



The Social Chain AG®

# CONSOLIDATED QUARTERLY STATEMENT

FOR Q3 2022

# Key Financial Figures Of The Group

## Overview Of The Social Chain AG

### Financial performance

in EUR million	YTD 9-30-22	YTD 9-30-21	Change	
Revenues	311.8	168.2	143.6	85.4%
<b>Gross Profit</b>	<b>84.7</b>	<b>69.3</b>	<b>15.4</b>	<b>22.2%</b>
<b>EBITDA</b>	<b>10.5</b>	<b>-10.0</b>	<b>20.5</b>	-
EBITDA as a percentage of revenues	3.3%	-5.9%	9.2%	-
<b>EBITDA (adjusted)</b>	<b>11.9</b>	<b>-2.5</b>	<b>14.4</b>	-
adjusted EBITDA as a percentage of revenues	3.8%	-1.5%	5.3%	-
<b>EBIT *</b>	<b>-57.0</b>	<b>-15.2</b>	<b>-41.8</b>	<b>&gt; 100%</b>
<b>Net result of the Group</b>	<b>-68.4</b>	<b>-16.1</b>	<b>-52.3</b>	<b>&gt; 100%</b>

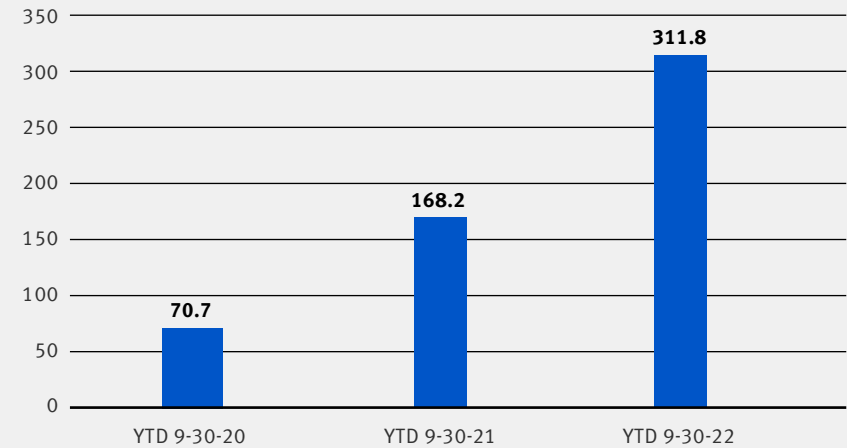
\* Including amortization, depreciation and impairment of EUR -67.5 million in the first nine month of 2022, mainly attributable to impairments in goodwill amounting to EUR 44.7 million and intangible assets, property, plant and equipment totalling EUR 6.5 million that were already recognized in the first half of 2022.

### Financial position and other key figures

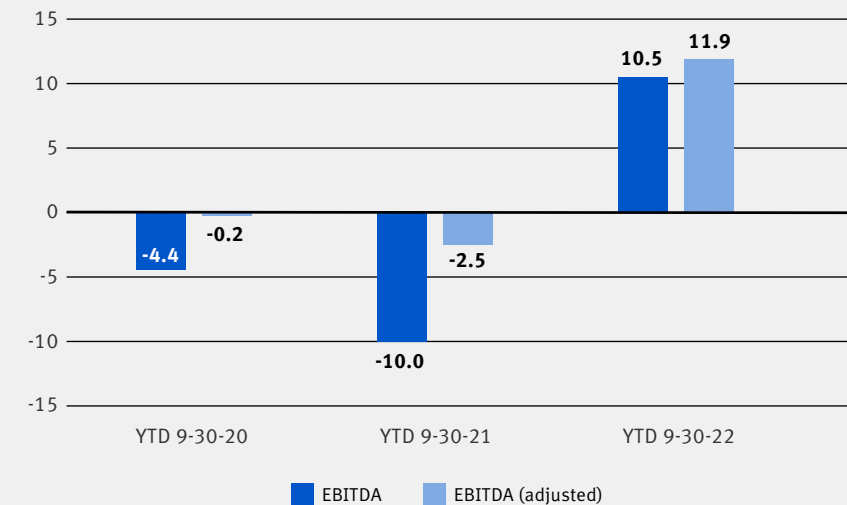
in EUR million	9-30-22	9-30-21	Change	
Cash flow from operating activities	-24.1	-28.4	4.3	-15.1%
Cash flow from investing activities	49.7	-5.3	55.0	-
Cash and cash equivalents	4.1	11.1	-7.0	-63.1%
<b>Employees (annual average)</b>	<b>1,307</b>	<b>822</b>	<b>485</b>	<b>59.0%</b>
<b>Basic earnings / diluted earnings per share (in EUR) *</b>	<b>-4.05</b>	<b>-1.28</b>	<b>-2.77</b>	<b>&gt; 100%</b>

