer goods company which markets oral hygiene products and dietary supplements made from purely natural ingredients in direct sales. The calcium used for their products stems from coral concentrates overseas, which are extracted EcoSafe certified. Direct sales to end customers are almost exclusively processed directly via own online shops and other digital sales outlets using an own logistics center, which will also undertake the shipping logistics of other social chain brands in the US in the future and thus accelerate further growth in the US market. TSC AG indirectly held 24.99% of the shares in Coral LLC as of 31 December 2020.

**Other individually non-material M&A transactions**

*Increase of shares in drtv and acquisition of datalytix.io*

On 1 January 2020, TSC AG increased its shareholding in drtv.agency GmbH to 51% for a purchase price of EUR 2.1 million. It also acquired 51% of the shares in its subsidiary datalytics.io GmbH, a data-driven full-service media agency for offline marketing specializing in social commerce customers.

*Completion of the conditional acquisition of the shares in Urbanara*

On 27 February 2020, the capital measures of The Social Chain AG, Berlin, associated with the acquisition of Urbanara were registered and thus the acquisition still being conditional at the turn of the year 2019, was completed accordingly as a transaction between shareholders including a contribution of Urbanara at the contribution amount of EUR 3,910 thousand.

*Gradual acquisition of the Media-Part*

The shareholding in the joint venture Media-Part GmbH was increased from 67.68% to 85.97% as of 28 August 2020. In this context, the remaining 14.03% of the shares were acquired by HoHa Holding GmbH, a shareholder of TSC AG. As a result of the acquisition of the remaining shares, TSC AG acquired full control within the meaning of IFRS 10 over Media-Part GmbH being previously a joint venture due to deviating resolution arrangements of joint venture similar nature. The total acquisition costs for the acquired 85.97% amount to EUR 4,571 thousand. For materiality reasons, a revaluation of the acquisition costs for the previous 67.68 % share at the time of the acquisition of control was not carried out.

*Increase of shareholding in KoRo*

With effect from 1 January 2020, the shareholding in KoRo Handels GmbH, Berlin, was increased from 34.82% to 51.72% as part of a proportionate cash purchase and a proportionate capital increase against the issue of own shares. Furthermore, with effect from 1 December 2020, a further 4.13% of the shares in KoRo Handels GmbH were acquired as part of a capital increase excluding the other shareholders. As of 31 December 2020, the Group thus indirectly holds a total of 55.85% of the shares in KoRo Handels GmbH. A purchase price of EUR 3,246 thousand in total was paid for both share tranches.

At the time of acquisition, for the other individually non-material M&A transactions reported, trade receivables and other receivables comprise contractually agreed gross amounts of EUR 502 thousand, none of which were considered irrecoverable, resulting in a fair value of EUR 502 thousand for the acquired portfolio of trade receivables and other receivables.

***Summary***

The following table presents the change of the Media-Part from the equity method to a fully consolidated subsidiary as well as for all other, individually non-material M&A transactions and the acquisition of the Clasen Bio Group, a summary of the consideration paid, the fair values of the identifiable acquired assets, the liabilities assumed and any non-controlling interests at the time of acquisition.

| Acquisition date in EUR thousand | Clasen Bio | Media-Part (change from equity method to fully consolidated) | Individually non-material transactions | Figures for all 2020 M&A transactions |
|---|---|---|---|---|
| Intangible assets | 3,484 | 0 | 452 | 3,936 |
| Marketing-related assets | 2,997 | 0 | 0 | 2,997 |
| Technologies/Licenses | 487 | 0 | 452 | 939 |
| Property, plant and equipment | 3,156 | 5 | 15 | 3,176 |
| Right-of-use assets | 1,430 | 0 | 0 | 1,430 |
| Financial assets and other non-current assets | 2,956 | 5 | 3 | 2,963 |
| Inventories and contract assets | 8,841 | 0 | 0 | 8,841 |
| Trade receivables | 2,058 | 502 | 0 | 2,560 |
| Other current assets | 458 | 58 | 4 | 521 |
| Cash and cash equivalents | 2 | 239 | 1 | 242 |
| Provisions | 334 | 1 | 0 | 335 |
| Financial liabilities and lease liabilities | 12,491 | 4 | 84 | 12,579 |
| Trade payables and contract liabilities | 4,860 | 352 | 481 | 5,694 |
| Liabilities from taxes and deferred tax liabilities | 3,705 | 0 | 0 | 3,705 |
| Other liabilities | 130 | 19 | 2 | 152 |
| **Net assets acquired** | **864** | **433** | **-93** | **1,204** |
| Non-controlling interests | 0 | 127 | -58 | 69 |
| **Share of TSC AG in the acquired net assets** | **864** | **306** | **-35** | **1,135** |
| Goodwill arising from acquisitions | 3,366 | 4,265 | 6,045 | 13,676 |
| **Total consideration** | **4,230** | **4,571** | **6,009** | **14,810** |
| thereof in shares | 2,000 | 0 | 6,003 | 8,003 |
| thereof value determined using the equity method prior to inclusion | 0 | 3,971 | 0 | 3,971 |
| thereof in cash | 2,230 | 600 | 6 | 2,836 |

The following table summarizes selected key figures of the profit or loss statement for the M&A transactions completed in the 2020 financial year, which from the Company's point of view represent significant performance indicators.

| in EUR thousand | Clasen Bio | Media-Part (change from equity method to fully consolidated) | Individually non-material transactions | Figures for all 2020 M&A transactions |
|---|---|---|---|---|
| Acquisition date / Contribution date | 31 December 2020 | 01 September 2020 | Miscellaneous | Miscellaneous |
| Acquisition costs[1] | 237 | 0 | 15 | 252 |
| Revenue contributions in 2020 since acquisition date | 0 | 1,511 | 31 | 1,542 |
| Contributions to EBITDA in 2020 since acquisition date | 0 | -61 | 21 | -40 |
| Contributions to profit/loss in 2020 since acquisition date | 0 | -63 | 7 | -55 |
| Revenues in the twelve-month period until 31 December 2020[1] | 57,007 | 3,776 | 31 | 60,815 |
| Pro forma EBITDA in the twelve-month period until 31 December 2020[2] | 2,595 | -113 | 21 | 2,503 |
| Pro forma profit / loss in the twelve-month period until 31 December 2020[2] | 2,308 | -120 | 7 | 2,196 |

[1] All listed costs associated with the acquisition were excluded from the consideration transferred and reported as an expense in the consolidated statement of profit or loss under the item „Other operating expenses".

[2] For the TSC Group, these „pro forma" results are a first economic measure of the combined Group's annual performance, which is intended to provide an approximation for comparisons in future periods, not taking into account additional effects from synergies, extraordinary items and special items related to the acquisition or contributing to the future profitability of the acquired company. Nor are unwinding effects on the consolidated result from amortization of intangible assets recognized as part of the purchase price allocation taken into account here.

### 1.5.3 Deconsolidation

**Financial year 2021**

In the 2021 financial year, the Group did not deconsolidate any of its fully consolidated companies.

**Financial year 2020**

By contribution and share purchase agreement dated 30 June 2020, TSC AG and its subsidiary, The Social Chain Group AG, sold the shares they held in Solidmind Nutrition GmbH totaling 51.99% with effect from 1 January 2020 to SynBiotic SE, a co-shareholder in Solidmind Nutrition GmbH, and contributed the shares to SynBiotic SE in exchange for the granting of a total of 520,000 of their own shares. The transfer of beneficial ownership occurred on 30 June 2020 with the consequence that Solidmind Nutrition GmbH was deconsolidated and sold on that date. The resulting income from deconsolidation of EUR 5,656 thousand was reported under other operating income.

## 1.6 Currency conversion

The consolidated financial statements were prepared in accordance with the concept of functional currency. The functional currency is the primary currency of the economic environment in which the Group operates. It corresponds to the euro, which also corresponds to the presentation currency of the consolidated financial statements. The functional currency of the subsidiaries is usually 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 at the exchange rate applicable at the time of the transaction. Monetary assets and liabilities in foreign currencies are translated into the functional currency at mid-market rates on the balance sheet date (closing rate). Foreign currency gains and losses are reported in the consolidated profit or loss statement under "Other operating income" or "Other operating expenses".

When the consolidated financial statements are prepared, the assets and liabilities of foreign subsidiaries whose functional currency is not the euro are translated into euro at the exchange rates applicable on the balance sheet date. Income and expenses are translated at the average exchange rate for the period. Currency translation differences from translating the functional currency of the subsidiaries into the Group currency are recognized in other comprehensive income without affecting profit or loss until the disposal of the subsidiary.

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

Goodwill arising from the acquisition of a foreign business and any adjustments to the carrying amount of the assets and liabilities resulting from the acquisition are considered assets and liabilities of the foreign business and translated at the closing rate.

The exchange rates used for currency conversion are as follows.

| | Closing rate | | Average rate | |
|---|---|---|---|---|
| **Currency 1 EUR in** | **31 December 2021** | **31 December 2020** | **2021** | **2020** |
| USD | 1.133 | 1.227 | 1.144 | 1.141 |
| GBP | 0.840 | 0.899 | 0.848 | 0.889 |
| HKD | 8.833 | n/a | 8.911 | n/a |
| PLN | 4.597 | n/a | 4.617 | n/a |
| HUF | 369.190 | n/a | 364.275 | n/a |

## 1.7 Accounting policies

The consolidated financial statements are prepared in accordance with standard accounting and valuation principles. The significant accounting policies are described in the following.

### 1.7.1 Consolidation

All subsidiaries that TSC AG directly or indirectly 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 gains control when it can exercise control over the investee, is exposed to variable returns from the investment and possesses the ability to use its control over the investee in such a way as to affect the amount of the investee's returns. The Company reexamines control if facts and circumstances indicate that one or more of the aforementioned control criteria have changed.

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

The profit or loss and any component of other comprehensive income are attributed to holders of ordinary shares of the parent and non-controlling interests, even if this results in a negative balance of the non-controlling interests. If necessary, adjustments are made to the financial statements of the subsidiaries in order to align their accounting policies with those of the Group. This also includes the preparation of interim financial statements on the same reporting date as that of the Group for subsidiaries with a different financial year. All intra-group assets and liabilities, equity, income and expenses, and cash flows from intercompany transactions are fully eliminated during consolidation.

For temporary differences from consolidation, tax deferrals as required by IAS 12 „Income Taxes“ are made.

### 1.7.2 Business combinations and goodwill

Business combinations are accounted for in accordance with IFRS 3 „Business Combinations“ using the acquisition method. The cost of an acquisition is measured as the sum of the consideration transferred, which is measured at fair value at the time of acquisition, and the non-controlling interests in the acquired company. For each business combination, the Group decides whether to measure the non-controlling interests in the acquired entity at fair value or at the corresponding proportion of the identifiable net assets of the acquired entity. Acquisition-related costs are recognized as expenses if they are incurred. At the time of first-time consolidation, the assets, liabilities and contingent liabilities identifiable in a business combination are measured at their fair values at the time of acquisition.

Goodwill is recognized as the value of cost, the amount of non-controlling interests in the acquired company and the fair value of any equity previously held at the date of acquisition exceeding the Group‘s share of net assets measured at fair value. If the acquisition cost is lower than the net assets of the acquired subsidiary measured at fair value, the difference is recognized in the consolidated profit or loss statement after a re-examination (bargain purchase income).

### 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 ability to participate in the financial and business policy decisions of the investee, but not the 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 own rights to the net assets of the joint venture. Joint control is the contractual sharing of control over an arrangement that exists only when decisions about the relevant activities require the unanimous consent of the parties having joint control.

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

The profit or loss statement includes the Group’s share of the profit or loss for the period of associates and joint ventures. Changes in the other comprehensive income of these investees are recognised in the Group’s other comprehensive income. In addition, changes reported directly in the equity of associates and joint ventures are recognised by the Group in the amount of its share and, if necessary, presented in the statement of changes in equity. Unrealised gains and losses from transactions between the Group and associates and joint ventures are eliminated in proportion to the share in associates and joint ventures.

The Group’s total share of the profit or loss of associates and joint ventures is reported in the profit or loss statement not as part of the operating result but as part of the financial result and refers to earnings after taxes and after non-controlling interests in the subsidiaries of the associates and joint ventures.

The financial statements of associates and joint ventures are prepared as of the same balance sheet date as the consolidated financial statements. Where necessary, adjustments are made to Group-wide accounting policies.

After applying the equity method, the Group determines whether it is necessary to recognise an impairment loss for its investments in associates and joint ventures. At each reporting date, it determines whether there are objective indications that the interest in associates and joint ventures could be impaired. Where such indications exist, the amount of the impairment is calculated as the difference between the recoverable amount of the interest in the associates and joint ventures and the carrying amount. The loss is recognised in profit or loss under the “Share of the profit or loss of associates and joint ventures”.

### 1.7.4 Measurement at fair value in accordance with IFRS 13

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in a principal market at the measurement date under current market conditions (e.g. an exit price), regardless of whether the price is directly observable or estimated using another valuation method.

A measurement hierarchy (fair value hierarchy) was defined in accordance with IFRS 13 “Fair Value Measurement”. The fair value hierarchy categorizes the input factors used in the valuation methods to measure fair value into three levels:

- Level 1: Quoted prices (unadjusted) on 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 that are directly observable for the asset or liability or can be indirectly derived.
- Level 3: Valuation parameters for the asset or liability that are not based on observable market data.

At the end of the respective reporting period, the Group determines whether transfers have occurred between the hierarchical levels by reviewing the classification (based on the input factor of the lowest level, which is overall material for the measurement at fair value). Components of share-based payments are measured at fair value but do not fall within the scope of IFRS 13.

The general responsibility for monitoring all material fair value measurements, including Level 3 fair values, rests with the Finance Department, which reports directly to the Chief Financial Officer. For the determination of the fair value of significant assets and liabilities, selected external valuation experts are consulted by the Finance Department. Selection criteria are, for example, market knowledge, reputation, independence and compliance with professional standards. In discussions with the external valuation experts, the finance department decides which valuation methods 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.

With the exception of capitalizable development costs, the costs of internally generated intangible assets are recognized in profit or loss in the period in which they are incurred. The recognition of development costs for internally generated intangible assets requires the cumulative fulfilment of the capitalization criteria of IAS 38: the technical feasibility of the development project as well as future economic benefits 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. In addition, adequate technical, financial, and other resources must be available, and it must be possible to reliably determine the costs attributable to the intangible asset during its development. Capitalized production costs include costs directly attributable to the development phase as well as development-related overhead costs.

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

| Intangible assets | Useful life |
|---|---|
| Internally generated intangible assets | 8 – 20 years |
| Trademarks | 5 – 10 years |
| Customer relations | 1 – 8 years |
| Patents, concessions and other rights and software | 3 – 15 years |

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

### 1.7.6 Fixed assets

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

The cost of property, plant and equipment comprises all costs directly attributable to the acquisition of the asset. Repairs and maintenance are recognised as expenses in the consolidated profit or loss statement in the reporting period in which they are incurred. When initially capitalized, internally generated property, plant and equipment is measured at directly attributable production costs and production-related overheads.

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

| Property, plant and equipment | Useful life |
|---|---|
| Buildings | 40 years |
| Technical plants and machines | 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, if necessary, adjusted. The economic useful lives are based on estimates and largely on experience with regard to historical use and technical development.

Gains and losses on disposals of assets are calculated as the difference between net proceeds from disposals and the carrying amount of the assets and are recognized in other operating income or other operating expenses in profit or loss.

### 1.7.7 Impairments

In accordance with IAS 36, intangible assets with a definite useful life, property, plant and equipment and right-of-use assets are reviewed on each balance sheet date to determine whether there are any indications of impairment, e.g. certain events or market developments that indicate a potential value impairment. In the 2021 and 2020 financial years, there were no indications of impairments of intangible assets with a definite useful life, property, plant and equipment and right-of-use assets.

For intangible assets with an indefinite useful life (including goodwill) and internally generated assets under construction, a mandatory impairment test is carried out once a year.

If a triggering event occurs or the mandatory annual impairment test, the recoverable amount of the asset is determined. The recoverable amount is the higher amount of fair value less costs of disposal and value in use. The recoverable amount shall be determined individually for each asset, unless an asset does not generate cash inflows that are largely independent of those of other assets or groups of assets. In this case, the recoverable amount must be determined on the basis of a cash generating unit (“CGU”). Assets or groups of assets are assigned to a CGU, which together generate largely independent cash inflows. This also applies to goodwill which is assigned on the acquisition date to the CGU or group of CGUs, which can benefit from the synergies of the business combination and at whose level goodwill is monitored for internal management purposes.

In the Group, CGUs are identified at the level of the trademarks existing in the Group (“verticals”). Until the end of the financial year 2020, CGUs had been identified at the level of the individual companies. The CGUs were adjusted to better reflect the synergy effects between the individual companies of the same trademark (“verticals”) and due to the fact that management monitors them at the level of the verticals.

To determine the value in use, the expected future cash flows are generally discounted to their present value using a pre-tax discount rate that reflects current market expectations regarding the interest rate effect and specific risks of the asset. When determining the value in use, current and expected future earning levels as well as technological, economic and general development trends are taken into account on the basis of approved budgets.

If the carrying amount exceeds the recoverable amount of the asset or CGU, an impairment loss in the amount of the carrying amount exceeding the recoverable amount is recognized in profit or loss. If, in the case of goodwill, the impairment requirement is higher than the carrying amount of the goodwill, the goodwill is first fully impaired, and the remaining impairment amount is allocated to the other assets of the CGU, insofar as these are not thereby recognized at a value that is less than their fair value less the cost of disposal or value in use.

Value recoveries (write-ups) to the new recoverable amount are made, except in the case of goodwill, if the reasons for impairments from prior year s no longer apply. The upper value limit for write-ups is the amortized cost that would have resulted if no impairments had been recognized in prior year s. No write-ups of intangible assets or property, plant and equipment were recognized in the 2021 and 2020 financial years.

### 1.7.8 Leases

At inception of a contract, it is assessed whether a contract establishes or contains a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract includes the right to control an identified asset, the definition of a lease under IFRS 16 is applied.

On the date of provision or in the event of a change to a contract containing a lease component, the contractually agreed consideration payable is allocated on the basis of the relative stand-alone prices. In the case of movables, the Group uses the option of refraining from separating the non-lease components and instead accounts for the lease and non-lease components as a single lease component. In the case of properties, only the basic rent is accounted for in accordance with IFRS 16.

Upon lease commencement the Group recognizes a right-of-use asset and a lease liability.

The right-of-use asset is initially measured at cost corresponding to the present value of the lease liabilities, adjusted for payments made on or prior to commencement date and any lease incentives received, plus any initial direct costs and the estimated costs of dismantling, removing or restoring the underlying asset or location where it is located.

Subsequently, the right of use is depreciated on a scheduled basis on a straight-line basis over the shorter of the two periods between the term of the lease and the expected useful life. In determining the expected useful life, account is taken of 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 call option. If necessary, the right of use is adjusted for impairments and adjusted for certain revaluations of the lease liability.

The lease liability is initially measured at the present value of the lease payments payable over the lease term and not yet made on the commencement date. Discounting is based on the rate implicit in the lease. If that rate cannot be readily determined, the incremental borrowing rate is used. Usually, the Group applies the incremental borrowing rate.

The incremental borrowing rate consists of a base interest rate and a credit risk premium (credit spread). The base interest rate is determined on a maturity-specific basis and, in addition to a risk-free basis derived from German government bonds, also includes premiums for country and currency risks. To derive the credit risk premium, a synthetic rating was carried out and the relevant premium was determined based on listed bonds of a peer group. The credit risk premium was reviewed for plausibility with the terms and conditions of the loans granted to the Group companies by banks. The incremental borrowing rate is determined annually and adjusted to reflect changes of market conditions.

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

- fixed payments, including de facto fixed payments
- variable lease payments that depend on an index or an (interest) rate, initially measured using the index or (interest) rate valid as at the commencement date.
- amounts expected to be payable based on a residual value guarantee
- the exercise price of a purchase option if the Group is reasonably certain to exercise it; lease payments for an extension option if the Group is reasonably certain to exercise it; as well as penalties for early termination of the lease, unless the Group is reasonably certain not to terminate prematurely.

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

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

### 1.7.9 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, immediately available bank balances and short-term deposits with banks, all of which have an initial term of less than three months. Used current account facilities are reported under other current financial liabilities.

### 1.7.10 Financial instruments

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

Offsetting financial assets and liabilities is only made if a set-off of the amounts is legally enforceable at the present time and there is also the intention to offset them. These conditions were not met in the financial year. Nor are there currently any global offsetting agreements or similar agreements, so neither offsetting of balances in the Group nor circumstances in which offsetting can occur exist.

Market purchases or sales of financial assets and liabilities are generally recognized on the trading day.

Financial assets and financial liabilities are measured at their fair value when initially recognized, which usually corresponds to the transaction price. Transaction costs that are directly attributable to the acquisition or issuance of the financial instrument are only considered as part of the carrying amount to be recognized if the relevant 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 fulfillment of the cash flow criterion (SPPI test). The assessment of the business model refers to the question of how financial assets are managed to generate cash flows. Management aims at either holding, selling, or a combination of both. The SPPI test examines whether the contractual cash flows of a financial asset consist exclusively of interest and repayment on the outstanding principal amount of the financial asset. The contractual cashflow criterion is always reviewed at the level of the individual financial asset.

The Group divides financial assets into one of the following categories:

- Financial assets at amortised cost (FAAC) (debt instruments)
- Financial assets measured at fair value through other comprehensive income with recycling (debt instruments)
- Financial assets measured at fair value through profit or loss (FVTPL, equity instruments)
- Fair value through OCI (equity instruments) measured at fair value through other comprehensive income without recycling (FVOCI, equity instruments)

***Financial assets at amortised cost (FAAC) (debt instruments)***

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

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

Subsequent measurement is carried out using the effective interest method and is subject to the requirements for impairment in accordance with IFRS 9.5.5.

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 receivables being disposed of as part of the sale of receivables will continue to be assigned by the Group to the "Hold" business model and thus to the FAAC category. As part of the business model criterion, the Group defines a sale as an actual sale that also leads to a balance sheet disposal. According to the Group's interpretation, the purely legal sale without disposal does not constitute a business model of selling within the meaning of IFRS 9. Receivable portfolios, which are generally subject to the possibility of factoring with the disposal of the corresponding receivables, are assigned to the category "Hold and Sell" and measured at fair value through profit or loss (FVTPL).

***Financial assets measured at fair value through other comprehensive income with recycling (debt instruments)***

This valuation shall be applied to debt instruments where the following two criteria are cumulatively met:

- The business model for managing these financial instruments is geared towards both "holding" in order to achieve the underlying contractual cash flows and "selling".
- The resulting contractual cash flows consist solely of interest and repayment on the outstanding principal amount.

For such financial assets, interest, foreign currency effects, expenses and income related to impairments are recognised in profit or loss. In accordance with the requirements of IFRS 9, all other effects are recognised in other comprehensive income and reclassified to profit or loss upon disposal (recycling).

In the financial years 2021 and 2020, the Group did not have any financial assets measured at fair value through other comprehensive income with recycling.

***Financial assets measured at fair value through profit or loss (FVTPL) (equity instruments)***

This category includes financial assets held for trading, financial assets under the fair value option, and financial assets for which fair value measurement is mandatory. A trading purpose exists when a short-term purchase or sale is envisaged. Derivative financial assets that are not part of a hedging relationship are always considered to be 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 is applied for financial assets that are subject to a "selling" business model.

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

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

***Financial assets measured at fair value through other comprehensive income (FVOCI) (equity instruments)***

For equity instruments that are not held for trading and which are not a contingent consideration within the meaning of IFRS 3, the initial recognition provides the irrevocable fair value option to measure such equity instruments either at fair value (FVTPL) through profit or loss or at fair value through other comprehensive income without recycling (FVOCI). To date, the Group has measured only one equity instrument at fair value through other comprehensive income without recycling (FVOCI). As of 31 December 2021, this asset remains in the ownership of the Group.

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

***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 within the meaning of IFRS 9.5.5. Accordingly, the Group recognizes an impairment loss based on expected credit losses (ECL) for such assets. Expected credit losses result from the difference between the contractually agreed 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 security sales and other credit collateral, which are an integral part of the respective contract.

Expected credit losses are recognized in three stages.

Level 1: All assets for which there has not been a significant increase in default risk since initial recognition are allocated to Level 1. The value adjustment is calculated as the amount of the expected 12-month credit loss.

Level 2: If an asset has experienced a significant increase in default risk after its initial recognition, but its credit rating is not impaired, it is assigned to level 2. The value adjustment is calculated as the amount of the expected credit losses for the entire remaining term of the asset. The Group generally assumes that there is a significant increase in credit risk if payments are 30 days or more overdue. This principle can be overruled if, in each individual case, reliable and justifiable information indicates that the credit risk has not increased.

Stufe 3: If there are objective indications of impairment, the underlying assets are to be assigned to level 3. Objective indications of an impairment are assumed in the event of an overdue payment of more than 90 days, unless there is reliable and justifiable information in each individual case that a longer arrear is more suitable. 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 and contract assets. 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 due receivables are not fully recoverable (e.g. opening of insolvency proceedings or significant payment delays with the debtor), a loss allowance is recognized on an individual basis.

For further details on the determination of credit losses, we refer to Note 7.1 “Credit and default risk”.

For the other assets that fall within the scope of the impairment model of IFRS 9 and 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 the expected credit losses. In any case, the basis for calculation is the current default probabilities on 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 in the Group they include, in particular, bonds and other securitized liabilities, liabilities to banks, loan liabilities and trade payables.

The category of financial liabilities measured 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.

Derivative financial liabilities without a hedging relationship are considered to be 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 extinguished, i.e., the contractual obligation has been discharged, cancelled or expires.

**Derivatives**
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 reported in the consolidated balance sheet under the items "other financial assets" or "other financial liabilities".

The Group does currently not account for hedging relationships.

### 1.7.11 Inventories

Inventories are measured at the lower of cost and net realizable value. The costs for raw materials, auxiliary materials and operating materials and goods include the purchase price and ancillary costs less trade discounts received. The conversion costs for 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 realisable value is defined as the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

When measuring inventories, the marketability, age and all identifiable price, quality and storage risks are considered.

### 1.7.12 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 recognised at the expected settlement amount. Non-current provisions are discounted to the present value as of the balance sheet date using respective market interest rates.

### 1.7.13 Share-based payments

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

The fair value of share-based payments is determined at grant date by applying Monte Carlo simulations taking into account the conditions under which employee options were granted and is calculated on a straight-line basis over the vesting period as personnel expense (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 usually begins on the grant date of the share-based payment award. However, expenses can also be recognized at an earlier date if the provision of services by the employee begins before the formal approval of the share-based payment award.

Expense is not recognised for stock option 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 considered 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 on the basis of non-market exercise conditions. Possible changes to the original estimates are recognized in profit or loss with a corresponding posting in a contra equity account.

***Cash-settled share-based payments***
The Group issued virtual shares in the 2021 financial year. According to IFRS 2, the virtual shares are recognized as cash-settled share-based payments. The Group measures the fair value of the liability resulting from the virtual shares at each balance sheet date and on the settlement date. Changes in fair value are recognized as personnel expenses. The liability is recognized over the vesting period (if applicable).

The fair value of the liability is determined by applying Monte Carlo simulations, taking into account the conditions under which the virtual shares were granted.

### 1.7.14 Revenue recognition

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

In the Social Commerce and Retail segment (transaction business), retail products are sold to end customers and retailers via various sales channels. The performance obligation consists in the delivery of the product ordered by the customer. Thus, revenue is recognised at a point in time when control over an asset is transferred to the end customer by handing over the goods to the end customer. The transaction price is determined at the time of conclusion of the contract and does not contain any variable components at this time. In general, there is a statutory 14-day right of return for customers. In some cases, customers are granted an extended right of return by the Group. Since the customer is entitled to a right of return in the transactional business in any case, refund liabilities are recognized as of the relevant reporting dates. A claim for return of the goods is capitalized as another asset.

Within the social media segment, there are mainly three business models:

In the production business, TV productions and commercials for television stations are produced. Furthermore, the Group develops various IT applications in the form of websites, apps, etc. on behalf of customers and offers web hosting services. Production contracts with customers usually provide for the development and preparation 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 for individual productions, productions of a season of a series represent a single performance obligation within the meaning of IFRS 15. The revenues are realized over a period of time over the production period according to performance progress, because there is no alternative use for the company and the company generally has an enforceable claim for payment for services already provided at any time. Usually, the input-based method is applied to measure performance progress.

In the agency business, the Group generates revenue mainly from the execution of advertising campaigns. This includes a spectrum of different services that are provided over a fixed period of time. In general, campaigns are agreed for a relatively short period of time. Contracts usually provide for fixed consideration. The revenues are realized over a period of time over the term of the contract, as the customer receives and simultaneously consumes the benefits from the provision of the services. 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 influencer's career. Revenue recognition for these contracts is based over a period of time.

The event business involves hosting trade fairs and other events. The main customer contracts generally provide for three performance obligations: (i) provision/subletting of the event space, (ii) granting the right to use the company's trademarks, and (iii) name sponsorship. The transaction price includes fixed and variable consideration. Revenues are recognized over the period of the event or the respective contract period.

If payments are received before the contractual service is performed, they are recognized as contract liabilities. If revenue is realized before it is paid, a contract asset is to be recognized. The respective transaction price of individual customer contracts usually corresponds to the contractually stipulated, fixed consideration. Due to the business model of the respective companies, there are usually no (substantial) costs for obtaining or fulfilling customer contracts.

### 1.7.15 Income taxes

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

**Current taxes**
The current tax expense is calculated based on the taxable income for the year. Taxable income differs from the net profit of the year in the consolidated statement of comprehensive income due to expenses and income that are not taxable or tax-deductible or only taxable or tax-deductible in later financial years. The Group's liabilities for current taxes are calculated based on the applicable tax rates or, from the perspective of the balance sheet date, which will apply shortly.

**Deferred taxes**
In accordance with IAS 12, deferred taxes are calculated based on the internationally customary balance sheet-based liability method (liability method). Accordingly, deferred tax assets and liabilities are recognized for all temporary differences between the tax values and the carrying amounts in the consolidated balance sheet as well as for tax loss carryforwards.

Deferred tax assets on deductible temporary differences and 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. For the probable use of the tax loss carryforwards in subsequent periods, a 5-year period is taken as basis.

Deferred tax liabilities on temporary differences are always recognized.

Deferred tax assets and liabilities are also recognized on temporary differences arising from acquisitions, except for temporary differences on goodwill, provided that these are not taken into account for tax purposes.

For the calculation of deferred taxes, the tax rates of future years are used if they are already legally stipulated, or the legislative process has essentially been completed. Changes in deferred tax items on the balance sheet generally result in deferred tax expenses and income. To the extent that certain items result in deferred tax items being recognized in other comprehensive income, the changes in deferred tax items are also recognized in other comprehensive income.

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

### 1.7.16 Subsidies from the public sector

Government grants, including non-monetary grants at fair value, shall only be recognized if there is adequate certainty that:

a) the company will fulfil the conditions attached thereto; and
b) the grants are made available.

The grants are recognized as income over those periods in which the corresponding expenses intended to be compensated are incurred. Grants received for the compensation of expenses already incurred or for immediate financial support, regardless of future expenses, are recognized in profit or loss in the period of entitlement.

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

### 1.7.17 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 and not through continued use. It is measured at the lower of carrying amount or fair value less cost of disposal. A discontinued operation is a component of a company that has been sold, that is classified as held for sale or whose business operations have been discontinued.

## 1.8 Critical estimates and discretions

In applying accounting policies, the management has made discretionary decisions that materially affect the amounts in the consolidated financial statements. Accordingly, when preparing the consolidated financial statements, assumptions and estimates must be made to a certain extent which affect the amount and presentation of assets and liabilities recognized in the balance sheet, income and expenses and contingent liabilities for the reporting period. The assumptions and estimates rest on premises which are based on the currently available state of knowledge. In particular, with regard to the expected future business development, the circumstances existing at the time of the preparation of the consolidated financial statements as well as the future development of the environment, which was considered realistic, were taken as a basis. Due to developments of framework conditions deviating from the assumptions and being beyond the control of management, the amounts reported may deviate from the originally expected estimates.

The main forward-looking assumptions and other material sources of uncertainties regarding estimates existing at the reporting date that pose a significant risk that adjustments of the carrying amounts of assets and liabilities may be necessary within the following reporting periods are outlined below.

***Estimates regarding purchase price allocations***
In the context of acquisitions, estimates are generally made regarding the fair value of the assets and liabilities acquired. Land, buildings and technical equipment and machinery are usually valued by an independent expert, while marketable securities are valued at their market value. Expert opinions on the fair values of property, plant and equipment are subject to uncertainties due to the necessary use of assumptions. For intangible assets, fair values are determined using appropriate valuation methods, which are generally based on a forecast of all future cash flows. Depending on the type of asset and the availability of information, different valuation methods are used, which can be differentiated by cost-, market-price- and capital-value-oriented methods. The net present value method should be emphasized due to its particular importance in the valuation of intangible assets. The so-called relief-from-royalty method is used when valuing licenses, which, inter alia, estimates cost savings resulting from the company holding the licenses itself and not having to pay fees to a licensor. The resulting savings, after discounting, yield the value to be recognized for the intangible asset. Valuations of intangible assets,

require estimates of the economic useful lives which are subject to uncertainties due to the necessary use of assumptions. When determining the fair values of contingent liabilities, assumptions must also be made with regard to the probability of occurrence. These assumptions are also subject to uncertainties due to their nature.

***Value adjustments on receivables***

When assessing the amount of loss allowances and impairments the management relies on the principle of individual valuation. The estimated need for individual value adjustments is partly based on subjective assessments of the credit rating and default risk of the customers and is 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 if the realization of the associated tax benefits through future taxable profits is considered probable based on management's profit forecasts for the Group companies. The forecasts are subject to uncertainty.

***Provisions***

Provisions are different from other liabilities regarding uncertainties as to the timing or amount of expenditure required in the future. Due to diverging economic and legal assessments and the difficulties to determine the probability of occurrence, there are significant recognition and measurement uncertainties.

***Share-based payments***

The Group calculates the expense from option programs on the basis of the fair value on the date of grant. Estimating fair value requires determining the most appropriate valuation method, which depends on the terms of the option program. It is also necessary to determine the input factors for the valuation model (share price, strike price, risk-free interest rate, expected volatility and maturity).

***Impairment of intangible assets, property, plant and equipment and right-of-use assets***

As part of the determination of the impairment of intangible assets, property, plant and equipment and right-of-use assets, estimates are made that relate, inter alia, to the cause, timing, and amount of the impairment. An impairment is based on a variety of factors. In general, changes in current competitive conditions, expectations regarding the growth of the Group's sales markets, increases in the cost of capital, changes in the future availability of financial resources, technological obsolescence, the discontinuation of services, current replacement costs, purchase prices paid in comparable transactions and other changes affecting the environment that indicate an impairment are considered. Management is required to make material estimates regarding the identification and review of indications of impairment, the estimation of future cash flows, the determination of 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 influence the determination of fair values, which reflect the risks of macroeconomic development. This could negatively impact future earnings.

***Recoverable amount of cash-generating units***

The determination of the recoverable amount of a cash-generating unit is associated with estimates by the management. The methods used to calculate the recoverable amount include discounted cash flow methods and methods using market prices as a basis. Discounted cash flow valuations are based on forecasts derived from financial plans approved by management and which are also used for internal purposes. The selected planning horizon reflects the assumption for short- to medium-term market developments and is chosen to obtain a stable business outlook of the company necessary for the calculation of the perpetual annuity.

Cash flows that extend beyond internal medium-term planning are calculated on the basis of 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 unit operates. In order to achieve sustainable growth rates, set for the perpetual annuity period, additional sustainable investments which are individually derived for each cash-generating unit are considered. The key assumptions on which the calculation of the recoverable amount is based include the following assumptions, which are essentially determined internally and derived from past experience broadened by current internal expectations and corroborated by external market data and estimates: revenue development, customer acquisition and retention costs, termination rates, investments, market shares and types of growth. Discount rates are determined based on external market-derived variables, taking into account the risks associated with the cash-generating unit (market and country risks). Future changes in the aforementioned assumptions may have a material effect on the fair values of the cash-generating units. Potential changes of these assumptions may have a negative impact due to future developments of the macroeconomic situation, competition and regulatory interventions.

## 2 Segment reporting

The business segments reflect the Group's management structures and the way in which financial information is regularly reviewed by the chief decision-maker, defined as the Executive Board. The Executive Board is also responsible for allocating resources and assessing the performance of the business segments.

The TSC Group reports on the business segments Social Commerce, Social Media and Retail (DS Group).

In the Social Commerce business segment, the TSC Group creates, promotes and sells its own direct-to-consumer brands. The focus is on the three areas ("Verticals") Food, Home & Living, Beauty & Health. Online stores are the most efficient points of sale for direct-to-consumer brands. More than 70 percent of direct-to-consumer sales are generated through operating our own online shops. Social commerce enables the Group to create and scale brands more efficiently with an expected sustainably higher margin potential.

In the Social Media business segment, the Group owns, publishes and manages some of the largest social communities worldwide. The group has 86 million followers worldwide and regularly engages hundreds of influencers to reinforce its own brand messages and inspire existing and potential customers.

In the Retail business segment (DS Group), the TSC Group specializes in the production, import and distribution of innovative products in the consumer goods industry. As one of Europe's largest developers and suppliers of non-food articles, the Group supplies food retailers, discounters, drugstores, DIY stores, specialist retailers, cash & carry, hypermarkets, mail order companies, home shopping and online marketplaces with over 4,000 articles. With its own brands, such as the oldest German grill manufacturer LANDMANN, and numerous other brands, the DS Group is one of Europe's largest suppliers of the retail sector in its field. In addition, the DS Group has extensive capacities in the areas of sourcing, product development and logistics. Its existing multi-channel sales system expands the sales opportunities and point of sales for existing brands and products of the entire Group. Its brand and product portfolio is complementary to the existing social commerce product categories of the social commerce segment. The majority of the retail brands and DS products are suitable for direct marketing to end customers and thus offers great potential for synergies.

The Executive Board measures the performance of the segments by means of EBITDA calculated in accordance with IFRS. The segment earnings measure EBITDA is defined as earnings before interest, income taxes and depreciation and amortization.

The operating segments are reported in accordance with IFRS.