\* from continued operations

Revenue\* in EUR million  
(development)



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



\* from continued operations

# Table of Contents

1	Market conditions .....	04
2	Revenue development of the TSC Group .....	05
3	Key operational events in the period from 1 July to 30 September 2022 .....	06
4	Key performance indicators.....	07
5	Significant events after the quarterly reporting date .	11
6	Outlook for the full year 2022.....	13

# 1 Market conditions

## 1 Market conditions

### 2 Revenue development of the TSC Group

### 3 Key operational events

### 4 Key performance indicators

### 5 Significant events after the quarterly reporting date

### 6 Outlook for the full year 2022

The market environment in which The Social Chain AG (hereinafter also referred to as „TSC AG“, or – together with its subsidiaries, associates and joint ventures – „TSC Group“) operates, depends on the overall economic development and the purchasing power as a result. Due to Russia's attack on Ukraine and the subsequent fears of inflation, consumer demand in Europe fell sharply already in the first half of 2022. Inflation is rising and the uncertainty regarding further price increases of energy costs and costs of living has led to a deterioration in consumer sentiment.

The International Monetary Fund's analyses expect global GDP growth to slow to 3.2% in 2022 and 2.7% in 2023 (previous year: 6.0%).<sup>1</sup> Germany expects GDP growth to decline by 1.1 percentage points to 1.5% in 2022 (previous year: 2.6%). The forecast for 2023 even assumes a decline in GDP of 0.3%.<sup>2</sup>

In its Consumer Climate Study, the company Growth from Knowledge, formerly Gesellschaft für Konsumforschung (GfK), forecasts a decline in consumer climate for October 2022 by 5.7 points to -42.5 points in Germany. Higher energy prices have a negative impact on the propensity to consume, as fewer financial resources are available for purchases.<sup>3</sup> According to the German Federal Association of E-Commerce and Mail Order, this effect also noticeable in e-commerce (with goods). Total sales decreased by 10.8% year-on-year to EUR 19.8 billion (gross) in Germany from the beginning of July to the end of September 2022. Multichannel retailers are most heavily affected with a 21.5% decline in sales compared to the same quarter of the previous year. Online marketplaces lost 9.2%

and direct sellers lost 2.1%. However, despite the current crisis, the industry records a plus of 16% compared to the pre-Covid-19 year of 2019.<sup>4</sup>

The sales development for the social commerce industry was still assessed as promising at the beginning of the year. For example, in the study from January 2022 „Why Shopping's Set for a Social Revolution“, Accenture forecasts that global sales in social commerce would increase from USD 0.5 trillion to USD 1.2 trillion in 2025. This corresponds to an average annual growth rate of 24%.<sup>5</sup> However, due to the ongoing and far-reaching crisis, it is questionable whether the forecast from January 2022 is still tenable. In a recent report from November 2022 with a focus on the entire trade, the German Retail Association notes that despite slight improvements, consumer sentiment is poor. It states, „If a recession we were spared from so far sets in over the coming quarters, a renewed weakening of consumption is to be expected.“<sup>6</sup>

<sup>1</sup> <https://www.imf.org/-/media/Files/Publications/WEO/2022/October/English/text.ashx> (S. 8)

<sup>2</sup> <https://www.imf.org/-/media/Files/Publications/WEO/2022/October/English/text.ashx> (S. 12)

<sup>3</sup> [https://www.gfk.com/hubfs/website/editorial\\_ui\\_pdfs/20220928\\_PM\\_Konsumklima\\_Deutschland\\_dfin.pdf](https://www.gfk.com/hubfs/website/editorial_ui_pdfs/20220928_PM_Konsumklima_Deutschland_dfin.pdf)

<sup>4</sup> [https://www.bevh.org/fileadmin/content/05\\_presse/Pressemitteilungen\\_2022/051022\\_PM\\_Q3.pdf](https://www.bevh.org/fileadmin/content/05_presse/Pressemitteilungen_2022/051022_PM_Q3.pdf)

<sup>5</sup> <https://www.accenture.com/il-en/insights/software-platforms/why-shopping-set-social-revolution>

<sup>6</sup> <https://einzelhandel.de/presse/aktuellemeldungen/13971-hde-konsumbarometer-im-november-leichte-verbesserung-der-verbraucherstimmung-auf-niedrigem-niveau-2>

## 2 Revenue development of the TSC Group

1 Market conditions

2 Revenue development of the TSC Group

3 Key operational events

4 Key performance indicators

5 Significant events after the quarterly reporting date

6 Outlook for the full year 2022

In the period from 1 January to 30 September 2022, the TSC Group's sales revenues increased by EUR 14 3.6 million year-on-year to EUR 311.8 million, almost doubling. However, revenues are only partially comparable with the revenues of the comparable period in 2021:

- DS Holding GmbH (together with its subsidiaries "DS Group"), Stapelfeld, was acquired as a contribution in kind on 8 December 2021. In the first nine months of 2022, revenues of the DS Group amounting to EUR 168.4 million were considered. The comparative period of 2021 does not include any revenues of the DS Group.
- The KoRo Group was deconsolidated at the end of March 2022. The first nine months of 2022 therefore include KoRo Group's revenues for a period of three months only amounting to EUR 19.8 million. In the same 9-months period of 2021, KoRo Group contributed EUR 43.1 million to the Group's revenue.

Revenues increased by EUR 32.9 million to EUR 88.3 million in the third quarter of 2022 compared to the third quarter of the previous year. For the purpose of comparability, the additional revenues of EUR 52.9 million in 2022 resulting from the acquired DS Group are contrasted with previous year's revenues of EUR 15.7 million from the KoRo Group.

Overall, however, revenues in the third quarter of 2022 fell short of expectations in almost all segments.

The MAXX Group segment, the TSC Group's stationary trading (B2B business), recorded the largest deviations. Sales in the two segments Core Brands and Brand Chain (primarily e-commerce / B2C business) were also unsatisfactory due to the market's buying restraint. The agency business Social Marketing showed a stable development both compared to the previous year and to the budget.



# 3 Key operational events

## in the period from 1 July to 30 September 2022

1 Market conditions

2 Revenue development of the TSC Group

**3 Key operational events**

4 Key performance indicators

5 Significant events after the quarterly reporting date

6 Outlook for the full year 2022

### Issuance of stock options

On July 11, 2022, 50,000 stock options were granted to Executive Board member Wanja Oberhof, 50,000 stock options to Executive Board member Ralf Dümmel and 60,000 stock options to Executive Board member Andreas Schneider under the 2022 Stock Option Plan of TSC AG for members of the Executive Board and employees of the Company as well as for members of the Management and employees of companies affiliated with the company (Social Chain Stock Option Plan 2022, Annual General Meeting of June 8, 2022 in accordance with the resolution on agenda item 7).

The exercisability of the stock options whose vesting is subject to a vesting scheme depends on the achievement of performance targets and the expiry of the four-year waiting period. The exercise price of the respective stock option corresponds to the volume-weighted average of the share price of TSC AG during the last ten stock exchange trading days prior to the respective issue date, at least the proportionate amount of the company's share capital attributable to one share of TSC AG.

### Resolution on the restructuring of the Group

On August 11, 2022, the Executive Board of the TSC Group decided on measures to streamline the investment portfolio with the aim to further increase the profitability of the Group as a whole.