### Segmentinformationen 2021

| in EUR thousand | Social Commerce | Social Media | Retail (DS Group) | Holding/ Other | Consolidation | Group |
|---|---|---|---|---|---|---|
| Revenue from external customers | 239,449 | 49,832 | 21,500 | 1,891 | 0 | 312,672 |
| thereof sale of merchandise | 239,342 | 0 | 21,253 | 0 | 0 | 260,594 |
| thereof agency business | 0 | 40,965 | 0 | 168 | 0 | 41,133 |
| thereof production | 0 | 4,293 | 0 | 1,339 | 0 | 5,632 |
| thereof events | 0 | 4,563 | 0 | 0 | 0 | 4,563 |
| thereof other revenue | 107 | 11 | 248 | 383 | 0 | 749 |
| Revenue from other segments | 810 | 1,025 | 0 | 9,213 | -11,048 | 0 |
| **Earnings before interest, tax, depreciation and amortization (EBITDA)** | **-6,052** | **1,582** | **2,170** | **-20,932** | **254** | **-22,978** |
| Cash and cash equivalents | 1,889 | 5,933 | 4,645 | 3,976 | 0 | 16,443 |

### Segmentinformationen 2020

| in EUR thousand | Social Commerce | Social Media | Retail (DS Group) | Holding/ Other | Consolidation | Group |
|---|---|---|---|---|---|---|
| Revenue from external customers | 104,478 | 24,623 | 0 | 993 | 0 | 130,094 |
| thereof sale of merchandise | 103,530 | 0 | 0 | 0 | 0 | 103,530 |
| thereof agency business | 0 | 16,636 | 0 | 0 | 0 | 16,636 |
| thereof production | 0 | 4,349 | 0 | 956 | 0 | 5,305 |
| thereof events | 876 | 3,588 | 0 | 0 | 0 | 4,464 |
| thereof other revenue | 72 | 49 | 0 | 37 | 0 | 157 |
| Revenue from other segments | -2,781 | 2,979 | 0 | 4,299 | -4,496 | 0 |
| **Earnings before interest, tax, depreciation and amortization (EBITDA)** | **3,575** | **-638** | **0** | **-10,686** | **360** | **-7,389** |
| Cash and cash equivalents | 5,684 | 2,344 | 0 | 1,333 | 0 | 9,361 |

In the Retail segment (DS Group), revenues are generated in the Verticals Products, Beem, Landmann and Intrading.

Revenue for each country with significant revenue is reported separately as follows:

| in EUR thousand | 2021 | 2020 |
|---|---|---|
| Germany | 235,908 | 92,345 |
| United Kingdom | 16,368 | 13,869 |
| United States | 13,911 | 6,559 |
| Austria | 11,719 | 4,488 |
| Czech Republic | 8,137 | 4 |
| France | 6,526 | 2,242 |
| Switzerland | 4,739 | 1,039 |
| Italy | 3,153 | 1,133 |
| Netherlands | 2,103 | 2,602 |
| Poland | 1,911 | 33 |
| Spain | 1,113 | 637 |
| Sweden | 1,101 | 378 |
| Europe (other) | 5,601 | 4,652 |
| Asia and America (other) | 382 | 113 |
| **Revenue from external customers** | **312,672** | **130,094** |

Sales revenues are allocated to the countries on the basis of the customer‘s location. The TSC Group realizes revenues from business transactions with a broad customer base. In the financial years 2021 and 2020, the revenue share of each external customer or group of companies that is deemed one external customer is less than 10% of the Group‘s revenues.

Property, plant and equipment, intangible assets (incl. Goodwill) and rights-of-use assets by country are reported separately as follows.

| in EUR thousand | 2021 | 2020 |
|---|---|---|
| Germany | 304,037 | 98,915 |
| United Kingdom | 34,016 | 31,420 |
| United States | 1,784 | 3,843 |
| Other | 1,826 | 0 |
| **Intangible assets, property, plant and equipment and right-of-use assets of the Group** | **341,663** | **134,178** |

## 3 Notes to the Consolidated Income Statement

### 3.1 Revenues

Revenues developed as follows:

| in EUR thousand | 2021 | 2020 |
|---|---|---|
| Sales of commercial products | 260,594 | 103,530 |
| Agency business | 41,133 | 16,636 |
| Production | 5,632 | 5,305 |
| Events | 4,563 | 4,464 |
| Other revenue | 749 | 157 |
| **Revenues** | **312,672** | **130,094** |

Revenues from events include rental income from the short-term subletting of usable space at events and trade fairs in the event business in the amount of EUR 7 thousand (prior year  EUR 1,125 thousand).

### 3.2 Other operating income

| in EUR thousand | 2021 | 2020 |
|---|---|---|
| Income from foreign currency translation | 2,488 | 71 |
| Insurance compensation / Damages | 213 | 92 |
| Income from the derecognition of liabilities | 196 | 435 |
| Income from the disposal of property, plant and equipment | 96 | 171 |
| Income from other services | 84 | 77 |
| Income from the deconsolidation of subsidiaries | 0 | 5,656 |
| Other income | 1,412 | 1,275 |
| **Other operating income** | **4,488** | **7,777** |

Income from foreign currency conversion comprises both the positive effects from the translation of assets and liabilities at the closing rate and the income from the measurement at fair value of foreign currency derivatives held for trading. The increase resulted from the change in the scope of consolidation, in particular from the addition of the Clasen Bio Group and the DS Group.

Other operating income of the prior year  includes income from the deconsolidation of the former Group subsidiary Solidmind Nutrition GmbH, which was sold on 30 June 2020.

## 3.3 Materialaufwand

| in EUR thousand | 2021 | 2020 |
|---|---|---|
| Expenses for raw materials, supplies and purchased goods | 181,427 | 34,443 |
| Expenses for services purchased | 21,739 | 33,259 |
| **Material expenses** | **203,167** | **67,702** |

## 3.4 Personnel expenses

| in EUR thousand | 2021 | 2020 |
|---|---|---|
| Wages and salaries | 39,756 | 23,190 |
| Social security contributions | 4,948 | 2,792 |
| Share-based payments | 3,558 | 5,609 |
| **Personnel expenses** | **48,262** | **31,590** |

Personnel expenses include expenses for statutory pension provision in the amount of EUR 2,340 thousand (prior year EUR 1,481 thousand).

## 3.5 Other operating expenses

| in EUR thousand | 2021 | 2020 |
|---|---|---|
| Distribution expenses | 34,524 | 19,216 |
| Advertising and travel expenses | 20,371 | 10,097 |
| Legal and consulting expenses | 12,709 | 6,746 |
| Fees and contributions | 3,957 | 2,784 |
| Third-party services / external administrative expenses | 3,718 | 1,220 |
| Rent, leasing and royalties | 2,846 | 2,024 |
| Maintenance and repair | 1,672 | 992 |
| Administrative expenses | 1,519 | 1,306 |
| Office costs / ancillary rental costs | 1,488 | 706 |
| Insurance premiums | 1,381 | 241 |
| Foreign currency translation expenses | 919 | 102 |
| Other expenses | 4,203 | 69 |
| **Other operating expenses** | **89,308** | **45,503** |

## 3.6 Financial income and expenses

| in EUR thousand | 2021 | 2020 |
|---|---|---|
| Interest and similar income | 1,673 | 1,569 |
| Income from the measurement of financial instruments at fair value through profit or loss | 7,420 | 453 |
| **Financial income** | **9,093** | **2,022** |
| Interest expense on liabilities to banks, loans and similar liabilities | -7,060 | -4,134 |
| Interest expenses from convertible bonds | -1,681 | 0 |
| Interest expense from lease liabilities | -831 | -291 |
| Expenses arising from the measurement of financial instruments at fair value through profit or loss | -1,189 | -632 |
| Other financial expenses | -370 | 0 |
| **Financial expenses** | **-11,131** | **-5,057** |
| **Financial result** | **-2,038** | **-3,035** |

Income resulting from the measurement of financial instruments at fair value through profit or loss, includes an amount of EUR 3,526 thousand (prior year EUR 453 thousand) which is attributable to original financial instruments and an amount of EUR 3,894 thousand (prior year EUR 0 thousand) attributable to derivative financial instruments.

Expenses resulting from the measurement of financial instruments at fair value through profit or loss, include an amount of EUR 1,185 thousand (prior year EUR 353 thousand) which is attributable to original financial instruments and an amount of EUR 4 thousand (prior year EUR 279 thousand) attributable to derivative financial instruments.

## 3.7 Share of profit or loss of associates and joint ventures

| in EUR thousand | 2021 | 2020 |
|---|---|---|
| Share of profit or loss of joint ventures | -1,738 | -39 |
| Share of profit or loss of associates | 0 | 0 |
| **Share of profit or loss of associates and joint ventures** | **-1,738** | **-39** |

The share of profit or loss of associates and joint ventures results mainly from the impairment 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 31 December 2021, the Group's investments in joint ventures and associates amount to EUR 893 thousand (prior year EUR 2,621 thousand) and are accounted for using the equity method.

| in EUR thousand | 2021 | 2020 |
|---|---|---|
| Joint ventures | 22 | 2,621 |
| Associated companies | 872 | 0 |
| **Associates and joint ventures accounted for using the equity method** | **893** | **2,621** |

For changes in associates, see Note 1.5.2 Business Combinations.

In the following, financial information of material associates and joint ventures is presented in a summarized view. The summarized financial information presented represents amounts from the financial statements of the respective company including the adjustments made by the Group using the equity method. All material associates prepare consolidated financial information in accordance with IFRS.

Summarized financial information as of 31 December 2021 (in EUR thousand):

| Company | Gomago GmbH | Schreibathlet GmbH | Gentle Monkeys GmbH |
|---|---|---|---|
| Revenues | 601 | 356 | 761 |
| Net income of the year | 449 | 138 | -19 |
| Other comprehensive income | 0 | 0 | 0 |
| **Total comprehensive income** | **449** | **138** | **-19** |
| Dividends paid to the Group in the financial year | 0 | 0 | 0 |
| | | | |
| Non-current assets | 28 | 1 | 11 |
| Current assets | 1,292 | 154 | 233 |
| Non-current debt | 0 | 0 | 0 |
| Current debt | 319 | 35 | 127 |
| **Net assets** | **1,001** | **120** | **117** |

Reconciliation of financial information to the carrying amounts of associates (in EUR thousand)

| Company | Gomago GmbH | Schreibathlet GmbH | Gentle Monkeys GmbH |
|---|---|---|---|
| Net assets of the associate | 1,001 | 120 | 117 |
| Shareholding of the Group | 10.00% | 12.50% | 25.00% |
| Goodwill | 216 | 274 | 237 |
| **Carrying amount of the associate** | **316** | **289** | **266** |

Summarized financial information as of 31 December 2020 (in EUR thousand):

| Company | Media Part GmbH[1] | FFLV Inc |
|---|---|---|
| Revenues | 2,300 | - |
| Net income of the year | -57 | - |
| Other comprehensive income | 0 | - |
| **Total comprehensive income** | **-57** | **-** |
| Net income of the year includes: | | - |
| Depreciation | 5 | |
| Interest income | 0 | |
| Interest expense | 0 | - |
| Income taxes | 0 | - |
| Dividends paid to the Group in the financial year | 0 | - |
| | | |
| Non-current assets | - | 9,200 |
| Current assets | - | 0 |
| thereof cash and cash equivalents | - | 0 |
| Non-current debt | - | 0 |
| thereof other non-current financial liabilities | - | 0 |
| Current debt | - | 6,642 |
| thereof other current financial liabilities | - | 0 |
| **Net assets** | **-** | **2,558** |

[1] The disclosures refer to the period from January 1 to 31 August 2020. Media-Part GmbH was consolidated for the first time on 1 September 2020. Information on the gradual acquisition can be found in Note 1.5.2 Business Combinations.

Reconciliation of financial information to the carrying amounts of associates (in EUR thousand)

| Company | FFLV Inc |
|---|---|
| Net assets of the joint venture | 2,558 |
| Shareholding of the Group | 49.00 % |
| Goodwill | 1,345 |
| **Carrying amount of the joint venture** | **2,599** |

Summarized aggregate financial information of non-material associates accounted for using the equity method

| in EUR thousand | 2021 | 2020 |
|---|---|---|
| Total of carrying amounts | 22 | 22 |
| Total share in the annual result | 0 | 0 |
| Total share in total other comprehensive income | 0 | 0 |

## 3.8 Income taxes

| in EUR thousand | 2021 | 2020 |
|---|---|---|
| Tax expenses for the current period | -1,221 | -443 |
| Tax expenses for prior year s | -257 | -3 |
| **Current income taxes** | **-1,477** | **-446** |
| Income from deferred taxes | 6,267 | 7,150 |
| Expenses from deferred taxes | -4,686 | -5,906 |
| **Deferred taxes** | **1,581** | **1,243** |
| **Income tax expense (-) / income (+)** | **104** | **797** |

The following table presents 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 % (corporation tax rate of 15.00 % plus solidarity surcharge of 5.50 % and trade tax rate of 14.35 %). The tax rate of the domestic DS Holding, on the contrary, is 26.33% (corporation tax rate of 15.00% plus solidarity surcharge of 5.50% and trade tax rate of 10.51%). To determine the expected tax expense, a weighted income tax rate was applied, which was measured on the basis of the company-specific income statement for the purposes of tax reconciliation.

| in EUR thousand | 2021 | 2020 |
|---|---|---|
| **Result before tax** | **-80,562** | **-25,929** |
| Result from discontinued operations before taxes | -1,097 | -603 |
| **Earnings before taxes (incl. earnings from discontinued operations before taxes)** | **-81,658** | **-26,532** |
| Applicable income tax rate | 30.03 % | 30.18 % |
| **Expected tax expense (-) / income (+)** | **24,522** | **8,006** |
| Tax additions | -107 | 0 |
| Tax reductions | 1,095 | 0 |
| Tax rate differences | 144 | 243 |
| Non-recognition, depreciation and write-ups of deferred taxes on loss carryforwards | -10,882 | -4,302 |
| Actual and deferred taxes for prior year s | -262 | -3 |
| Deviations from income tax group / profit and loss transfer | 49 | 0 |
| Deviations from reclassifications to assets held for sale / liabilities held for sale | -533 | 0 |
| Companies accounted for using the equity method | -12 | -12 |
| Impairment of goodwill | -13,507 | -2,789 |
| Other permanent deviations | 104 | 0 |
| Other tax effects | -507 | -347 |
| **Actual tax expense (-) / income (+)** | **104** | **797** |

Income taxes in the amount of EUR 94 thousand (prior year EUR 81 thousand) recognized as a gain in other comprehensive income are attributable to financial instruments that are not subsequently reclassified to profit or loss.

## 3.9 Result from discontinued operations

**Social Chain Media und Commerce**

In December 2021, TSC AG decided to discontinue the business activities of Social Chain Media und Commerce GmbH, Berlin. The criteria for classification as „discontinued operations“ are fulfilled from this point on. The result of the subsidiary is reported in the consolidated statement of comprehensive income under the item „Result from discontinued operations“ together with other discontinued operations. The result and cash flow of Social Chain Media and Commerce, Berlin, is as follows:

| Result from the discontinued operations of Social Chain Media and Commerce (in EUR thousand) | 2021 |
|---|---|
| Revenue and other operating income | 0 |
| Consolidation of intra-group revenues | 0 |
| **External revenues and other operating income** | **0** |
| Expenses | -635 |
| Consolidation of intra-group expenses | 95 |
| **External expenses** | **-540** |
| **Result from operating activities** | **-540** |
| Income taxes | 0 |
| **Result from operating activities after taxes** | **-540** |
| thereof attributable to shareholders of the parent company | -499 |
| thereof attributable to non-controlling shareholders | -41 |
| | |
| Gain from the sale of discontinued operations | 0 |

| Cash flows from the discontinued operations of Social Chain Media and Commerce (in EUR thousand) | 2021 |
|---|---|
| Net cash flow from operating activities | -551 |
| Net cash flow from investing activities | -6 |
| Net cash flow from financing activities | 575 |
| **Net cash flow of the year** | **18** |

The Social Chain Media and Commerce is assigned to the Social Media segment.

**Social Moms**

In December 2021, TSC AG discontinued the business activities of its subsidiary Social Moms GmbH, Berlin. The criteria for classification as „discontinued operations“ are fulfilled from this point on. The result of the subsidiary is reported in the consolidated statement of comprehensive income under the item „Result from discontinued operations“ together with other discontinued operations. The result and cash flow of Social Moms GmbH, Berlin, is as follows:

| Result of the discontinued operations of Social Moms GmbH (in EUR thousand) | 2021 | 2020 |
|---|---|---|
| Revenue and other operating income | 151 | 230 |
| Consolidation of intra-group revenues | -17 | -5 |
| **External revenues and other operating income** | **134** | 225 |
| Expenses | -809 | -904 |
| Consolidation of intra-group expenses | 117 | 76 |
| **External expenses** | **-691** | -828 |
| **Result from operating activities** | **-557** | -603 |
| Income taxes | 0 | -1 |
| **Result from operating activities after taxes** | **-557** | -603 |
| thereof attributable to shareholders of the parent company | -443 | -468 |
| thereof attributable to non-controlling shareholders | -114 | -135 |
| | | |
| Gain from the sale of discontinued operations | 0 | 0 |

| Cash flows from the discontinued operations of Social Moms GmbH (in EUR thousand) | 2021 | 2020 |
|---|---|---|
| Net cash flow from operating activities | -590 | -711 |
| Net cash flow from investing activities | -35 | -32 |
| Net cash flow from financing activities | 625 | 741 |
| **Net cash flow of the year** | **0** | **-2** |

Social Moms GmbH is assigned to the Social Media segment.

## 3.10 Earnings per share

In calculating basic earnings per share, earnings attributable to holders of ordinary shares of the parent are divided by the weighted average number of ordinary shares outstanding during the reporting period.

The weighted average number of ordinary shares outstanding during the reporting period is the number of ordinary shares outstanding at the beginning of the reporting period, adjusted for the number of ordinary shares bought back or issued during the period multiplied by a time weighting factor. The time weighting factor is the ratio between the number of days on which the respective shares were outstanding and the total number of days of the period.

The diluted earnings per share result by adjusting the profit or loss attributable to the ordinary shareholders of the parent company and the weighted average number of ordinary shares outstanding during the reporting period by including the effect of all potentially dilutive ordinary shares, which comprise convertible instruments and stock options issued to employees. The calculation of diluted earnings per share does not take into account potential ordinary shares that have dilution protection with regard to earnings per share.

Basic and diluted earnings per share are calculated as follows:

| | 2021 | 2020 |
|---|---|---|
| Net income from continuing operations attributable to shareholders of the parent company (in EUR thousand) | -79,782 | -26,137 |
| Result from discontinued operations attributable to shareholders of the parent company (in EUR thousand) | -942 | -468 |
| Net income attributable to shareholders of the parent company (in EUR thousand) | -80,724 | -26,605 |
| Weighted average number of ordinary shares outstanding (in units) | 11,689,250 | 10,439,256 |
| **Earnings per share from continuing operations (basic + diluted) in EUR** | **-6.83** | **-2.50** |
| **Earnings per share from discontinued operations (basic + diluted) in EUR** | **-0.08** | **-0.04** |
| **Earnings per share (basic + diluted) in EUR** | **-6.91** | **-2.55** |

The following instruments have not been taken into account in the calculation of diluted earnings per share, as they would provide dilution protection in terms of earnings per share.

| | 2021 | 2020 |
|---|---|---|
| Stock options (in units) | 1,037,979 | 928,049 |
| Potential ordinary shares upon conversion of convertible bonds (in units) | 695,015 | 0 |

# 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 intan-gible assets | Trade-marks | Customer relations | Patents, concessions and other rights | Advance payments / intangible assets in development | Total |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| **As of 1 January 2021** | **135,140** | **251** | **18,548** | **6,657** | **1,038** | **212** | **161,846** |
| Changes in the scope of consolidation | 145,286 | 0 | 12,821 | 24,796 | 2,280 | 0 | 185,183 |
| Additions | 0 | 16 | 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 December 2021** | **278,675** | **267** | **31,487** | **31,173** | **3,666** | **3,355** | **348,624** |
| | | | | | | | |
| **Accumulated amortization and impairment** | | | | | | | |
| **As of 1 January 2021** | **-32,177** | **-73** | **-3,095** | **-2,091** | **-371** | **0** | **-37,806** |
| Current amortization[1)] | 0 | -2 | -2,440 | -1,476 | -287 | -18 | -4,222 |
| Amortization | -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 | 0 | 0 | -367 |
| **As of 31 December 2021** | **-77,262** | **-75** | **-5,347** | **-3,194** | **-510** | **-18** | **-86,406** |
| Carrying amount as of 1 January 2021 | 102,963 | 178 | 15,453 | 4,566 | 667 | 212 | 124,040 |
| Carrying amount as of 31 December 2021 | 201,413 | 193 | 26,139 | 27,979 | 3,157 | 3,337 | 262,218 |

[1] ) The amortization in the schedule of intangible assets and goodwill differs from the amortization in the consolidated income statement due to the amortization of the discontinued operations.

| in EUR thousand | Goodwill | Internally generated intangible assets | Trade-marks | Customer relations | Patents, concessions and other rights | Advance payments / intangible assets in development | Total |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| **As of 1 January 2020** | **122,995** | **75** | **18,537** | **4,583** | **925** | **2** | **147,116** |
| Changes in the scope of consolidation[1] | 5,227 | 176 | 493 | 2,119 | 404 | 212 | 8,630 |
| Reclassifications | 0 | 0 | 0 | 0 | 2 | -2 | 0 |
| Additions | 11,311 | 0 | 0 | 0 | 31 | 0 | 11,342 |
| Disposals | -2,697 | 0 | 0 | 0 | -318 | 0 | -3,015 |
| Exchange rate effects | -1,695 | 0 | -482 | -45 | -5 | 0 | -2,227 |
| **As of 31 December 2020[1]** | **135,140** | **251** | **18,548** | **6,657** | **1,038** | **212** | **161,846** |
| | | | | | | | |
| **Accumulated amortization and impairment** | | | | | | | |
| **As of 1 January 2020** | **-23,010** | **-59** | **-1,123** | **-1,166** | **-169** | **0** | **-25,527** |
| Changes in the scope of consolidation | 0 | 0 | 33 | 0 | 18 | 0 | 51 |
| Current amortization | 0 | -14 | -2,063 | -960 | -220 | 0 | -3,257 |
| Impairment | -9,244 | 0 | 0 | 0 | 0 | 0 | -9,244 |
| Exchange rate effects | 77 | 0 | 59 | 35 | 0 | 0 | 171 |
| **As of 31 December 2020** | **-32,177** | **-73** | **-3,095** | **-2,091** | **-371** | **0** | **-37,806** |
| | | | | | | | |
| Carrying amount as of 1 January 2020 | 99,985 | 16 | 17,413 | 3,417 | 756 | 2 | 121,589 |
| Carrying amount as of 31 December 2020[1] | 102,963 | 178 | 15,453 | 4,566 | 667 | 212 | 124,040 |

[1] The figures differ from those reported in the 2020 Consolidated Financial Statements due to the final valuation of the acquisition of Carl Wilhelm Clasen GmbH. See also Note 1.5.2.

Details of the additions due to changes in the scope of consolidation and other additions to goodwill relate to the respective business combinations described in Note 1.5.2.

**Trademarks**
The main trademarks of the TSC Group are allocated as follows to the social media, social commerce and retail (DS Group) segments.

In the Social Media segment, the trademark "Social Chain" of Social Chain Ltd., UK, and Social Chain Inc., USA, with a total carrying amount of EUR 4,068 thousand (prior year EUR 4,322 thousand), the media trademarks of Media Chain Group Ltd., UK, in the amount of EUR 1,343 thousand (prior year: EUR 1,353 thousand) and the "Glow" trademark of Shine Conventions GmbH in the amount of EUR 1,021 thousand (prior year EUR 1,176 thousand) are to be named. All trademarks in the social media segment are amortized over a useful life of 10 years.

In the Social Commerce segment, the main trademarks comprise the „Ravensberger Matratzen" trademark of Ravensberger Matratzen GmbH with a carrying amount of EUR 1,913 thousand (prior year EUR 2,160 thousand), the „Lumaland" trademark of the companies Lumaland Vertriebs GmbH and Lumaland Inc., USA, with a total carrying amount of EUR 1,822 thousand (prior year EUR 2,085 thousand) and the „Urbanara" trademark of Urbanara GmbH with a carrying amount of EUR 1,172 thousand (prior year EUR 1,367 thousand). The trademark „Ravensberger Matratzen" is amortized over 10 years, the trademark „Lumaland (Europe)" over 9 years, the trademark „Lumaland (USA)" over 7 years and the trademark „Urbanara" over 8 years.

In the Retail segment (DS Group), the main trademarks include the trademarks „MAXX Series" with a carrying amount of EUR 6,845 thousand and the „Hoberg" trademark with a carrying amount of EUR 674 thousand (both of DS Produkte GmbH), the „Landmann" trademark of Landmann Germany GmbH with a carrying amount of EUR 3,784 thousand and the „Beem" trademark of Beem Germany GmbH with a carrying amount of EUR 1,347 thousand.

**Goodwill**
All goodwill was subjected to an impairment test in accordance with IAS 36 in the financial year. The Group carried out the annual impairment test for 2021 and 2020 at the end of each year.The impairment test is applied on cash-generating units (CGUs). Since the 2021 financial year, the CGUs have been identified at the level of the trademarks existing in the Group ("verticals") (individual companies until 2020), in accordance with the approach of Group management adjusted during the year. In the Social Commerce segment, these are the verticals "Food Chain", "Home & Living" and "Beauty & Health", in the segment Social Media the verticals "Agency Deutschland", "Agency U.K." and "Agency U.S." and in the Retail segment (DS Group) the verticals "DS Handel", "DS In-trading", "DS Landmann" and "DS Beem".

In particular, the two companies KoRo Handels GmbH (supplier of natural and ‚superfood' products) and Carl-Wilhelm-Clasen GmbH (organic food products), each with their subsidiaries, are assigned to the vertical „Food Chain".

The vertical „Home & Living" includes the companies Urbanara GmbH (living accessories), Lumaland Vertriebs GmbH (beanbags and living accessories), Ravensberger Matratzen GmbH (mattresses and sleeping systems), Möbelfreude Vertriebs GmbH (boxspring beds) and Vonmählen GmbH (high-end technology assessories).

The companies #DoYourSports (sporting goods) and Mabyen (products for mothers and babies) are mainly assigned to the „Beauty & Health" vertical.

The verticals "Social Agency Deutschland", "Social Agency UK " and "Social Agency US" result from the allocation of the entities of the Social Media segment responsible for mainly these markets, which are in particular the companies Shine Conventions GmbH (trade fair and event business), DEF Media GmbH (productions), Social Chain Germany GmbH, drtv.agency GmbH, Media Chain GmbH (all three marketing services) and sib Silvester in Berlin Veranstaltungen GmbH (events) for the vertical "Social Agency Deutschland".

The "others" vertical includes all companies that have not been allocated to one of the aforementioned verticals due to their specific business purpose, namely the companies Lions Chain GmbH, Links Logistics GmbH and Bytepark GmbH. In the context of impairment testing, the companies included in the "other" vertical are considered individually and not combined.

The recoverable amount of all cash-generating units is determined on the basis of the calculation of a value in use using cash flow forecasts based on financial plans prepared by management for a period of five years.

The pre-tax discount rate used for the cash flow forecasts is:

| Discount rate before tax | 2021 |
|---|---|
| SC Agency Deutschland | 16.1 % |
| SC Agency UK | 14.8 % |
| SC Agency USA | 16.0 % |
| Food Chain | 11.3 % |
| Home & Living | 17.5 % |
| Beauty & Health | 10.3 % |
| DS Handel | 9.1 % |
| DS In-trading | 8.9 % |
| DS Beem | 8.9 % |
| DS Landmann | 12.9 % |
| Other | 12.4 % to 15.1 % |

| Discount rate before tax | 2020 |
|---|---|
| **First and second round of contributions (2018)** | |
| Shine Convention GmbH | 12.18 % |
| Lion Chain GmbH | 14.50 % |
| DEF Media GmbH | 9.22 % |
| Media Chain GmbH | 10.36 % |
| Social Chain GmbH | 10.87 % |
| Other | 11.14 % |
| **Third Round of contributions (2019)** | |
| Social Chain Group Ltd. – Group | 10.91 % – 15.30 % |
| Media Chain Products GmbH | 10.78 % |
| Social Chain Germany GmbH | 10.73 % |
| KoRo Handels GmbH | 8.00 % |
| **Reverse acquisition of Lumaland AG – Group (2019)** | |
| Ravensberger Matratzen GmbH – Group | 13.22 % |
| Lumaland Vertriebs GmbH | 12.37 % |
| Lumaland Inc. | 12.07 % |
| Other | 8.47 % – 13.22 % |
| **Other acquisitions (2019)** | |
| Urbanara GmbH | 14.05 % |
| sib Silvester in Berlin Veranstaltungs GmbH | 12.18 % |
| drtv.agency GmbH | 11.70 % |
| Other | 10.36 % |

Cash flows after the five-year period are extrapolated using a growth rate of 1.0% (prior year 1.0%). This growth rate corresponds to the long-term average growth rate of companies based on an expected inflation of 2%.

The impairment test indicates that the carrying amount for the following verticals is below the recoverable amount and that an impairment must be recognized. The main reason lies in the changes of market conditions.

| in EUR thousand | Carrying amount | Value in use | Impairment | Segment |
|---|---|---|---|---|
| **2021** | | | | |
| Home & Living | 40,285 | 12,877 | -27,072 | Social Commerce |
| Beauty und Health | 13,177 | 1,857 | -9,041 | Social Commerce |
| Other | 16,416 | 7,342 | -8,865 | Other |
| **Total** | | | **-44,978** | |
| | | | | |
| **2020** | | | | |
| Lumaland Vertriebs GmbH | 29,989 | 22,480 | -7,509 | Social Commerce |
| drtv,agency GmbH | 6,708 | 5,203 | -1,505 | Social Media |
| Other | | | -230 | |
| **Total** | | | **-9,244** | |

***Basic assumptions for the calculation of the value in use and sensitivity analysis***
Most considerable uncertainties with regard to the calculation of the value in use of the companies presented above are the underlying assumptions regarding the EBITDA margin, the discount rate and the growth rate used to extrapolate the cash flow forecasts outside the forecast period.

***EBITDA margin***
The EBITDA margin is calculated using the average figures achieved in the two financial years prior to the start of the budget period. For the above verticals, the following projected EBITDA margins were used for the planning period.

| Budgeted – EBITDA margin | Impairment test 31 December 2021 |
|---|---|
| Home & Living | -6.2% to 5.2% |
| Beauty und Health | -82.7 % |
| Other | 0.0 % |

| Budgeted – EBITDA margin | Impairment test 31 December 2020 |
|---|---|
| Lumaland Vertriebs GmbH | 11.4 % |
| drtv.agency GmbH | 5.5 % |

EBITDA margins will be adjusted for expected efficiency gains over the five-year planning period. A decline in demand could reduce EBITDA margins. The following table shows the change in fair value in the event of a change in the EBITDA margin by 1 percentage point.

| Sensitivity – EBITDA margin | Impact on goodwill 31 December 2021 | |
|---|---|---|
| in EUR thousand | +1% | -1% |
| Home & Living | + 4,922 | - |
| Beauty und Health | - | - |
| Other | + 526 | - 526 |

| Sensitivity – EBITDA margin | Impact on goodwill 31 December 2020 | |
|---|---|---|
| in EUR thousand | +1% | -1% |
| Lumaland Vertriebs GmbH | + 1,514 | - 1,514 |
| drtv.agency GmbH | + 967 | - 967 |

### *Discount rate*

The discount rates represent the current market assessments with regard to the specific risks attributable to the cash-generating units. The interest rate effect and the specific risks of the assets for which the estimated future cash flows have not been adjusted are taken into account. The determination of the discount rate considers the specific circumstances of the Group and its business entities and is based on its average weighted cost of capital (WACC). The average weighted cost of capital factors in both debt and equity. The cost of equity is derived from the expected return on capital employed by the Group's equity providers. Market borrowing interest rates were used as debt costs. The business segment-specific risk is included through the application of individual beta factors. 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 tax cash flows. The following table shows the change in the fair value if the discount rate is changed by 1 percentage point.

| Sensitivity – discount rate | Impact on goodwill 31 December 2021 | |
|---|---|---|
| in EUR thousand | +1% | -1% |
| Home & Living | - | + 2,009 |
| Beauty und Health | - | - |
| Other | - | - |

| Sensitivity – discount rate | Impact on goodwill 31 December 2020 | |
|---|---|---|
| in EUR thousand | +1% | -1% |
| Lumaland Vertriebs GmbH | - 2,233 | + 2,233 |
| drtv.agency GmbH | - 521 | + 521 |

### *Growth rate*

Estimated growth rates are based on the long-term average growth rate of companies including an expected inflation of 2%. The Group acknowledges that the speed of technological change and potential new competitors could materially affect growth rate assumptions. The entry of new competitors into the market is not expected to have a negative impact on the forecasts. The following table shows the change in fair value if the growth rate changes by 0.5 percentage points (prior year 0.25 percentage points).

| Sensitivity – Growth rate | Impact on goodwill 31 December 2021 | |
|---|---|---|
| in EUR thousand | +0,5% | -0,5% |
| Home & Living | + 117 | - |
| Beauty und Health | - | - |
| Other | - | - |

| Sensitivity – Growth rate | Impact on goodwill 31 December 2020 | |
|---|---|---|
| in EUR thousand | +0,25% | -0,25% |
| Lumaland Vertriebs GmbH | + 368 | - 368 |
| drtv.agency GmbH | + 87 | + 87 |

The following tables provide an overview of the reported goodwill per CGU (aggregated view) and their carrying amounts for both balance sheet dates.

| Vertical | 1 January 2021 | Additions | Impairment | Currency effect | Reclassification to assets held for sale | 31 December 2021 |
|---|---|---|---|---|---|---|
| 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 | | 0 |
| Beauty & Health | 9,041 | | -9,041 | | | 0 |
| DS In-Trading | 0 | 59,261 | | | | 59,261 |
| DS Trading | 0 | 58,490 | | 2 | | 58,492 |
| DS Beem | 0 | 16,554 | | | | 16,554 |
| DS Landmann | 0 | 10,778 | | -7 | | 10,771 |
| Other | 9,398 | | -8,865 | | | 532 |
| **Total** | **102,963** | **145,286** | **-44,978** | **1,586** | **-3,444** | **201,413** |

Due to the provisional nature of the values determined in the context of the purchase price allocations (PPAs) for the DS Group, the value of the goodwill and its allocation to the verticals DS In-trading, DS Handel, DS Beem and DS Landmann is therefore also provisional.

| | 01/01/ 2020 | Additions | Disposal | Impair-ment | Currency effect | 31/12/ 2020 |
|---|---|---|---|---|---|---|
| **First and second rounds of contributions** | | | | | | |
| Shine Convention GmbH | 9,634 | | | | | 9,634 |
| Lion Chain GmbH | 8,356 | | | | | 8,356 |
| DEF Media GmbH | 6,991 | | | | | 6,991 |
| Media Chain GmbH | 1,251 | | | | | 1,251 |
| Social Chain GmbH | 40 | | | | | 40 |
| Other | 688 | | | | | 688 |
| | | | | | | |
| **Third round of contributions** | | | | | | |
| Social Chain Group Ltd. – Group | 26,008 | | | | -1,368 | 24,640 |
| Media Chain Products GmbH | 4,731 | | | | | 4,731 |
| Social Chain Germany GmbH | | 4,265 | | | | 4,265 |
| KoRo Handels GmbH | 1,860 | 1,577 | | | | 3,437 |
| World Fitness GmbH | 587 | | | | | 587 |
| Solidmind Nutrition GmbH | 1,213 | 1,484 | -2,697 | | | 0 |
| | | | | | | |
| **Reverse acquisition of Lumaland AG – Group** | | | | | | |
| Ravensberger Matratzen GmbH – Group | 7,766 | | | | | 7,766 |
| Lumaland Vertriebs GmbH | 24,570 | | | -7,509 | | 17,061 |
| Lumaland Inc. | 2,963 | | | | -250 | 2,713 |
| Other | 509 | | | | | 509 |
| | | | | | | |
| **Other acquisitions** | | | | | | |
| Carl Wilhelm Clasen GmbH – Group | | 3,366 | | | | 3,366 |
| Urbanara GmbH | | 3,422 | | | | 3,422 |
| sib Silvester in Berlin Veranstaltungs GmbH | 1,497 | 59 | | | | 1,556 |
| drtv.agency GmbH | 1,260 | 2,082 | | -1,505 | | 1,837 |
| Other | 60 | 284 | | -230 | | 114 |
| **Total** | **99,985** | **16,539** | **-2,697** | **-9,244** | **-1,618** | **102,963** |

## 4.2 Property, plant and equipment

The development of property, plant and equipment is presented in the following tables.

| in EUR thousand | Land and buildings | Technical plants and machines | Opera-ting and business equipment | Advance payments and equipment under construction | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| **As of 1 January 2021** | **1,646** | **1,168** | **2,550** | **5** | **5,369** |
| Changes in the scope of consolidation | 11,066 | 37 | 4,587 | 76 | 15,767 |
| Additions | 10 | 2,125 | 1,145 | 0 | 3,281 |
| Disposals | 0 | -2,100 | -228 | -64 | -2,392 |
| Reclassifications to assets held for sale | 0 | -135 | -150 | 0 | -285 |
| Exchange rate effects | 0 | 2 | 330 | 0 | 332 |
| **As of 31 December 2021** | **12,721** | **1,098** | **8,235** | **18** | **22,071** |
| | | | | | |
| **Accumulated depreciation and impairments** | | | | | |
| **As of 1 January 2021** | **0** | **-28** | **-565** | **0** | **-593** |
| Current depreciation[1] | -109 | 39 | -880 | 0 | -950 |
| 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 December 2021** | **-109** | **14** | **-1,512** | **-5** | **-1,611** |
| | | | | | |
| Carrying amount as of 1 January 2021 | 1,646 | 1,140 | 1,985 | 5 | 4,776 |
| Carrying amount as of 31 December 2021 | 12,613 | 1,112 | 6,723 | 13 | 20,460 |

[1] The depreciation in the schedule of property, plant and equipment differs from the depreciation in the consolidated profit or loss statement due to the depreciation of the discontinued operations.

| in EUR thousand | Land and buildings | Technical plants and machines | Operating and business equipment | Advance payments and equipment under construction | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| **As of 1 January 2020** | **0** | **121** | **1,649** | **0** | **1,770** |
| Changes in the scope of consolidation | 1,646 | 1,038 | 487 | 5 | 3,176 |
| Additions | 0 | 13 | 779 | 0 | 792 |
| Disposals | 0 | 0 | -189 | 0 | -189 |
| Exchange rate effects | 0 | -4 | -176 | 0 | -180 |
| **As of 31 December 2020** | **1,646** | **1,168** | **2,550** | **5** | **5,369** |
| | | | | | |
| **Accumulated depreciation and write-downs** | | | | | |
| **As of 1 January 2020** | **0** | **-14** | **-121** | **0** | **-135** |
| Current depreciation | 0 | -14 | -543 | 0 | -557 |
| Disposals | 0 | 0 | 2 | 0 | 2 |
| Exchange rate effects | 0 | 0 | 97 | 0 | 97 |
| **As of 31 December 2020** | **0** | **-28** | **-565** | **0** | **-593** |
| | | | | | |
| Carrying amount as of 1 January 2020 | 0 | 107 | 1,528 | 0 | 1,635 |
| Carrying amount as of 31 December 2020 | 1,646 | 1,140 | 1,985 | 5 | 4,776 |

Details of the additions due to the changes in the scope of consolidation relate to the respective business combinations described in section 1.5.2.