The TSC Group intends to sell the following subsidiaries:

- CLASEN BIO Group (Core Brand segment)
- Ravensberger Group (Core Brand segment)
- The Fitness Chain GmbH, Berlin (Brand Chain segment)
- DEF Media GmbH, Berlin (Social Marketing segment)
- bytepark GmbH, Berlin (Other segment)
- sib Silvester in Berlin Veranstaltungen GmbH, Berlin (Social Marketing segment)

The CLASEN BIO Group combines the business of the CLASEN BIO product line (private label business) and the production business for private labels of large discounters with dry fruits and nuts under their branding (third-party brand business).

As part of the sale of the Carl Wilhelm Clasen Group completed after the quarterly reporting date, the trading business with the CLASEN BIO brand will remain and be expanded within the TSC Group. In preparation for the sale of the CLASEN BIO Group, Carl Wilhelm Clasen GmbH has sold its German and EU word and figurative marks ("CWC trademarks") to Comertunity SPV 1 GmbH (formerly: aptus 2047. GmbH), Berlin, by means of a sale and transfer agreement dated August 8, 2022. Subsequently, CLASEN FOODS GmbH (formerly DS Care4You GmbH), Stapelfeld, an indirectly held wholly owned subsidiary of TSC AG, acquired the exclusive license rights to the CWC trademarks and a subsequent buyback option by an IP license agreement dated September 25/26, 2022 against payment of monthly license fees.



## 4 Key performance indicators

1 Market conditions

2 Revenue development of the TSC Group

3 Key operational events

**4 Key performance indicators**

5 Significant events after the quarterly reporting date

6 Outlook for the full year 2022

### Revenues, gross margin, EBITDA and adjusted EBITDA

#### Group (total)

in EUR thousand	Q3 2022	Q3 2021 <sup>1</sup>	YTD 30/09/2022	YTD 30/09/2021 <sup>1</sup>
Revenues	88,306	55,421	311,832	168,236
Gross margin <sup>2 3</sup> (absolute)	24,628	20,400	84,654	69,318
Gross margin <sup>2 3</sup> (% of sales)	27.9%	36.8%	27.1%	41.2%
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA)</b>	<b>-7,463</b>	<b>-3,695</b>	<b>10,522</b>	<b>-9,970</b>
EBITDA margin	-8.5%	-6.7%	3.4%	-5.9%
Adjustment	-951	3,121	1,416	7,497
<b>Adjusted earnings before interest, taxes, depreciation and amortization (EBITDA)</b>	<b>-8,414</b>	<b>-574</b>	<b>11,938</b>	<b>-2,473</b>

<sup>1</sup> The figures differ from those reported in the quarterly reporting for the 3rd quarter of 2021, as the income and expenses of Media Chain GmbH, Social Chain GmbH, Media Chain Products GmbH, The Social Commerce Alliance GmbH, Social Moms GmbH, smileBaby GmbH, Belsonno GmbH, Urbanara Home & Living GmbH (formerly: sweet dreams GmbH) and Social Chain Media und Commerce GmbH were retrospectively reclassified to income from discontinued operations for comparison reasons.

<sup>2</sup> The gross margin corresponds to revenues plus changes in inventories and less material expenses.

<sup>3</sup> As part of the purchase price allocation stipulated by IFRS, revaluation premiums of EUR 4,377 thousand were applied to the value of inventories which were part of the acquisition of the DS Group as of December 8, 2021, due to already existing orders for the majority of the inventories. In the first quarter of 2022, these premiums were realized after the sale of the goods, thus burdening the absolute and relative gross margin and EBITDA accordingly.

[1 Market conditions](#)
[2 Revenue development of the TSC Group](#)
[3 Key operational events](#)
[4 Key performance indicators](#)
[5 Significant events after the quarterly reporting date](#)
[6 Outlook for the full year 2022](#)