## 4.3 Leases

### Lessee

The leasing contracts mainly relate to buildings (e.g. office buildings and warehouses) and have a term of between 3 and 10 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 the rights-of-use assets is shown in the following tables.

| in EUR thousand | Rights of use for land and buildings | Rights of use for technical plants and machines | Rights of use for other facilities, business equipment, vehicle fleet | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| **As of 1 January 2021** | **7,186** | **1,337** | **347** | **8,870** |
| Changes in the scope of consolidation | 34,709 | 9 | 1,832 | 36,550 |
| Additions | 12,723 | 3,948 | 306 | 16,977 |
| Disposals | -910 | 0 | 0 | -910 |
| Reclassification to assets held for sale | -190 | -63 | -31 | -283 |
| Exchange rate effects | 216 | 0 | 0 | 216 |
| **As of 31 December 2021** | **53,735** | **5,231** | **2,454** | **61,419** |
| | | | | |
| **Accumulated depreciation and impairments** | | | | |
| **As of 1 January 2021** | **-3,314** | **0** | **-194** | **-3,508** |
| Current depreciation | -2,797 | -713 | -178 | -3,688 |
| Transfer to assets held for sale | 109 | 13 | 7 | 129 |
| Exchange rate effects | -83 | 0 | 0 | -83 |
| **As of 31 December 2021** | **-6,085** | **-701** | **-364** | **-7,150** |
| | | | | |
| Carrying amount as of 1 January 2021 | 3,872 | 1,337 | 153 | 5,361 |
| Carrying amount as of 31 December 2021 | 47,650 | 4,530 | 2,089 | 54,269 |

| in EUR thousand | Rights of use for land and buildings | Rights of use for technical plants and machines | Rights of use for other facilities, business equipment, vehicle fleet | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| **As of 1 January 2020** | **5,387** | **0** | **253** | **5,641** |
| Changes in the scope of consolidation | 0 | 1,337 | 94 | 1,430 |
| Additions | 1,921 | 0 | 0 | 1,921 |
| Exchange rate effects | -122 | 0 | 0 | -122 |
| **As of 31 December 2020** | **7,186** | **1,337** | **347** | **8,870** |
| | | | | |
| **Accumulated depreciation and impairments** | | | | |
| **As of 1 January 2020** | **-1,055** | **0** | **-115** | **-1,170** |
| Current depreciation | -2,301 | 0 | -137 | -2,438 |
| Exchange rate effects | 42 | 0 | 0 | 42 |
| **As of 31 December 2020** | **-3,314** | **0** | **-194** | **-3,508** |
| | | | | |
| Carrying amount as of 1 January 2020 | 4,332 | 0 | 196 | 4,528 |
| Carrying amount as of 31 December 2020 | 3,872 | 1,337 | 153 | 5,361 |

Furthermore, rights-of-use assets in the amount of EUR 154 thousand (prior year EUR 0 thousand) were included in „Assets held for sale" as of the balance sheet date.

Lease liabilities are reported in the balance sheet under „Non-current financial liabilities" and „Other current financial liabilities" as well as in „Liabilities held for sale" and have the following maturities as of the balance sheet date.

| in EUR thousand | 2021 | 2020 |
|---|---|---|
| Maturity > 1 year | 47,389 | 3,732 |
| Maturity < 1 year | 7,245 | 2,097 |
| Held for sale | 158 | 0 |
| **Total** | **54,792** | **5,830** |

The following amounts were recognized in the profit or loss statement for leases.

| in EUR thousand | 2021 | 2020 |
|---|---|---|
| Interest expense on lease liabilities | -831 | -291 |
| Depreciation of right-of-use assets | -3,673 | -2,422 |
| Lease income from subleases | -59 | -48 |
| Leasing expenses from short-term leases | -58 | -195 |
| Leasing expenses from low-value leases | -645 | -989 |
| **Total** | **-5,265** | **-3,945** |

In the 2021 financial year, total payments of EUR 4,475 thousand (prior year EUR 2,657 thousand) were made for leases.

Short-term leases and leases of low value result in financial obligations (excluding ancillary costs) of EUR 269 thousand (of which EUR 112 thousand are current and EUR 157 thousand are non-current).

**Lessor**

In the 2020 financial year, the Group acted as lessor in the subletting of office space. The Group classified the sublease as a finance lease because the sublease had a term equivalent to the remaining term of the main lease. The lease expired in the financial year 2021.

In the 2020 financial year, EUR 24 thousand was recognized as financial income from the net investment in the lease. The net investment in the lease amounted to EUR 6 thousand as of 31 December 2020.

In addition to the long-term sublease described here, there are short-term subleases described in Section 3.1 Revenues in which the Group acts as lessor.

## 4.4 Other financial assets

Other non-current and current financial assets are as follows.

| in EUR thousand | 2021 | 2020 |
|---|---|---|
| Securities | 0 | 8,838 |
| Shares in affiliated companies and other investments | 16,915 | 3,722 |
| Non-current loans to third parties | 3,653 | 449 |
| Non-current restricted cash and cash equivalents | 996 | 0 |
| Non-current derivative financial assets | 4,430 | 544 |
| Non-current deposits | 453 | 424 |
| Other non-current financial assets | 0 | 78 |
| **Other non-current financial assets** | **26,447** | **14,055** |
| Current loans to third parties | 595 | 360 |
| Creditors with a debit balance | 3,002 | 53 |
| Current derivative financial assets | 1,391 | 66 |
| Current deposits | 285 | 84 |
| Other current financial assets | 1,180 | 752 |
| **Other current financial assets** | **6,453** | **1,314** |
| **Total other financial assets** | **32,901** | **15,369** |

The securities accounted for as of 31 December 2020 related to shares held in a listed company.

The other investments comprise shares in various companies in the amount of EUR 16,727 thousand (prior year EUR 3,076 thousand), which are mainly held by the subsidiaries Lions Chain GmbH, Berlin, and DS Impact GmbH, Stapelfeld, and measured at fair value through profit or loss. Further information on the other investments can be found in Note 7.3.3.

Investments in affiliated companies relate to subsidiaries and associates for which full consolidation or inclusion using the equity method is not carried out due to their minor significance for the presentation of the Group's financial position. Of this amount, subsidiaries account for EUR 15 thousand (prior year EUR 263 thousand) and associates for EUR 174 thousand (prior year EUR 383 thousand). The shares in these companies, as well as other investments, are measured at fair value through profit or loss in accordance with the provisions of IFRS 9 (FVTPL). An exception constitutes the investment in the associated company puffin GmbH, of which the management considers that recognising short-term variances in the fair value of this investment in the income statement is not in line with the Group's strategy of holding the investment for medium to long-term strategic purposes. Accordingly, the shares in puffin GmbH were designated as assets measured at fair value through other comprehensive income (FVOCI). The fair value of this investment amounts to EUR 174 thousand as of the balance sheet date (prior year EUR 383 thousand).

Current derivative financial assets mainly comprise currency derivatives that are used by a subsidiary to hedge exchange rate risks. Non-current derivative financial assets solely include acquired call options on minority shares.

Other financial assets mainly comprise receivables from payment service providers.

## 4.5 Income tax receivables

The income tax receivables reported at the balance sheet date mainly comprise capital gains tax and trade tax claims.

## 4.6 Other non-financial assets

Other non-current and current non-financial assets are as follows.

| in EUR thousand | 2021 | 2020 |
|---|---|---|
| VAT receivables | 0 | 12 |
| **Other non-current non-financial assets** | **0** | **12** |
| Assets from customer refund claims | 17,610 | 449 |
| Other tax refund | 5,939 | 582 |
| Advance payments on inventories | 5,893 | 2,281 |
| Advances paid on services | 1,405 | 465 |
| Prepaid expenses | 1,811 | 1,507 |
| Other non-financial assets | 1,457 | 1,331 |
| **Other current financial assets** | **34,115** | **6,616** |
| **Total other non-financial assets** | **34,115** | **6,628** |

The assets from customer refund claims relate mainly to a supply contract for masks, which provides for a right of return. Other financial liabilities include a corresponding reimbursement obligation.

## 4.7 Deferred tax assets and liabilities

Deferred tax assets and liabilities are allocated to the following balance sheet items:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| in EUR thousand | Deferred tax assets | Deferred tax liabilities | Deferred tax assets | Deferred tax liabilities |
| Intangible assets | 0 | 15,217 | 129 | 4,710 |
| Property, plant and equipment | 22 | 83 | 0 | 0 |
| Right-of-use assets | 1 | 1,016 | 0 | 0 |
| Shares accounted for using the equity method | 0 | 227 | 0 | 0 |
| Non-current trade receivables and other receivables | 8 | 0 | 0 | 10 |
| Other non-current financial assets | 5 | 1,702 | 337 | 842 |
| Other non-current non-financial assets | 0 | 0 | 5 | 3 |
| Inventories | 113 | 1,153 | 624 | 110 |
| Trade receivables and other receivables | 52 | 207 | 450 | 303 |
| Other current financial assets | 76 | 363 | 0 | 360 |
| Other current non-financial assets | 5 | 224 | 52 | 975 |
| Non-current provisions | 837 | 0 | 0 | 0 |
| Non-current financial liabilities | 692 | 783 | 342 | 79 |
| Other non-current non-financial liabilities | 45 | 0 | 96 | 0 |
| Current provisions | 62 | 15 | 181 | 59 |
| Current financial liabilities | 320 | 541 | 201 | 900 |
| Trade payables | 0 | 20 | 0 | 71 |
| Other current non-financial liabilities | 40 | 16 | 289 | 0 |
| Tax loss carryforwards | 3,107 | 0 | 0 | 0 |
| Reclassification to assets held for sale / liabilities | -845 | -264 | 0 | 0 |
| Other | 62 | -68 | 114 | -158 |
| **Deferred taxes according to balance sheet** | **4,602** | **21,235** | **2,820** | **8,266** |

As of 31 December 2021, there are corporate tax loss carryforwards in the amount of EUR 101,769 thousand and trade tax loss carryforwards in the amount of EUR 98,327 thousand. Deferred tax assets were recognized for tax loss carryforwards as of 31

December 2021, insofar as it is likely that sufficient taxable income will be available in future assessment periods to benefit from the loss carryforwards and to continue the tax loss carryforwards as expected. In the prior year , no deferred taxes were recognized for tax loss carryforwards.

The tax loss carryforwards are mainly attributable to domestic Group companies and do not expire.

## 4.8 Inventories

Inventories are composed as follows.

| in EUR thousand | 2021 | 2020 |
|---|---|---|
| Finished products and goods | 106,172 | 22,147 |
| Raw materials and supplies | 1,441 | 359 |
| Unfinished goods and services | 219 | 44 |
| **Inventories** | **107,832** | **22,549** |

In the reporting period, the write-downs of inventories to the net realisable value amounted to EUR 1,865 thousand (prior year EUR 156 thousand) and are included in the material expenses.

## 4.9 Contract assets and liabilities

The Group's contract assets and contractual liabilities are composed as follows.

| in EUR thousand | 2021 | 2020 |
|---|---|---|
| Current contract assets | 2,059 | 1,344 |
| Current contract liabilities | 4,348 | 1,063 |

The contract assets mainly relate to the Group's claims for consideration for services rendered but not yet settled as of the reporting date from the production business (Social Media segment). No impairment losses from contract assets were recognized in the 2021 and 2020 financial years. The contractual assets are reclassified to receivables if the rights become unconditional. This usually is the case when the Group issues an invoice to the customer.

Contract liabilities mainly relate to the advance payments received from customers for the production business, for which revenue is realized over a definite period of time, as well as from advance sales of tickets for events that do not take place until the following year.

The changes in contract assets and contract liabilities are mainly due to the respective performance progress of individual projects as well as the timing of invoicing to the customer. Due to the business model of the respective companies, these are usually short-term contract assets and contract liabilities.

The amount of EUR 1,063 thousand included in the contract liabilities as of 31 December 2020 was recognized as revenue in the 2021 financial year (prior year EUR 1,721 thousand). In the financial years 2021 and 2020, no significant revenue was generated from performance obligations fulfilled (or partially fulfilled) in previous periods.

In accordance with IFRS 15, the disclosure of the transaction price for the outstanding performance obligations was waived.

## 4.10 Trade receivables and other receivables

Trade receivables and other receivables are composed as follows.

| in EUR thousand | 2021 | 2020 |
|---|---|---|
| Trade receivables (gross) | 71,966 | 8,519 |
| Allowance on trade receivables | -1,272 | -1,157 |
| **Trade receivables (net)** | **70,693** | **7,361** |
| Accounts receivable other | 3,874 | 2,754 |
| **Trade receivables and other receivables** | **74,567** | **10,115** |

Trade receivables and other receivables do not bear interest and have a term of less than one year.

Trade receivables totalling EUR 2,601 thousand (prior year EUR 468 thousand) relate to balances of subsidiaries that are intended for sale to a factorer under a factoring agreement. These are measured at fair value through profit or loss.

Impairments of trade receivables measured at amortised cost are initially recognised as allowances, unless it can be assumed that the receivable becomes fully or partially uncollectible when the cause for the allowance triggered. In such cases, the carrying amount of the receivables is written-off immediately through profit or loss. The Group applies the simplified approach in accordance with IFRS 9 to measure the expected credit losses on trade receivables. For the explanatory notes on the measurement of expected credit losses, reference is made to the Notes 1.7.10 and 7.1.

For trade receivables, the following value adjustments were made.

| in EUR thousand | Value adjustment – not impaired in credit rating (level 2) | Value adjustment – impaired in credit rating (level 3) | Total |
|---|---|---|---|
| **As of 1 January 2020** | **38** | **1,382** | **1,420** |
| Additions | 102 | 322 | 424 |
| Use | 0 | -708 | -708 |
| Exchange rate and other effects | 3 | 19 | 22 |
| **As of 31 December 2020** | **143** | **1,015** | **1,157** |
| Additions | 56 | 667 | 723 |
| Use | -146 | -677 | -823 |
| Change in the scope of consolidation | 20 | 442 | 461 |
| Reclassification to assets held for sale | 0 | -250 | -250 |
| Exchange rate and other effects | 0 | 3 | 3 |
| **As of 31 December 2021** | **73** | **1,200** | **1,272** |

The relatively high additions to value adjustments for trade receivables of level 3 mainly relate to receivables from a manageable number of counterparties whose credit rating is considered to be impaired due to long overdue outstanding receivables and/or the expected opening of insolvency proceedings.

Significantly lower credit losses are expected for the other counterparties due to insignificant default risks as assessed by management. For further information on credit risk management, please refer to Note 7.1 Credit and Default Risk.

## 4.11 Cash and cash equivalents

The cash and cash equivalents are composed as follows.

| in EUR thousand | 2021 | 2020 |
|---|---|---|
| Cash at hand | 76 | 30 |
| Bank account balances | 15,819 | 8,277 |
| Other cash equivalents | 548 | 1,054 |
| **Cash and cash equivalents** | **16,443** | **9,361** |

Balances account banks were not pledged as of 31 December 2021 and 31 December 2020.

For explanations of credit risks, please refer to Note 7.1 Credit and default risk.

## 4.12 Assets and liabilities held for sale

**FFLV Group**

As of 31 December 2021, the Group classified the equity-accounted investment in the FFLV Group and two loans granted to the FFLV Group as non-current assets held for sale. The investment in the FFLV Group was impaired to an amount of EUR 883 thousand and an expense of EUR 1,766 thousand was recognized as a share of the profit or loss of associates and joint ventures. The loans were impaired to EUR 2,207 thousand and an expense of EUR 243 thousand was recognised in the financial result.

As of 31 December 2020, the Group acquired 49% of the shares in FFLV Inc., Delaware (purchase price EUR 2,599 thousand (USD 3,000 thousand)). Additionally, a voting agreement was concluded for the benefit of TSC AG. Due to additionally agreed management arrangements for the benefit of the minority shareholder, the acquired company FFLV Inc. was deemed a joint venture as of 31 December 2020 and included in the Consolidated Financial Statements as an investment accounted for using the equity method.

The following companies are investment companies of FFLV Inc.:

- A4D Inc., Karlsbad (USA); a company specializing in digital performance marketing (4.9% indirect shareholding of TSC AG)
- Coral LLC, Carson City (USA); a consumer goods company that sells oral hygiene products and dietary supplements (24.99% indirect shareholding of TSC AG)

In June 2021 , the Group's management decided to dispose of its stake in FFLV as the FFLV Group does not fit into the Group's investment portfolio. Advanced negotiations on the contemplated disposal had already commenced with a potential buyer.

The investment in the FFLV Group is still accounted for using the equity method (impact on consolidated net income 2021 EUR -1,738 thousand) and the loan granted to the FFLV Group is recognised at amortised cost (impact on consolidated net income 2021 EUR -243 thousand).

The FFLV Group is assigned to the Holding/Other segment.

**KoRo Handels GmbH**

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 dispose of its majority stake in KoRo.

As a consequence, the Group has classified all assets and liabilities of KoRo and its fully consolidated subsidiary Koro Eis GmbH, Berlin, as assets or liabilities held for sale as of 31 December 2021.

KoRo's assets also include the following subsidiaries and investments:

- Meine Spielzeugkiste GmbH, Berlin (100 % shareholding)
- WT Foodcom GmbH, Berlin (25.0 % shareholding)

There was no impairment of the assets as of the balance sheet date (see Note 13 „Events after the balance sheet date").

KoRo Handels GmbH is assigned to the Social Commerce segment.

**Summary:**
The assets and liabilities held for sale can be broken down as follows:

| in EUR thousand | KoRo | KoRo Eis | FFLV | Total |
|---|---|---|---|---|
| Intangible assets | 903 | 0 | 0 | 903 |
| Goodwill | 3,437 | 7 | 0 | 3,444 |
| Property, plant and equipment | 181 | 34 | 0 | 215 |
| Right-of-use-assets | 98 | 56 | 0 | 154 |
| Joint ventures accounted for using the equity method | 0 | 0 | 883 | 883 |
| Non-current financial assets | 84 | 3 | 0 | 87 |
| Deferred tax assets | 845 | 0 | 0 | 845 |
| Inventories | 8,742 | 0 | 0 | 8,742 |
| Trade receivables | 1,702 | 0 | 0 | 1,702 |
| Other current financial assets | 66 | 5 | 2,207 | 2,278 |
| Other current non-financial assets | 438 | 3 | 0 | 441 |
| Cash and cash equivalents | 3,088 | 29 | 0 | 3,117 |
| **Assets held for sale** | **19,583** | **137** | **3,090** | **22,809** |
| Cash-settled share-based payments | 2,768 | 0 | 0 | 2,768 |
| Non-current loan liabilities | 1,032 | 0 | 0 | 1,032 |
| Non-current lease liabilities | 39 | 27 | 0 | 65 |
| Deferred tax liabilities | 264 | 0 | 0 | 264 |
| Current provisions | 130 | 0 | 0 | 130 |
| Trade payables | 2,930 | 10 | 0 | 2,939 |
| Current liabilities to banks | 241 | 0 | 0 | 241 |
| Current lease liabilities | 62 | 31 | 0 | 93 |
| Other current financial liabilities | 64 | 17 | 0 | 81 |
| Current income tax liabilities | 183 | 0 | 0 | 183 |
| Contract liabilities | 290 | 0 | 0 | 290 |
| Other current non-financial liabilities | 1,254 | 9 | 0 | 1,263 |
| **Liabilities held for sale** | **9,257** | **93** | **0** | **9,350** |

As of 31 December 2021, KoRo Handels GmbH recognized trade receivables in the amount of EUR 234 thousand that were sold as part of a reverse repurchase agreement but were not derecognised in accordance with IFRS 9. Liabilities to banks were recognised in the same amount.

## 4.13 Equity

The individual components of equity and their development are presented in the statement of changes in equity.