## Segment revenues and EBITDA

### Q3 2022 segments

in EUR thousand	Core Brands	MAXX Group	Brand Chain	Social Marketing	Holding/ Other	Consolidation	Group
Revenues from external customers	24,916	36,125	13,267	13,531	467	0	88,306
thereof sale of merchandise	22,280	36,089	13,267	0	168	0	71,804
thereof agency business	0	0	0	12,017	0	0	12,017
thereof production	0	0	0	1,511	294	0	1,805
thereof events	2,633	0	0	3	0	0	2,636
thereof other sales	3	36	0	0	5	0	44
Revenues with other segments	1,055	5,362	1,608	450	10,726	-19,202	0
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA)</b>	<b>-5,211</b>	<b>-1,710</b>	<b>-5,538</b>	<b>-220</b>	<b>3,675</b>	<b>1,542</b>	<b>-7,463</b>

### Q3 2021 segments

in EUR thousand	Core Brands	MAXX Group	Brand Chain	Social Marketing	Holding/ Other	Consolidation	Group
Revenues from external customers	34,956	0	6,233	13,316	916	0	55,421
thereof sale of merchandise	34,946	0	6,233	804	0	0	41,983
thereof agency business	0	0	0	11,365	0	0	11,365
thereof production	0	0	0	1,136	630	0	1,766
thereof events	0	0	0	0	0	0	0
thereof other sales	10	0	0	11	286	0	307
Revenues with other segments	181	0	765	877	1,736	-3,559	0
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA)</b>	<b>-453</b>	<b>-184</b>	<b>44</b>	<b>1,094</b>	<b>-4,151</b>	<b>-46</b>	<b>-3,695</b>



[1 Market conditions](#)
[2 Revenue development of the TSC Group](#)
[3 Key operational events](#)
[4 Key performance indicators](#)
[5 Significant events after the quarterly reporting date](#)
[6 Outlook for the full year 2022](#)
**Segments YTD 30/09/2022**

in EUR thousand	Core Brands	MAXX Group	Brand Chain	Social Marketing	Holding/ Other	Consolidation	Group
Revenues from external customers	117,055	104,065	42,715	46,789	1,208	0	311,832
thereof sale of merchandise	113,927	103,845	42,715	0	171	0	260,658
thereof agency business	0	0	0	42,288	0	0	42,288
thereof production	0	0	0	4,268	1,013	0	5,281
thereof events	3,004	0	0	230	0	0	3,234
thereof other sales	125	220	0	2	24	0	371
Revenues with other segments	2,859	19,889	2,617	677	25,304	-51,346	0
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA)</b>	<b>-13,783</b>	<b>-6,092</b>	<b>-9,396</b>	<b>-1,413</b>	<b>35,239</b>	<b>5,967</b>	<b>10,522</b>

**Segments YTD 30/09/2021**

in EUR thousand	Core Brands	MAXX Group	Brand Chain	Social Marketing	Holding/ Other	Consolidation	Group
Revenues from external customers	112,520	0	21,749	32,452	1,515	0	168,236
thereof sale of merchandise	112,431	0	21,749	2,437	118	0	136,736
thereof agency business	0	0	0	27,122	0	0	27,122
thereof production	0	0	0	2,464	1,087	0	3,551
thereof events	0	0	0	276	0	0	276
thereof other sales	88	0	0	153	310	0	551
Revenues with other segments	756	0	781	1,209	6,955	-9,701	0
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA)</b>	<b>926</b>	<b>-179</b>	<b>-2,444</b>	<b>1,155</b>	<b>-9,407</b>	<b>-22</b>	<b>-9,970</b>

1 Market conditions

2 Revenue development of the TSC Group

3 Key operational events

**4 Key performance indicators**

5 Significant events after the quarterly reporting date

6 Outlook for the full year 2022

### Net Working Capital

in EUR thousand	30/09/2022	30/09/2021
Inventories	83,500	39,548
Trade receivables	48,695	21,462
Other current assets excluding loans receivables	22,358	11,021
Cash and cash equivalents	7,236	12,105
	<b>161,789</b>	<b>84,136</b>
Current provisions	2,503	8,246
Trade payables	35,693	19,325
Other current liabilities excluding liabilities to banks, bonds and liabilities from put options	32,820	24,716
	<b>71,016</b>	<b>52,287</b>
<b>Net Working Capital<sup>1</sup></b>	<b>90,773</b>	<b>31,849</b>

<sup>1</sup> Net working capital corresponds to current assets less current liabilities excluding loans, liabilities to banks, bonds, liabilities from put options and assets and liabilities held for sale.