**Share capital and capital reserves**
As of 31 December 2021, the issued capital amounted to EUR 15,528 thousand (prior year EUR 11,348 thousand) and was fully paid up. The share capital is divided into 15,527,775 (prior year 11,348,484) no-par value bearer shares .

By 31 December 2021, TSC AG received conversion notices of convertible bonds in the amount of EUR 2,412 thousand to convert 2,412 bonds into shares with a conversion price of EUR 32.50. In accordance with the standard terms and conditions set out in the terms and conditions of the convertible bond, the bonds were thus converted into 74,204 new tradable shares of the Company. The share capital increase in association with the conversion of the convertible bonds has not yet been registered in the commercial register. As of 31 December 2021, the issued capital presented in the balance sheet therefore deviates from the share capital entered in the commercial register by EUR 74,204.

The number of ordinary shares developed as follows.

| in ordinary shares | 2021 | 2020 |
|---|---|---|
| Issued on 1 January | 11,348,484 | 9,944,118 |
| Issued against cash deposit | 1,145,324 | 1,031,680 |
| Issued in a business combination | 2,959,763 | 372,686 |
| Conversion of convertible bonds | 74,204 | 0 |
| **Issued on 31 December** | **15,527,775** | **11,348,484** |

The Company's share capital has been conditionally increased by up to EUR 200,000.00 by resolution of the Annual General Meeting on 29 August 2017 by issuing up to 200,000 registered no-par value shares (Conditional Capital 2017/I). On the basis of the resolution of the Annual General Meeting on 19 August 2019, the Conditional Capital resolved on 29 August 2017 was reduced to EUR 76,000.00.

By resolution of the Annual General Meeting on 19 August 2019, the Executive Board is authorized, with the consent of the Supervisory Board, to grant up to 242,000 subscription rights until 18 August 2024, which entitle the holder to subscribe for up to 242,000 registered no-par value shares with a notional share of the share capital of EUR 1.00 each (Conditional Capital 2019/II).

By resolution of the Annual General Meeting on 11 May 2020, the Executive Board was authorized, with the consent of the Supervisory Board, to increase the share capital by a total of up to EUR 5,094,859.00 once or several times against cash and/or contributions in kind until 10 May 2025. After partial exhaustion and partial cancellation by resolution of the Annual General Meeting on 11 December 2020, the authorized capital amounts to up to EUR 608,058.00 (Authorized Capital 2020/I).

By resolution of the Annual General Meeting on 11 May 2020, the share capital has been conditionally increased by up to EUR 4,075,887.00 by issuing up to 4,075,887 registered no-par value shares (Conditional Capital 2020/I).

The share capital has been conditionally increased by up to EUR 700,971.00 by resolution of the Annual General Meeting on 11 May 2020 by issuing up to 700,971 registered no-par value shares (Conditional Capital 2020/II).

By resolution of the Annual General Meeting on 30 July 2021, the Executive Board is authorized, with the consent of the Supervisory Board, to increase the share capital once or several times against cash and/or contributions in kind until 14 July 2026. After partial exhaustion, the authorized capital amounts to EUR 1,111,097.00 (Authorized Capital 2021/I).

The share capital has been conditionally increased by up to a total of EUR 125,877.00 by resolution of the Annual General Meeting on 30 July 2021 (Conditional Capital 2021/I).

The capital reserve increased by EUR 168,177 during the financial year (prior year EUR 32,248 thousand).

On 27 February 2020, the share capital was increased by EUR 170 thousand and the capital reserve by EUR 3,740 thousand by contributing the shares in Urbanara GmbH against the issuance of new shares.

On 11 March 2020, the share capital was increased by EUR 76 thousand and the capital reserve by EUR 1,436 thousand by contributing additional shares in Solidmind Nutrition GmbH against the issue of new shares.

On 14 July 2020, the share capital was increased by a total of EUR 127 thousand and the capital reserve by a total of EUR 2,688 thousand by contributing additional shares in KoRo Handels GmbH and drtv.agency GmbH against the issue of new shares.

On 12 August 2020, the share capital was increased by EUR 519 thousand and the capital reserve by EUR 9,599 thousand as part of a cash capital increase against the issue of new shares.

On 8 December 2020, the share capital was increased by EUR 513 thousand and the capital reserve by EUR 9,487 thousand as part of a cash capital increase against the issue of new shares.

On 18 January 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 against the issue of new shares.

On 7 April 2021, the capital reserve was increased by EUR 3,483 thousand by issuing convertible bonds.

On 12 July 2021, the share capital was increased by EUR 5 thousand and the capital reserve by EUR 153 thousand by contributing 12.5% of the shares of MINT against the issue of new shares.

On 24 November 2021, a capital increase against cash contribution was carried out. As a result, the share capital increased by EUR 1,145 thousand and the capital reserve by EUR 51,429 thousand.

On 16 December 2021, the share capital was increased by EUR 2,855 thousand and the capital reserve by EUR 109,061 thousand by issuing shares as consideration for the acquisition of the DS Group.

Additionally, the share capital increased by EUR 74 thousand and the capital reserve by EUR 1,943 thousand due to the conversion of convertible bonds into shares of the company in the 2021 financial year.

Transaction costs recognized in capital reserves reduced capital reserves by EUR 642 thousand in the 2021 financial year (prior year EUR 310 thousand). The recognition of equity-settled share-based payments increased capital reserves by EUR 790 thousand (prior year EUR 5,607 thousand).

**Retained earnings**

As of 31 December 2021, retained earnings amounted to EUR -4,418 thousand (prior year EUR -9,088 thousand) and include written put options on non-controlling interests and the changes in non-controlling interests due to changes in the scope of consolidation without loss of control.

The company did not make any dividend payments in the financial years 2021 and 2020.

**Non-controlling interests**

The following table presents non-controlling interests for significant subsidiaries.

| | Net income attributable to non-controlling interest in EUR thousand | | Shareholding quota of non-controlling interests | |
|---|---|---|---|---|
| **Name of the company** | **2021** | **2020** | **2021** | **2022** |
| drtv.agency GmbH | 158 | -7 | 49.0% | 49.0 % |
| BytePark GmbH | 156 | 92 | n/a | 49.0 % |
| MINT Marketing Agency LLC | 141 | 0 | 75.0% | n/a |
| Mabyen Ltd. | 22 | 0 | 48.9% | 48.9% |
| datalytix.io Ltd. | 10 | 4 | 49.0% | 49.0% |
| Solidmind Nutrition GmbH | - | 284 | n/a | 100.0 % |
| DSQ Hong Kong Ltd. | -4 | 0 | 12.5% | n/a |
| Shine Conventions GmbH | -10 | -17 | 3.0% | 3.0 % |
| KoRo Eis GmbH | -30 | 0 | 53.5% | n/a |
| Social Chain Germany GmbH | -33 | -9 | 14.0% | 14.0 % |
| Social Chain Media & Commerce GmbH | -41 | 0 | 24.9% | n/a |
| Lumaland Inc. | -89 | 63 | 20.0% | 20.0% |
| Social Moms GmbH | -114 | -135 | n/a | 20.0 % |
| KoRo Handels GmbH | 998 | 594 | 41.8% | 44.2 % |
| **Total** | **-831** | **870** | | |

The voting rights share of non-controlling interests generally corresponds to the shareholding quota. As of 31 December 2021, non-controlling shareholders held 75% of the shares in MINT Marketing Agency LLC. Due to a concluded trust agreement, they only held 49.0% of the voting rights at that date.

Changes in non-controlling interest in the 2021 financial year result from the changes in the shareholding quotas. For further details, please refer to Note 1.5.2.

The following tables provide summarized financial information on subsidiaries for which significant non-controlling interests exist.

**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 debt | 0 | 57 |
| Current debt | 12,298 | 5,682 |
| Revenues | 61,547 | 14,342 |
| Net income | -2,221 | 323 |
| Other comprehensive income | 0 | 0 |
| Total comprehensive income | -2,221 | 323 |
| Dividends paid to non-controlling shareholders | - | - |
| Cash flow from operating activities | -2,813 | 4,508 |
| Cash flow from investing activities | -255 | -63 |
| Cash flow from financing activities | 2,155 | -116 |

**Financial year 2020**

| in EUR thousand | KoRo Handels GmbH | Bytepark GmbH |
|---|---|---|
| Non-current assets | 1,095 | 504 |
| Current assets | 6,794 | 835 |
| Non-current debt | 1,296 | 393 |
| Current debt | 2,305 | 218 |
| Revenues | 20,696 | 1,477 |
| Net income | 1,138 | 184 |
| Other comprehensive income | 0 | 0 |
| Total comprehensive income | 1,138 | 184 |
| Dividends paid to non-controlling shareholders | - | - |
| Cash flow from operating activities | -250 | 317 |
| Cash flow from investing activities | -112 | 55 |
| Cash flow from financing activities | 2,599 | -11 |

## 4.14 Trade payables

Trade payables in the amount of EUR 68,730 thousand (prior year EUR 17,939 thousand) are recognized at the settlement or repayment amount and, as in the prior year, are due within one year.

## 4.15 Other financial liabilities

Other non-current and current financial liabilities are as follows.

| in EUR thousand | 2021 | 2020 |
|---|---|---|
| Non-current liabilities to banks | 19,590 | 4,636 |
| Non-current liabilities from loans from third parties | 27,430 | 18,571 |
| Non-current lease liabilities | 47,389 | 3,732 |
| Non-current liabilities from convertible bonds | 19,356 | 0 |
| Non-current derivative financial liabilities | 5 | 14 |
| Other non-current financial liabilities | 0 | 30 |
| **Other non-current financial liabilities** | **113,769** | **26,982** |
| Current liabilities to banks | 137,819 | 11,556 |
| Current liabilities from loans from third parties | 19,189 | 11,867 |
| Current lease liabilities | 7,245 | 2,097 |
| Current liabilities from convertible bonds | 1,258 | 0 |
| Refund liabilities | 22,473 | 1,049 |
| Current liabilities from put options of non-controlling shareholders | 5,996 | 11,122 |
| Current derivative financial liabilities | 74 | 258 |
| Other current financial liabilities | 3,397 | 921 |
| **Other current financial liabilities** | **197,451** | **38,871** |
| **Total other financial liabilities** | **311,220** | **65,853** |

Liabilities to banks consist mainly of annuity, repayment and term loans whose interest rate is between 1.0% and 8.0% (prior year between 1.0% and 8.0%) and which include both fixed and variable fixed interest arrangements. The remaining maturities of the main non-current liabilities to banks amount to up to 9 years (prior year 4.5 years). For liabilities to banks, clauses requiring compliance with certain key financial figures have been agreed in some cases. The key financial figures on which the loan agreement clauses are based were all fulfilled in the reporting year and in the prior year .

As of the balance sheet date, there were several low-interest loans from the public sector (KfW) with a volume of EUR 4,153 thousand (prior year EUR 1,900 thousand), a fixed interest rate of between 1.0% and 3.9% (prior year 1.0% and 3.0%) and a remaining term of between a several months to 9 years (prior year 4.5 to 10 years). The low-interest KfW loans are recognized at fair value at the date of grant and subsequently recognized at amortized cost using the effective interest method. The difference between the payment received and the fair value of the loan determined at the date of grant according to market interest rates is a benefit that is deemed a grant from the public sector. The grant is recognized in the balance sheet as deferred income under other non-financial liabilities and is reversed through profit or loss over the term of the loan using the effective interest method. In the income statement, the reversal is disclosed as a reduction of interest expense (net method). As of 31 December 2021, the deferred income amounted to EUR 82 thousand (prior year EUR 610 thousand). The conditions attached to the public grant have been fully met. Any other uncertainties do not exist.

Liabilities from loans from third parties mainly relate to fixed-interest term loans from shareholders with an interest rate range of between 3.0% to 6.0% (prior year 3.0% to 6.0%). The remaining terms of significant loans from shareholders amount to a maximum of 15 months (prior year 15 months). For further details, please refer to Note 11.1. Related party transactions.

Non-current derivative financial liabilities result from an interest rate derivative that was concluded to hedge the interest rate risk from a floating-rate bank loan taken out in the reporting year. Current derivative financial liabilities include currency derivatives that are used to hedge exchange rate risks.

The liabilities from reimbursement obligations result mainly from a supply contract for masks, which provides for a right of return. Other non-financial assets include a corresponding asset from customer return rights.

Other financial liabilities mainly include liabilities for bonuses and discounts as well as credit card liabilities.

Trade receivables and other receivables in the amount of EUR 63,087 thousand (prior year EUR 668 thousand), inventories in the amount of EUR 56,684 thousand (prior year EUR 0 thousand), property, plant and equipment in the amount of EUR 7,071 thousand (prior year EUR 0 thousand) and other financial assets in the amount of EUR 0 thousand (prior year EUR 46 thousand) were provided as collateral for loan liabilities.

**Convertible bonds**

On 16 March 2021, the Executive Board, with the consent of the Supervisory Board, resolved to issue convertible bonds with a total value of up to EUR 25,000,000.00 divided into up to 25,000 bearer bonds with a par value of EUR 1,000.00 each ("Convertible Bonds 2021/2024").

On 7 April 2021, 28 April 2021, 13 May 2021 and 21 May 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 as on April 7 of each year.

The contractual cash flows from the convertible bonds are affected by the option of the lenders to convert the convertible bonds into shares of TSC AG. The initial conversion price per share is EUR 32.50, subject to adjustment in accordance with Section 9 and Section 10 (3) of the terms and conditions.

The total of all convertible bonds had a fair value of EUR 25,000 thousand as of the date of issue. The fair value of the overall instrument is determined on the basis of the market prices for convertible bonds on the Frankfurt Stock Exchange. The market value amounted to 105% on 31 December 2021.

On the date of issue, the convertible bonds were separated into an equity and a debt component. The market value of the debt component was determined by discounting future cash flows, taking into account a market-compliant interest rate of 12.65% for a comparable debt instrument.

The conversion right of the convertible bonds was recognised in equity with a residual value of EUR 3,483 thousand when issued. Transaction costs attributable to the equity instrument amounted to EUR 99 thousand, which were offset against the capital reserve. The proportion of the equity component remains unchanged over the term.

The debt component was recognised at amortised cost using the effective interest method.

As of 31 December 2021, the non-current portion of the debt component amounted to EUR 19,356 thousand.

The interest liabilities from convertible bonds reported under other current liabilities amounted to EUR 1,258 thousand as of the balance sheet date.

In the reporting period, interest expenses from convertible bonds amounting to EUR 1,681 thousand were incurred.

## 4.16 Other non-financial liabilities

Other non-current and current non-financial liabilities are as follows.

| in EUR thousand | 2021 | 2020 |
|---|---|---|
| Non-current VAT liabilities | 0 | 83 |
| Other current non-financial liabilities | 194 | 233 |
| **Other non-current non-financial liabilities** | **194** | **316** |
| Accruals and deferred income | 2,943 | 1,029 |
| Liabilities from customs duties and import duties | 2,552 | 0 |
| Personnel-related liabilities | 3,516 | 952 |
| Liabilities from wage and church tax | 1,331 | 1,270 |
| Tax liabilities and other charges | 1,031 | 274 |
| VAT liabilities | 1,238 | 143 |
| Advances received | 766 | 3,442 |
| Liabilities for social contributions | 528 | 62 |
| Other current non-financial liabilities | 1,194 | 958 |
| **Other current non-financial liabilities** | **15,100** | **8,131** |
| **Total other non-financial liabilities** | **15,294** | **8,447** |

## 4.17 Provisions

The development of other provisions in the 2021 financial year is as follows.

| in EUR thousand | Personnel-related provisions | Provisions for warranty | Provisions for onerous contracts | Other provisions | Total |
|---|---|---|---|---|---|
| **As of 1 January 2021** | **350** | **434** | **496** | **2,734** | **4,014** |
| Change in the scope of consolidation | 1,421 | 0 | 0 | 1,932 | 3,353 |
| Addition | 3,837 | 0 | 1,198 | 274 | 5,309 |
| Use | 0 | 0 | -496 | -4,408 | -4,904 |
| Reversal | -350 | -411 | 0 | -162 | -923 |
| Reclassification | 352 | 0 | 0 | -352 | 0 |
| Reclassification to liabilities held for sale | -2,898 | 0 | 0 | 0 | -2,898 |
| Exchange rate effects | 0 | 0 | 9 | 0 | 9 |
| **As of 31 December 2021** | **2,712** | **23** | **1,207** | **18** | **3,961** |
| thereof current | 2,555 | 23 | 1,207 | 10 | 3,795 |
| thereof non-current | 157 | 0 | 0 | 8 | 166 |

# 5 Disclosures on the cash flow statement

Cash and cash equivalents which underlie the cash flow statement include both cash and cash equivalents, as well as current accounts due daily, which are an integral part of cash management. Cash and cash equivalents are included in the balance sheet in the items „Cash and cash equivalents“ and „Assets held for sale“.

| in EUR thousand | 2021 | 2020 |
|---|---|---|
| Cash and cash equivalents | 16,443 | 9,361 |
| Cash and cash equivalents held for sale | 3,117 | 0 |
| Current account credit | -2,741 | 0 |
| **Cash and cash equivalents according to Statement of Cash Flows** | **16,820** | **9,361** |

The development of liabilities from financing activities is as follows:

| in EUR thousand | Convertible bonds | Lilibilities to banks and loans[1] | Lease liabilities | Liabilities from put options | Other financial liabilities | Total |
|---|---|---|---|---|---|---|
| **As of 1 January 2020** | **0** | **15,353** | **4,662** | **11,572** | **1,204** | **32,791** |
| Deposits | 0 | 30,496 | 0 | 0 | 0 | 30,496 |
| Repayments | 0 | -11,613 | -2,419 | 0 | 0 | -14,032 |
| Interest paid | 0 | -2,607 | 0 | 0 | 0 | -2,607 |
| **Cash-effective changes** | **0** | **16,276** | **-2,419** | **0** | **0** | **13,857** |
| Non-cash additions | 0 | 0 | 1,854 | 0 | 0 | 1,854 |
| Changes in the scope of consolidation | 0 | 13,666 | 1,733 | 0 | 0 | 15,399 |
| Other non-cash changes | 0 | 1,334 | 0 | -450 | -251 | 633 |
| **Non-cash changes** | **0** | **15,000** | **3,587** | **-450** | **-251** | **17,886** |
| **As of 31 December 2020** | **0** | **46,629** | **5,830** | **11,122** | **954** | **64,534** |
| Deposits | 25,045 | 50,562 | 0 | 0 | 0 | 75,607 |
| Repayments | 0 | -26,037 | -2,941 | 0 | 0 | -28,978 |
| Interest paid | 0 | -2,014 | -824 | 0 | 0 | -2,838 |
| **Cash-effective changes** | **25,045** | **22,512** | **-3,766** | **0** | **0** | **43,791** |
| Non-cash additions | 0 | 0 | 36,550 | 0 | 0 | 168,123 |
| Changes in the scope of consolidation | 0 | 131,573 | -158 | 0 | 0 | -1,432 |
| Reclassification to liabilities held for sale | 0 | -1,274 | 141 | 0 | 0 | 312 |
| Exchange rate effects | 0 | 171 | 0 | -5,126 | -954 | -8,835 |
| **Non-cash changes** | **-4,431** | **132,146** | **52,569** | **-5,126** | **-954** | **174,205** |
| **As of 31 December 2021** | **20,614** | **201,287** | **54,633** | **5,996** | **0** | **282,530** |

[1] excluding current accounts

The elevated cash inflows from loans granted in the financial years 2021 and 2020 are the consequence of financing requirements for the acquisition of various companies and refinancing measures.