### Segments: Cash and cash equivalents

in EUR thousand	Core Brands	MAXX Group	Brand Chain	Social Marketing	Holding/ Other	Group
30/09/2022	1,622	925	597	2,805	1,286	7,236
30/09/2021	4,740	11	1,587	3,178	2,590	12,105

### Net indebtedness

in EUR thousand	30/09/2022	30/09/2021
<b>Net financial debt (current)<sup>1</sup></b>	<b>158,906</b>	<b>28,525</b>
<b>Total debt<sup>2</sup></b>	<b>251,740</b>	<b>93,922</b>

<sup>1</sup> Net financial debt (current) corresponds to current financial liabilities less cash and cash equivalents and current financial assets.

<sup>2</sup> Total debt corresponds to net financial debt (current) plus non-current financial liabilities, non-current provisions and other non-current non-financial liabilities.

The increase in net working capital as well as net financial debt and total debt is mainly due to the acquisition of the DS Group, the associated financing and the existing working capital structure in the DS Group.

### Employee development

As of September 30, 2022, the TSC Group had a total of 1,191 (previous year: 851) employees.

## 5 Significant events after the quarterly reporting date

1 Market conditions
2 Revenue development of the TSC Group
3 Key operational events
4 Key performance indicators
<b>5 Significant events after the quarterly reporting date</b>
6 Outlook for the full year 2022

### Disposal of the Carl Wilhelm Clasen GmbH Group („CLASEN BIO“)

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

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

The parties have contractually agreed not to disclose the other conditions of the transaction.

### Refinancing DS subgroup

By syndicated loan agreement dated October 10, 2022, arranged by Landesbank Baden-Württemberg and Unicredit Bank AG as coordinators, Mandated Lead Arranger and Bookrunner, DS Holding GmbH, Stapelfeld, an indirectly held wholly owned subsidiary of TSC AG, entered into a loan agreement with the financial institutions combined in the syndicate to finance the DS Subgroup. The DS subgroup is thus financially soundly positioned for its development in the coming years.

DS Holding GmbH received a total loan commitment of EUR 125.0 million having a term of 3 years, divided into three facilities. One facility amounts to a total loan amount of EUR 25.0 million and is solely intended to grant a loan to TSCDS Holding GmbH, Stapelfeld, the sole parent company of DS Holding GmbH, for the purpose of refinancing the remaining bridge loan granted in connection with the acquisition of the DS Group by TSC AG

in December 2021. The loan commitments of the other two facilities amount to a total of EUR 100.0 million and serve the general working capital financing of DS Holding GmbH as well as its direct and indirect subsidiaries. DS Holding GmbH also received the option to increase the total loan commitment by up to a maximum of EUR 20.0 million to enable further steps of growth.

In addition, the loan agreement provides for a two-time option to extend the term of the loan by one year in each case upon request.

### Prolongation shareholder loan

By loan prolongation, amendment and subordination agreement dated October 24, 2022, the Gruppe Georg Kofler GmbH, Munich, FORTUNA Beteiligungsgesellschaft mbH, Munich, and eninvent GmbH, Munich, all three shareholders of TSC AG and lenders, extended the term of their loans with a nominal amount totalling EUR 35.0 million uniformly to the final maturity date of March 31, 2025 whereof an amount of EUR 21.5 million was granted to TSC AG and an amount of EUR 13.5 million to The Social Chain Group AG, Berlin, a wholly owned subsidiary of TSC AG, together the borrowers, as well as the interest accrued thereon in the amount of EUR 1.7 million. In addition, the lenders, individually and particularly with regard to the loans they have granted to the borrowers, declare to be subordinated to all claims of present and future other creditors (with the exception of other subordinated creditors and creditors of equal rank) and to rank behind the claims within the meaning of Article 39 (1) no. 5 InsO with their right to repayment, the costs and interest on the total amount of the loans granted to the borrowers pursuant to Article 39 (2) of the InsO. This agreement may be terminated at the earliest on 31 March 2025 with three months' notice to the end of the quarter if and to the extent that the termination does not trigger a crisis in one of the affected borrowers at that time.

1	Market conditions
2	Revenue development of the TSC Group
3	Key operational events
4	Key performance indicators
5	<b>Significant events after the quarterly reporting date</b>
6	Outlook for the full year 2022

### Reorganization of the Executive Board

The Chief Executive Officer (CEO) of TSC AG, Mr. Wanja Sören Oberhof, notified the Supervisory Board of the Company at its ordinary meeting on November 15, 2022 of his intention to resign from his position as a member of the Executive Board with effect from the end of December 31, 2022. The Supervisory Board intends to appoint Dr. Georg Kofler, current Chairman of the Supervisory Board, as a member of the Executive Board and Chairman of the Executive Board of the company with effect from January 1, 2023.

As President of Social Chain US Inc., an indirectly held wholly owned subsidiary of TSC AG, Mr. Wanja Sören Oberhof will be responsible for all M&A activities of the TSC Group in addition to the management of the US business.

Mr. Ralf Dümmel, Chief Product Officer (CPO) of TSC AG, has resigned from his position as Board member and Deputy CEO of TSC AG with effect from the end of November 15, 2022 and has focused on the sole management of the DS Group since.

In its new structure, TSC AG will be led by an Executive Board consisting of two members, Dr. Georg Kofler as CEO and Andreas Schneider as CFO. Henrike Luszick and Henning Giesecke continue to form the Supervisory Board of TSC AG. The appointment of the third position on the Supervisory Board will be announced shortly.

There were no other events of particular significance for the net assets, financial and earnings position after the end of the reporting period.

Dr. Georg Kofler (Chairman of the Supervisory Board, with effect from January 1, 2023 CEO of the The Social Chain AG), Andreas Schneider (CFO)



Photos: VOX / Boris Breuer, Rieka Anschütz

# 6 Outlook for the full year 2022

- 1 Market conditions
- 2 Revenue development of the TSC Group
- 3 Key operational events
- 4 Key performance indicators
- 5 Significant events after the quarterly reporting date
- 6 Outlook for the full year 2022**

## Performance 2022

Based on the business performance to date, which has fallen short of expectations, as well as the companies and brands sold or planned for sale as part of the portfolio streamlining, management expects to increase revenues to EUR 380 million in the 2022 financial year, with EBITDA in the single-digit million range (approx. 2% EBITDA margin).

## Further development of the business model

As part of the post-merger restructuring, the management focuses on the three brand and commerce pillars Core Brands, Brand Chain and MAXX Group as well as social media and has been divesting several companies. The clear focus will contribute to increasing profitability in the medium term and reducing complexity within the Group. In addition, the progressive integration of the DS Group will also contribute to the positive development. The TSC Group is thus in a position to exploit cost-related synergy effects with growing tendency. These effects will only become fully apparent in the coming financial years.

## Align central IT systems for future growth

The TSC Group is currently in the process of introducing a new and modern IT system landscape which includes the central IT systems such as Enterprise Resource Planning (ERP), Warehouse Management (WMS) and Document Management (DMS). The introduction for all business areas offers the opportunity for future growth by supporting the omnichannel sales strategy through automation in the best possible way. In addition, the flexibility of the Group will be ensured in the future, as new business units can be integrated efficiently.

Berlin, 28 November 2022

Wanja S. Oberhof

Andreas Schneider



Photos: VOX / Frank W. Hempel, Matthias Kindler, Stefan Groenveld





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**Disclaimer**

This quarter-year report contains information on future scenarios based on current management assumptions and forecasts. A number of known and unknown risks, uncertainties and other factors may cause the actual results, financial position and performance of the company to differ materially from such projections. The Social Chain AG accepts no liability to update the information and forecasts contained in this report, unless required to do so by law.

The financial figures have been prepared in accordance with International Financial Reporting Standards (IFRS) as applicable in the EU. However, this quarterly statement does not constitute an interim report as defined in International Accounting Standard (IAS) 34.

Due to the rounding of figures, it is possible that individual figures in this and other documents do not add up exactly to the totals given and that the percentages shown do not exactly reflect the absolute values to which they relate.