## 6 Information on financial instruments

The table below 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.

| in EUR thousand | Category IFRS 9 | Hierarchie IFRS 13 | Carrying amount | | Fair value | |
|---|---|---|---|---|---|---|
| | | | 31 December 2021 | 31 December 2021 | 31 December 2021 | 31 December 2020 |
| **Non-current financial assets** | | | **26,447** | **14,055** | **26,447** | **14,024** |
| Shares in affiliated companies and other investments | | | 16,915 | 3,722 | 16,915 | 3,722 |
| thereof | FVOCI | Level 3 | 174 | 383 | 174 | 383 |
| thereof | FVTPL | Level 3 | 16,742 | 3,339 | 16,742 | 3,339 |
| Securities | FVTPL | Level 3 | 0 | 8,838 | 0 | 8,838 |
| Non-current loans to third parties | | | 3,653 | 449 | 3,653 | 449 |
| thereof | FAAC | Level 3 | 2,604 | 349 | 2,604 | 349 |
| thereof | FVTPL | Level 2 | 1,049 | 100 | 1,049 | 100 |
| Non-current derivative financial assets | FVTPL | Level 2 | 4,430 | 544 | 4,430 | 544 |
| Non-current deposits | FAAC | Level 2 | 453 | 424 | 453 | 424 |
| Non-current receivables from finance leases | n/a | | 0 | 31 | n/a | n/a |
| Other non-current financial assets | FAAC | Level 3 | 996 | 47 | 996 | 47 |
| **Current financial assets** | | | **6,453** | **1,314** | **6,453** | **1,314** |

| | | | Carrying amount | | Fair value | |
|---|---|---|---|---|---|---|
| **in EUR thousand** | **Category IFRS 9** | **Hierarchie IFRS 13** | **31 December 2021** | **31 December 2021** | **31 December 2021** | **31 December 2020** |
| Current loans to third parties | FAAC | | 595 | 360 | 595 | 360 |
| Current derivative financial assets | FVTPL | Level 2 | 1,391 | 66 | 1,391 | 66 |
| Current deposits | FAAC | | 285 | 84 | 285 | 84 |
| Current receivables from finance leases | n/a | | 0 | 0 | n/a | n/a |
| Other current financial assets | FAAC | | 4,182 | 805 | 4,182 | 805 |
| **Trade receivables and other receivables** | | | **74,567** | **10,115** | **74,567** | **10,115** |
| thereof | FAAC | | 71,967 | 9,647 | 71,967 | 9,647 |
| thereof | FVTPL | Level 2 | 2,601 | 468 | 2,601 | 468 |
| **Cash and cash equivalents** | **FAAC** | | **16,443** | **9,361** | **16,443** | **9,361** |
| **Financial assets held for sale** | **FAAC** | | **7,184** | **0** | **7,184** | **0** |
| **Non-current financial liabilities** | | | **113,769** | **26,982** | **72,840** | **22,579** |
| Non-current liabilities to banks | FLAC | Level 2 | 19,590 | 4,636 | 23,061 | 2,787 |
| Non-current liabilities from loans from third parties | FLAC | Level 2 | 27,430 | 18,571 | 27,897 | 19,748 |
| Non-current liabilities from convertible bonds | FLAC | Level 2 | 19,356 | 0 | 21,877 | 0 |
| Non-current derivative financial liabilities | FLFV | Level 2 | 5 | 14 | 5 | 14 |
| Other non-current financial liabilities | FLAC | Level 3 | 0 | 30 | 0 | 30 |

| | | | Carrying amount | | Fair value | |
|---|---|---|---|---|---|---|
| **in EUR thousand** | **Category IFRS 9** | **Hierarchie IFRS 13** | **31 December 2021** | **31 December 2021** | **31 December 2021** | **31 December 2020** |
| **Current financial liabilities** | | | **197,451** | **38,871** | **190,225** | **36,773** |
| Current liabilities to banks | FLAC | | 137,819 | 11,556 | 137,819 | 11,556 |
| Current liabilities from loans from third parties | FLAC | | 19,189 | 11,867 | 19,189 | 11,867 |
| Current lease liabilities | n/a | | 7,245 | 2,097 | n/a | n/a |
| Current liabilities from convertible bonds | FLAC | Level 2 | 1,258 | 0 | 1,277 | 0 |
| Current liabilities from put options of non-controlling shareholders | FLAC | | 5,996 | 11,122 | 5,996 | 11,122 |
| Refund liabilities | | | 22,473 | 1,049 | 22,473 | 1,049 |
| Current derivative financial liabilities | FLFV | Level 2 | 74 | 258 | 74 | 258 |
| Other current financial liabilities | FLAC | | 3,397 | 921 | 3,397 | 921 |
| **Trade payables** | **FLAC** | | **68,730** | **17,939** | **68,730** | **17,939** |
| **Financial liabilities held for sale** | | | **4.452** | **0** | **4.294** | **0** |
| thereof | FLAC | | 4.294 | 0 | 4.294 | 0 |
| thereof | n/a | | 158 | 0 | n/a | 0 |
| **Thereof by measurement categories of IFRS 9** | | | | | | |
| Financial assets at amortized cost (FAAC) | | 104,709 | | 21,076 | 104,709 | 21,076 |
| Assets measured at fair value through profit or loss (FVTPL) | | 26,212 | | 13,355 | 26,212 | 13,355 |

| in EUR thousand | Category IFRS 9 | Hierarchie IFRS 13 | Carrying amount | | Fair value | |
|---|---|---|---|---|---|---|
| | | | 31 December 2021 | 31 December 2021 | 31 December 2021 | 31 December 2020 |
| Assets measured at fair value through other comprehensive income (FVOCI) | | 174 | | 383 | 174 | 383 |
| Financial liabilities at amortized cost (FLAC) | | 329,531 | | 77,691 | 336,009 | 77,020 |
| Financial liabilities measured through profit or loss (FLFV) | | 79 | | 272 | 79 | 272 |

Short-term loans to third parties, short-term deposits, trade receivables and other receivables, cash and cash equivalents, trade payables, reimbursement liabilities and other current financial assets and liabilities have mainly short remaining terms. For such current financial instruments, the carrying amount is an appropriate approximation of the fair value. The fair value hierarchy level is not disclosed separately for such financial instruments.

The fair value of original financial instruments assigned to level 2 is calculated on the basis of current parameters such as interest and exchange rates at the balance sheet date as well as by applying accepted models such as the DCF method (discounted cash flow) and taking into account the credit risk. In addition, derivative financial instruments (currency and interest rate derivatives) were allocated to level 2. The market values of the derivatives are determined based on 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 the shares in non-consolidated affiliated companies and other investments, securities and liabilities arising from put options of non-controlling shareholders was determined using appropriate valuation methods based on discounted cash flow analyses, maximizing the use of observable input factors. The main non-observable 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 that are subsequently measured at level 3 fair value include shares in affiliated companies and other investments as well as securities. The reconciliation of the measurement of such financial assets at fair value is presented below.

| in EUR thousand | Shares in affiliated companies and other investments | Securities |
|---|---|---|
| **As of 1 January 2020** | **3,393** | **0** |
| Amounts recognized in the profit or loss statement | 98 | 0 |
| Unrealized financial income | 452 | 0 |
| Unrealized financial expenses | -354 | 0 |
| Losses recognized in other comprehensive income | -268 | 0 |
| Additions | 502 | 8,838 |
| Disposals | -3 | 0 |
| | | |
| **As of 31 December 2020** | **3,722** | **8,838** |
| Amounts recognized in the profit or loss statement | 1,772 | 435 |
| Unrealized financial income | 2,957 | 0 |
| Unrealized financial expenses | -1,185 | 0 |
| Realized financial income | 0 | 435 |
| Losses recognized in other comprehensive income | -210 | 0 |
| Changes in the scope of consolidation | 10,741 | 0 |
| Additions | 918 | 0 |
| Disposals | -9 | -9,274 |
| Transfer to assets held for sale | -19 | 0 |
| **As of 31 December 2021** | **16,915** | **0** |

Losses incurred in the reporting period and in the comparative period, which were recognized in other comprehensive income, are solely attributable to financial instruments held at the end of the respective period.

There were no reclassifications between the hierarchy levels 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 and comparative period are as follows:

| in EUR thousand | 2021 | 2020 |
|---|---|---|
| Financial assets measured at fair value through profit or loss (FVTPL) | 6,280 | -166 |
| Financial liabilities measured at fair value through profit or loss (FLFV) | 9 | -19 |
| Financial assets measured at fair value through other comprehensive income (FVOCI) | -210 | -268 |
| Financial assets at amortised cost (FAAC) | 801 | 1,133 |
| Financial liabilities at amortised cost (FLAC) | -8,741 | -4,128 |
| **Net gains and losses** | **-1,860** | **-3,448** |

Net gains and losses on financial instruments mainly result from changes in the fair value of financial instruments measured at fair value, interest expenses 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 1,673 thousand (prior year EUR 1,567 thousand). Interest expenses from financial liabilities measured at amortized cost amount to EUR 8,741 thousand (prior year EUR 4,128 thousand).

## 7 Financial risk management

The management of the Group monitors and manages the financial risks associated with the Group's business segments through internal risk reporting, which analyses 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 using derivative financial instruments. The use of derivative financial instruments is continuously monitored by the Group's management. The Group does not contract or trade financial instruments, including derivative financial instruments, for speculative purposes.

### 7.1 Credit and default risk

The credit and default risk is defined as the risk that our business partners will not meet their contractual payment obligations resulting in a loss for the Group. The default risk includes both the direct risk of credit default and the deterioration of credit ratings as well as the concentration of default risks.

Credit risks exist in particular with regard to trade receivables and contract assets. The monitoring of the default risks from our customers is carried out at the level of the individual companies through a regular analysis of the receivables due and by the collection of current, individual credit rating information of the customers. Overall, the Group does not consider the default risks to be very significant. There have not been any major bad debts in the past. Especially in the social commerce business, the default risk is considerably low due to payments by credit cards or via payment service providers such as PayPal. In the Social Media segment, the default risk is addressed by verifying and assessing the credit rating of the future business partner before entering into joint projects and by agreeing on regular advance payments. By creating value adjustments for expected credit losses, the default risk is taken into account (see Note 4.10).

For all other assets subject to the impairment model in accordance with IFRS 9, no credit losses are expected due to insignificant default risks of the individual counterparties, as assessed by management.

The maximum default risk of the assets recognized corresponds to their carrying amount.

### 7.2 Liquidity risk

Based on the definition of IFRS 7, liquidity risk arises when an entity is unable to meet its financial obligations. A sufficient reserve of cash and cash equivalents and tradable securities is held in order to ensure the solvency and financial flexibility of the Group. The Group's management monitors the liquidity of the operating companies and the Group as a whole as part of rolling forward 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 as of the balance sheet date.

| 31 December 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 arising from loans from third parties | 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 | 0 | 0 |
| Liabilities from put options of non-controlling shareholders | 5,996 | 5,996 | 0 | 0 |
| Derivative financial liabilities | 79 | 74 | 5 | 0 |
| Other financial liabilities | 3,397 | 3,397 | 0 | 0 |
| Trade payables | 68,730 | 68,730 | 0 | 0 |
| Financial liabilities held for sale | 4,452 | 4,452 | 0 | 0 |

| 31 December 2020 in EUR thousand | Carrying amount | Payments < 1 year | Payments 1 – 5 years | Payments > 5 years |
|---|---|---|---|---|
| Liabilities to banks | 16,191 | 12,042 | 4,669 | 816 |
| Liabilities arising from loans from third parties | 30,438 | 11,743 | 22,466 | 177 |
| Lease liabilities | 5,830 | 2,180 | 3,303 | 932 |
| Refund liabilities | 1,049 | 1,049 | 0 | 0 |
| Liabilities from put options of non-controlling shareholders | 11,122 | 11,684 | 0 | 0 |
| Derivative financial liabilities | 272 | 258 | 14 | 0 |
| Other financial liabilities | 951 | 921 | 30 | 0 |
| Trade payables | 17,939 | 17,939 | 0 | 0 |

## 7.3 Market price risk

### 7.3.1 Currency risk

The operating business and financing activities are subject to exchange rate risks arising from transactions that are not agreed in euro. The currency risks that are material to the Group result from transactions in GBP and USD.

The existing risk positions are continuously monitored and mitigated by foreign currency cash flows with an offsetting effect. Furthermore, active currency risk management is carried out using derivative financial instruments.

The following table shows the sensitivity of consolidated earnings before taxes and Group equity depending on possible changes in the exchange rates relevant to the Group (GBP, USD) ceteris paribus.

| in EUR thousand | 2021 | 2020 |
|---|---|---|
| Impact on consolidated earnings before taxes and equity in the event of a change in exchange rate GBP +10% | -108 | 297 |
| Impact on consolidated earnings before taxes and equity in the event of a change in exchange rate GBP -10% | 132 | -363 |
| Impact on consolidated earnings before taxes and equity in the event of a change in exchange rates USD +10% | 1,049 | 20 |
| Impact on consolidated earnings before taxes and equity in the event of a change in exchange rates USD -10 % | -1,282 | 25 |

### 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-interest loans at the time of refinancing. Since the majority of the loans are fixed interest-bearing loans, the interest rate risk for financing the Group is insignificant. 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 congruent maturities and conditions.

Furthermore, there is an insignificant interest rate risk from a loan of EUR 100 thousand granted to a third party in December 2020 with a fixed interest rate and maturity date in February 2022, as it is measured at fair value through profit or loss.

Overall, the changes in interest rates in the financial years 2021 and 2020 would have no significant effects on the profit for the period.

### 7.3.3 Share price risk

The Group measures its interests in other investments at fair value. The fair value of these largely unlisted equity instruments may fluctuate due to several factors. Accordingly, the Group's assets and liabilities, financial and earnings position depend on the development 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 31 December 2021, the Group accounted for shares in other investments in the amount of EUR 16,901 thousand (prior year EUR 3,479 thousand) at fair value. Of this amount, EUR 528 thousand (prior year EUR 0 thousand) was attributable to listed equity instruments and EUR 16,373 thousand (prior year EUR 3,479 thousand) to unlisted equity instruments measured at fair value through profit or loss. The fair value of the unlisted equity instruments was determined based on transaction prices/market prices or using the DCF valuation method.

As of 31 December 2021, EUR 10,790 thousand (prior year EUR 0 thousand) was attributable to unlisted equity instruments measured based on transaction prices and EUR 5,583 thousand (prior year EUR 3,479 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 investments as of 31 December 2021 would have impacted the Group's earnings and equity by EUR 26 thousand (prior year EUR 0 thousand).

The share price risk associated with the Group's equity instruments, which are measured on the basis of transaction prices/market prices, can be illustrated by the fact that a change in the prices of these investments by 5% as of 31 December 2021 would have impacted the Group's earnings and equity by EUR 540 thousand (prior year EUR 0 thousand).

The share price risk associated with Group equity instruments measured on the basis of DCF methods is presented in the following table. The sensitivity analysis was carried out for the key factors of revenue growth and WACC.

| | | WACC | | |
|---|---|---|---|---|
| **in EUR thousand** | | **-1 %** | **0 %** | **+1 %** |
| **Revenue** | **-1 %** | 5,207 | 4,478 | 3,901 |
| | **0 %** | 6,496 | **5,583** | 4,864 |
| | **+1 %** | 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 going concern of the company in order to continue to provide shareholders with earnings and provide other parties with the services they are entitled to receive, and on the other hand, to maintain the capital structure in order to reduce the cost of capital. In order to optimize the cost of capital, the capital structure is regularly monitored on the basis of various key financial figures. The most important indicator in this context is the equity ratio, which is expected to improve.

| **in EUR thousand** | **2021** | **2020** |
|---|---|---|
| Equity attributable to the shareholders of the parent company | 194,600 | 96,477 |
| Financial and trade payables | 379,950 | 82,742 |
| thereof non-current | 113,769 | 26,982 |
| thereof current | 266,181 | 55,760 |
| Total equity | 574,550 | 179,220 |
| Equity ratio (Equity / total equity attributable to the shareholders of the parent company) | 33.87 % | 53.83 % |

## 9 Share-based payment

### 9.1 Share-based payment offset by equity instruments

The Social Chain AG has launched option programs for management, senior executives and other key employees. The Company issued employee options in five tranches with a term of ten years, consisting of a waiting period of four years and an exercise period of six years in the financial years 2019, 2020 and 2021. Within the exercise period, the exercise of the options is only possible at certain time intervals depending on the date of a general meeting or the announcement of half-year results or quarterly reports or interim statements.

All options are subject to two market conditions: a performance target and an amount cap.

The performance target requires that the options only become exercisable if the average, volume-weighted share price exceeds the exercise price by at least 10% for Tranche 19-I and by at least 20% for Tranches 19-II and by at least 20% for Tranches 19-II, 20-I, 20-II and 2021 during the last ten trading days prior to the start of the respective exercise period.

The cap applies if the share price has risen by more than 50% in the three months preceding the start of an exercise period and a reference index has not risen by at least 2/3 of the share's performance in the same period. The cap corresponds to twice the annual gross remuneration (including all fringe benefits subject to income tax) received by the beneficiary of the option from the Company or an affiliated company in the twelve months prior to the exercise date.

The majority of the options in the 2019 and 2020 option programs fully vest on the date of grant. The resulting expenses are therefore recognized at the grant date. The options of two employees are partly subject to a vesting period of two years. The options of the 2021 option program are subject to a vesting period of 18 months, except for an employee's options that vested immediately. Options that are 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 expenses resulting from the options with a vesting clause are recognized pro rata during the vesting period.

In accordance with IFRS 2, employee options are recognized 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. Since this option is neither realistic nor desired, a fulfillment in shares for all issued options was assumed.

The valuation of options is based on Monte Carlo simulations. The cap was not taken into account because 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 illustrates the number and change of the outstanding options during the year:

| | 2021 | 2020 |
|---|---|---|
| Outstanding as of 1 January | 928,049 | 230,000 |
| Granted in the financial year | 109,930 | 698,049 |
| Exercised in the financial year | – | - |
| Expired in the financial year | – | - |
| Outstanding as of 31 December | 1,037,979 | 928,049 |
| Exercisable as of 31 December | – | - |

The following table shows the input factors for determining the fair value of the options:

| | 2021 |
|---|---|
| Tranche | 2021 |
| Valuation date[1] | 27 September 2021 |
| Fair value per option | EUR 16.23 |
| Share price[2] | EUR 42.60 |
| Exercise price[3] | EUR 42.11 |
| Duration[4] | 8 years |
| Risk-free interest rate[5] | -0.53 % |
| Expected annualized volatility[6] | 36.75 % |

| | | 2020 | | 2019 |
|---|---|---|---|---|
| Tranche | 20-I | 20-II | 19-I | 19-II |
| Valuation date[1] | 12 August 2020 | 23 December 2020 | 1 October 2019 | 16 October 2019 |
| Fair value per option | EUR 7.08 | EUR 10.23 | EUR 5.51 | EUR 8.97 |
| Share price[2] | EUR 19.55 | EUR 26.30 | EUR 11.80 | EUR 21.00 |
| Exercise price[3] | EUR 21.15 | EUR 25.77 | EUR 8.13 | EUR 15.70 |
| Duration[4] | 10 years | 10 years | 10 years | 10 years |
| Risk-free interest rate[5] | -0.47 % | -0.62 % | -0.53 % | -0.44 % |
| Expected annualized volatility[6] | 43.71 % | 43.90 % | 35.34 % | 35.43 % |

[1] The options of tranches 19-II, 20-I, 20-II and 2021 were measured in accordance with IFRS 2 on the date of grant. The options of tranche 19-I were granted on July 18, 2019 and thus before the acquisition date of the reverse acquisition. Therefore, they were valued at the date of acquisition.
[2] Closing price of the Düsseldorf Stock Exchange
[3] The exercise price corresponds to the volume-weighted, average share price of the last ten trading days prior to the respective date of grant, but at least the pro rata amount of the Company‘s share capital attributable to one share.
[4] It was assumed that the options would be exercised at the end of ten years.
[5] The risk-free interest rate was derived from the maturity equivalent of German government bonds.
[6] The expected volatility was determined based on the historical volatility of a peer group.

In the 2021 financial year, a total expense from the stock option program of EUR 790 thousand (prior year EUR 5,609 thousand) was recognized. Equity increased by EUR 790 thousand (prior year EUR 5,609 thousand) as a result of the issuance of the options.

## 9.2 Share-based compensation with cash settlement

KoRo Handels GmbH, Berlin, a subsidiary of The Social Chain AG, granted virtual shares to two employees in the 2021 financial year. The employees have not used their own capital and receive the special remuneration to be determined in accordance with the “Issue Agreement for Virtual Shares” as an additional remuneration component in the event of a so-called “exit”.

The entitlement of one beneficiary employee to a special remuneration of a total of 455 virtual shares has to be earned economically over a certain term (“vesting period”). The vesting period begins six months after the date of grant (“cliff period”). The vesting period ends no later than the earlier date of termination of the employment or service relationship of the beneficiary with the company, the exit or 24 months after the start of the vesting period, taking into account a possible extension of the deadline.

The entitlement of the second beneficiary employee to a special remuneration from the respective virtual shares has to be earned only partially economically over a certain term of the beneficiary (“vesting period”). 500 of the total virtual shares are granted immediately, i.e. without a cliff or vesting period. The vesting period for the remaining 835 virtual shares begins on 1 April 2021 and ends no later than the earlier date of termination of the beneficiary’s employment or service relationship with the Company, the exit or 15 months after the start of the vesting period, taking into account a possible extension of the deadline.

The valuation of the liability from the virtual shares is based on Monte Carlo simulations. The following table presents the input factors for determining the fair value of the liability:

| in EUR thousand | Employee 1 | Employee 2 |
|---|---|---|
| Date of grant | 31 March 2021 | 01 June 2021 |
| Virtual shares granted | 1,335 | 455 |
| thereof with vesting | 500 | 0 |
| thereof without vesting | 835 | 455 |
| Strike price | EUR 198 | EUR 833 |
| Beginning of the vesting period | 01 April 2021 | 1 January 2022 |
| Vesting period in years | 1.25 | 2.00 |
| End of vesting period (latest) | 30 June 2022 | 1 January 2024 |
| Probability of an exit | 90 % | 90 % |
| Exit date | 30 June 2023 | 30 June 2023 |
| Term | 1.5 years | 1.5 years |
| Enterprise Value | EUR 107,500 thousand | EUR 107,500 thousand |
| Transaction costs (5%) | EUR 5,375 thousand | EUR 5,375 thousand |
| Spot | EUR 102,125 thousand | EUR 102,125 thousand |
| Strike | EUR 1,722 thousand | EUR 1,837 thousand |
| Dividend yield | - | - |
| Risk-free interest rate | -0.75% | -0.75% |
| Volatility | 18.50% | 18.50% |
| Option price per share without exit probability | 2,125 | 2,123 |
| **Option price per share with exit probability** | **1,913** | **1,911** |

In the 2021 financial year, total expenses from virtual shares of EUR 2,768 thousand (prior year EUR 0 thousand) and a liability of EUR 2,768 thousand (prior year EUR 0 thousand) were recognized. The liability is included in the balance sheet under the item „Liabilities held for sale“.

## 10 Contingent liabilities and other financial obligations

As of the balance sheet date for the financial years 2021 and 2020, there were no significant 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 Related party relationships

Related parties are shareholders with significant influence on the TSC Group, associates, joint ventures, non-consolidated subsidiaries and persons who have a significant influence on the financial and business policy of the Group. Persons with significant influence on the Group‘s financial and business policy comprise all persons in key positions 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. Balances and transactions between fully consolidated Group companies are eliminated during consolidation and are therefore not explained further.

### 11.1 Related Party Transactions

The Group has identified two types of related parties: management in key positions and the group of other related parties.

The transactions in financial years 2021 and 2020 and the outstanding balances with management in key positions are as follows:

| in EUR thousand | 2021 | 2020 |
|---|---|---|
| Proceeds from the sale of goods and services | 0 | 0 |
| Interest expense | 0 | 2 |
| Interest income | 0 | 0 |

| in EUR thousand | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Loan receivables | 0 | 0 |
| thereof secured | 0 | 0 |
| Loan liabilities | 177 | 27 |
| thereof secured | 0 | 0 |

The transactions in the financial years 2021 and 2020 and the outstanding balances with other related parties are as follows:

| in EUR thousand | 2021 | 2020 |
|---|---|---|
| Proceeds from the sale of goods and services | 1 | 114 |
| Legal and consulting costs | 1,500 | 0 |
| Interest expense | 986 | 283 |
| Interest income | 1,241 | 4 |

| in EUR thousand | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Loan receivables | 352 | 150 |
| of which secured | 0 | 0 |
| Loan liabilities | 45,863 | 19,488 |
| of which secured | 0 | 0 |

Other related parties relate mainly to key management investments.

The sale of goods and services was carried out at customary market conditions.

The outstanding amounts will be paid in cash. No provisions were made for doubtful receivables in respect of amounts owed by related parties.

Loans received from related parties were subject to interest rates ranging from between 3 % to 6 %. Interest income with other related parties results from the discounting of loan liabilities upon receipt due to interest below the market interest rate. This interest income is offset over time by higher interest expenses.

## 11.2 Remuneration of management in key positions

**Remuneration of the Executive Board**

The members of the Executive Board are:

| Name | Position |
|---|---|
| Wanja S. Oberhof | Executive Board (CEO) |
| Christian Senitz | Chief Financial Officer (CFO) since 1 March 2021 |
| Ralf Dümmel | Chief Product and Services Officer (CPO) since 8 December 2021 |

The remuneration of the Executive Board is as follows:

| in EUR thousand | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Short-term employee benefits | 802 | 669 |
| Pension benefits | 20 | 18 |
| Other long-term benefits | 0 | 0 |
| Share-based compensation | 268 | 2.132 |
| **Total** | **1,090** | **2,819** |

The remuneration of the Executive Board includes salaries and benefits in kind. The members of the Executive Board also participate in the Group‘s stock option program.

Further information 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 the TSC AG website under https://socialchain.com/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 (prior year EUR 150 thousand) and consists exclusively of short-term benefits. The members of the Supervisory Board did not receive any loans or advances.

The members of the Supervisory Board and other information 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 the TSC AG website under https://socialchain.com/investor-relations/corporate-governance

Management in key positions controls 53.12% (prior year 57.72%) of the Company's voting shares. Several key management members hold positions in other companies that result in them having control or material influence over those companies. Several of these companies carried out transactions with the Group in the reporting year (see Note 11.1.).

## 12 Additional mandatory disclosures in accordance with the German Commercial Code (HGB)

### 12.1 Employees

The average number of employees by function is as follows:

| | 2021 | 2020 |
|---|---|---|
| Purchase | 113 | 23 |
| Marketing | 240 | 133 |
| Administration | 258 | 110 |
| Operations | 397 | 214 |
| Logistics | 162 | 54 |
| Product & IT Development | 67 | 49 |
| Other | 34 | 18 |
| **Total** | **1,271** | **601** |

### 12.2 Auditor's fee

The total fee calculated by the auditor for the financial year amounts to EUR 897 thousand (prior year EUR 649 thousand) and is broken down as follows:

| in EUR thousand | 2021 | 2020 |
|---|---|---|
| Audit services | 782 | 492 |
| Other confirmation services | 115 | 0 |
| Tax consulting services | - | 41 |
| Other services | - | 116 |
| **Total** | **897** | **649** |

## 13 Events after the end of the reporting period

On 2 February 2022, TSC AG placed a bearer bond (interest rate 8.5%) (ISIN DE000A3MQL79). The net proceeds of the 5,000 bonds issued as part of the own issue with a nominal value of EUR 1,000.00 each amounted to EUR 5,000,000.00.

On 3 March 2022, DS Produkte GmbH, Stapelfeld, a 100% subsidiary of TSC AG, sold its entire operating property in Stapelfeld, with a total of 10,623 sqm of land area, at a sale price of EUR 11.7 million with a notarized sales contract, and, with effect, on the same date, leased it back from the buyers at an agreed term of 15 years (plus lessee extension option of two times five years). A monthly lease of EUR 66.7 thousand was agreed.

On 15 March 2022, The Social Chain AG sold 19,249 of its 26,442 shares in Berlin-based KoRo Handels GmbH (the „KoRo"), which were held directly and indirectly as of 31 December 2021, by means of a notarized sale and transfer agreement. The disposal occurred as part of the entry of several internationally renowned institutional financial investors as well as various other angel investors in KoRo, with whom an investment and shareholder agreement was also concluded on this day.

As part of the aforementioned transaction, the existing corporate arrangements among KoRo's existing shareholders were comprehensively altered, including the cancellation of contractual put options with effect for the past and the future by mutual agreement.

Following the completion of the sale and the transfer of the shares, the company will continue to hold a stake in KoRo Handels GmbH as a significant strategic minority shareholder and will have a permanent seat on the newly established Advisory Board under the chairmanship of Dr. Georg Kofler.

As a consequence of the transaction, the shareholding quota of TSC AG decreased from 58.18% to 14.41%, so that TSC AG no longer exercises control over the company. Accordingly, the Group will deconsolidate KoRo in Q1 2022 and prospectively account for it as investment at fair value (FVTPL) through profit or loss.

The company achieves a significant capital gain in the mid-double-digit million range from the sale of the shares. The parties have contractually agreed not to disclose any further parameters of the transaction.

On 25 March 2022, The Social Chain AG sold its 49% stake in FFLV Inc., a company under the incorporation right of Delaware, USA, to the previous majority shareholder in accordance with a sale and transfer agreement against payment of a purchase price of USD 1.0 million. Instead of immediate payment of the purchase price payment for the shares in FFLV, a fully secured bond was issued by TSC AG and agreed by the buyer.

Under the same agreement, SC Fun Inc., a subsidiary of FFLV Inc., has sold its 10% stake in A4D Holdings II LLC to the majority shareholder of A4D Holdings II LLC against payment of a purchase price of USD 1.0 million. The purchase price for the investment in A4D Holdings II LLC was paid in full to TSC AG, whereby loans issued by the latter to FFLV Inc. (and subsequently by FFLV Inc. to SC Fun Inc.) were repaid in the same amount with a debt discharging effect for SC Fun Inc. and FFLV Inc. In the course of the transaction, an existing loan of USD 1.5 million from TSC AG to A4D Holdings II LLC, including accrued interest, was fully repaid to TSC AG as of 31 March 2022.

On 24 February 2022 Russia attacked Ukraine with military force. At the time of preparation of present report, the armed conflict is still in progress, and it is not foreseeable what course this conflict will take. This situation leads to uncertainties and risks with regard to the development of the global economy and the industries in which our Group operates. The war between Russia and Ukraine – whether in the form of increased risk exposure or risks which partially already materialized – has a negative impact on our business activities in several respects.
In particular, the following risks should be mentioned:

- Increase in disruptions to global supply and logistics chains. For example, the TSC Group used to source wood products from Ukraine. The deliveries cannot be maintained at this time.
- Further increases in energy, material, freight and transport costs. These additional costs will not be absorbed or only to a minor extent by increasing the selling prices.
- Declining or even collapsing consumer demand (e.g., in response to the sharp rise in the cost of living).
- Increase in the number of cyber-attacks.

We continuously monitor and analyse developments and derive concrete countermeasures in order to minimise any negative effects.

Up to this point, this war has already had a more severely negative impact on the global economy than other military conflicts in the recent past. However, the possible course, duration and outcome of the conflict as well as the associated effects on the (worldwide) political and the overall economic situation are still unclear. Additionally, further escalation potential associated with this war must be classified as alarming.

We are monitoring the situation very closely and will take into account the burdens resulting from the conflict in the regular forecasts of the Group's earnings forecast.

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 provided permanent access to the declaration by publishing it on the Company's website https://socialchain.com/investor-relations/corporate-governance

## 15 Approval of financial statements for publication

The Supervisory Board is expected to approve present Consolidated Financial Statements on 27 April 2022 on which date the publication is also envisaged.

Berlin, 27 April 2022

Wanja S. Oberhof Ralf Dümmel Christian Senitz

# Independent Auditor's Report

# Report on the audit of the consolidated financial statements and of the group management report

## Audit Opinions

We have audited the consolidated financial statements of The Social Chain AG, Berlin, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the financial year from January 1, 2021 to December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of The Social Chain AG, which is combined with the Company's management report ("group management report"), for the financial year from January 1, 2021 to December 31, 2021. In accordance with German legal requirements, we have not audited the content of the section "Other Information" in our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at December 31, 2021 and of its financial performance for the financial year from January 1, 2021 to December 31, 2021, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of the section "Other Information" referred to above.

Pursuant to § 322 Abs. 3 Satz 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

## Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). We performed the audit of the consolidated financial statements in supplementary compliance with the German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW).

Our responsibilities under those requirements, principles and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

## Key Audit Matters of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from January 1, 2021 to December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

- Impairment of goodwill
- Acquisition of DS Group

We have structured our presentation of these key audit matters as follows:

1. facts and problem definition
2. audit procedure and findings
3. reference to further informationOther Information

In the following, we present the audit matters of particular importance:

***Recoverability of goodwill***

1. In the consolidated financial statements of The Social Chain AG as of December 31, 2021, an amount of EUR 201.4 million is reported under the balance sheet item "Goodwill". 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 reason) 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 to sell 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 budget prepared by the Management 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 also subject to discretionary decisions. 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.

2. 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 future 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 budgeted figures from the detailed financial budget prepared by The Social Chain AG. We also verified that the budget data was correctly derived from the respective five-year plans adopted by the Management Board and approved by the Supervisory Board. We also assessed the plausibility of the planning assumptions on the basis of 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 deemed possible change in a key assumption of the valuation. 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.

3. The Company's disclosures on goodwill are included in Notes 1.7.7 and 4.1 to the consolidated financial statements.

***Acquisition of DS Group***

1. By purchase agreement dated October 19, 2021 and closing as of December 08, 2021, The Social Chain AG acquired all shares of DS Holding GmbH and thus gained control over DS Holding GmbH and

its direct and indirect subsidiaries as of December 08, 2021 (acquisition date).

The total consideration at the acquisition date amounts to EUR 212.2 million. Taking into account the acquired net assets of EUR 67.1 million and the non-controlling interests of EUR 0.0 million determined in the context of the purchase price allocation, which is still preliminary as of December 31, 2021, goodwill amounts to EUR 145.1 million.

Net assets are determined by the balance of the assets acquired and liabilities assumed, which are generally recognized at fair value at the acquisition date in accordance with IFRS 3. The Social Chain AG has engaged an independent expert for the identification and measurement of the assets acquired and liabilities assumed.

The identification and measurement of the assets acquired and liabilities assumed are complex and are partly based on discretionary assumptions by the Management Board. In particular, the determination of the fair values of assets acquired and liabilities assumed requires the Management Board to make judgments regarding the assumptions used in the valuation. Significant assumptions relate in particular to future cash flows and discount rates.

There is a risk for the consolidated financial statements that the assets acquired and liabilities assumed may be incorrectly identified or measured. There is also a risk that the disclosures in the notes to the consolidated financial statements are not complete and accurate.

2. The identification and measurement of the assets acquired and liabilities assumed are complex and are partly based on discretionary assumptions by the Management Board. In particular, the determination of the fair values of assets acquired and liabilities assumed requires discretionary decisions by the Management Board with regard to the assumptions used in the valuation. Significant assumptions relate in particular to future cash flows and discount rates.

   First, we obtained an understanding of the transaction (including components and amount of consideration), the business activities and the economic and legal environment of DS Holding GmbH through interviews with the Management Board and other relevant contacts of The Social Chain AG and the purchase agreement.

   We assessed the process of identifying the assets acquired and liabilities assumed against our knowledge of the industry and the business, economic and legal environment of DS Holding GmbH for compliance with the requirements of IFRS 3.

   In this context, we also interviewed the external expert and assessed his approach to identifying the assets acquired and liabilities assumed that were measured at fair value. We analyzed the completeness of the overview of the assets and liabilities identified and to be measured prepared by the external expert. To this end, we compared the findings of the external expert with our own findings and expectations. In addition, we assessed the competence, capabilities and objectivity of the independent expert engaged by The Social Chain AG.

   We have assessed the valuation of the identified assets acquired and liabilities assumed on a risk-oriented basis with the involvement of our valuation specialists.

   To this end, we assessed, among other things, the appropriateness of the valuation methods and the significant assumptions and data used in the valuation. We discussed the assumptions and data underlying the future cash flows and discount rates with those responsible for planning and compared them with our own assumptions and publicly available data.

   Finally, we have assessed whether the disclosures in the notes on the acquisition of DS Holding GmbH are complete and accurate.

   We have determined that the approach used to identify and measure the assets acquired and liabilities assumed is appropriate and in accordance with the applicable accounting policies. The key assumptions and data are appropriate, and the presentation in the notes to the consolidated financial statements is accurate.

3. The Company's disclosures on the acquisition of DS Group are included in notes 1.5.2 and 1.7.2 to the financial statements.

### Other Information

The legal representatives are responsible for the other information. The other information comprises

- the non-financial statement referred to in § 289b

(1) HGB and § 315b (1) HGB in the "Non-financial statement (sustainability report)" section of the group management report

- the corporate governance declaration in accordance with Section 289f HGB and § 315d HGB, including the declaration of compliance in accordance with § 161 AktG, referred to in the "Corporate Governance Statement" section of the group management report

- the remaining parts of the annual report, with the exception of the audited consolidated financial statements and group management report and our auditor's report and

- the confirmation pursuant to § 297 Abs. 2 Satz 4 HGB for the consolidated financial statements and the assurance pursuant to § 315 Abs. 1 Satz 5 HGB for the group management report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

### 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 § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the 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.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the legal representatives are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the legal representatives are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation] and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the legal representatives and the reasonableness of estimates made by the legal representatives and related disclosures.

- Conclude on the appropriateness of the legal representatives' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional German commercial law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence for the accounting information of the entities or business activities within the Group to express an audit opinion on the consolidated financial statements and the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the legal representatives in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the legal representatives as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated 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 about the matter.

# Other legal and regulatory requirements

## Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB

### Audit opinion

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file [TSC_Konzernabschluss_2021.zip] and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2021 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

### Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410). Our responsibility in accordance therewith is further described in the "Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

### Responsibilities of the Legal Representatives and the Supervisory Board for the ESEF Documents

The legal representatives of the Company are responsible for the preparation of the ESEF documents including the electronic renderings of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the legal representatives of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The legal representatives of the company are also responsible for submitting the ESEF documents together with the auditor's report and the accompanying audited consolidated financial statements and audited group management report as well as other documents to be disclosed to the operator of the Federal Gazette.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

### Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional scepticism throughout the assurance work. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

- Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the consolidated financial statements on the technical specification for this electronic file.

- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.

- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

# Further information pursuant to article 10 of the EU aduit regulation

We were elected as group auditor by the annual general meeting on 30 Juli 2021. We were engaged by the Supervisory Board on August 20, 2021. We act as auditors of the annual/consolidated financial statements of The Social Chain AG for the first time in fiscal year 2021.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

# German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Arno Kramer.

Frankfurt am Main, April 27 2022

RSM GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

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| D. Hanxleden | A. Kramer |
| Wirtschaftsprüfer | Wirtschaftsprüfer |
| (German Public Auditor) | (German Public Auditor) |