STARAMBA

TOUCH THE FUTURE

# Annual Report 2018

# Report of the Managing Director

**Dear shareholders, employees, and business partners,**

In the 2018 financial year, Staramba SE continued to develop its business model and adapt it to the changing requirements of the young virtual reality (VR) market. We have tightened the company's market presence by focusing on both 3D scanner systems and digital VR worlds. Due to the successful placement of the first initial token offering (ITO) of a listed company in Germany, Staramba SE has not only proven its internal potential, but also significantly improved its own market presence due to the positive response of private and institutional investors and customers. The company has created the Staramba.Token, an innovative means of payment for long-term use in the Staramba VR experience world MATERIA.ONE.

The company expects lifelike avatars to be used in personalised video games and social media channels in the future and, with its scanning expertise, is positioning itself as the portal into a digital world. The company also intends to offer third-party users in such industries as automotive, apparel, fitness/health, and consumer goods access to the bulk data collected through 3D scanning and subsequently depersonalised.

The company also assumes that consumer-oriented companies, celebrities, and stars will, in the future, offer in addition to websites, online shops, and social media channels their own digital VR worlds in a virtual space in order to make contact with customers and fans. Staramba is well positioned as an agency service provider and multiplier with its VR world MATERIA.ONE under continuous development.

The market environment for VR products and services has improved significantly due to the proliferation of user-friendly VR glasses such as Oculus Go/Quest and the improved offering of VR games on streaming portals such as Steam. In 2018, more than 5 million VR devices were sold worldwide and estimates for 2019 suggest that more than 7 million units will be sold. All in all, the company sees good growth in the market for future Staramba products as the market for VR users continues to grow and devices continue to improve.

Unfortunately, the financial figures in this year's report do not yet reflect the market potential because the company had to tie up considerable management and personnel resources in expanding its operational capacity in 2018. As part of the preparation of the annual financial statements for 2018, following intensive discussions with the auditor and external experts, the company decided on a commercial law reclassification of the proceeds from the token sales, treating them now not as sales, but as prepayments received.

For the 2018 financial year, the company thus generated €326,000 in sales (2017: €12.049 million) and an operating loss (EBITDA) of €11.054 million (2017: -€820,000). The net loss for the year is €22.026 million (2017: €43.776 million) and is mainly due to the unscheduled value adjustment (-€14.448 million) of the goodwill generated in 2016 as well as the commercial reclassification of the token payments (€6.634 million). As a result, the company missed its own sales and earnings targets significantly and had to report the loss of half of its equity due to the negative equity situation.

However, the Board of Directors has already examined measures to strengthen equity and placed a substantial capital increase on the agenda of the extraordinary General Meeting called for July 2019.

We thank our employees for their commitment, hard work, and creativity. We also value the trust of our business partners and shareholders and we would be delighted if you continue to accompany us on our journey.

Berlin, July 2019

Christian Daudert

Managing Director

Staramba SE

# Report of the Board of Directors

Dear Shareholders,

In the 2018 financial year, the Board performed with great care the duties assigned to it by law, the statutes, and the company's rules of procedure in full. The Board directed the company's affairs, determined the principles of its business, and continuously oversaw and advised the work of the Managing Directors. There was a lively exchange between the Board of Directors and the Managing Directors, both verbally and in writing. The main focus was on aligning the business model with the two business areas of 3D scanner systems and digital VR experience worlds as well as the placement of Staramba tokens as part of an initial token offering (ITO). The Board was also involved in discussions about the company's assets, finances, and operating results as well as the underlying corporate planning. The Managing Directors have at all times fully complied with their obligations to keep the Board informed.

The Board was given timely notice of all matters of particular importance. The Managing Directors duly submitted any transactions requiring the Board's approval in good time. The Board of Directors has thoroughly reviewed all reports and documents. All transactions requiring its approval were approved.

**The Managing Directors and Board of Directors in 2018:**

The Board of Directors had five members in 2018: Christian Daudert (Chairman), Professor Dr Klemens Skibicki (Vice-Chairman), Rolf Elgeti, Marthe Rehmer (née Wolbring), and Marc Kneifel. At the General Meeting for the 2017 financial year held 13 February 2019, two new members were elected to the Board of Directors, Mr Achim Betz and Mr Axel von Starck to replace Ms Marthe Rehmer (née Wolbring) and Marc Kneifel, who resigned from the Board effective with the adjournment of the General Meeting.

As of the publication of this annual statement, the Board of Directors therefore has the following members: Rolf Elgeti (Chairman), Axel von Starck, Christian Daudert, Achim Betz (Vice-Chairman, Chairman of the Audit Committee), and Professor Dr Klemens Skibicki. Since the annual general meeting on 13 February 2019, an Audit Committee has been chaired by Achim Betz.

The Managing Directors during the reporting period were Christian Daudert and Frederic Cremer. At its meeting on 27 April 2018, the Staramba SE Board of Directors removed Mr Frederic Cremer from office.

**Meetings of the Board of Directors**

In the financial year 2018, the Board of Directors met for a total of six meetings in which the members of the Board of Directors and the Managing Directors participated in a quorum. In 2019, a further four meetings of the Board of Directors were held to prepare the 2018 financial statements issued on 22 July 2019. The full Board of Directors participated in the deliberations for the 2018 financial year and the ongoing 2019 financial year.

**Focus of the Board's deliberations**

The focus of regular discussions in 2018 was the development of sales, earnings, and activities of Staramba SE, its financial position, its strategic prospects for the further development of the company, in particular the alignment of the business model to the two business areas of 3D scanner systems and digital VR experience worlds as well as the placement the Staramba.Token as part of an initial token offering (ITO).

The Board also discussed the amended annual financial statements and the amended management report for the 2017 financial year, for which the company had received an adverse opinion from auditor BDO AG Wirtschaftsprüfungsgesellschaft on 30 November 2018. The Board of Directors approved the amended annual financial statements and the amended management report for the 2017 financial year on 30 November 2018 and published them in accordance with §47 para. 5 of the Act Implementing the Societas Europaea (SE-AG).

The Managing Directors provided the Board with comprehensive and regular reports on the plans for the business, the course of business, and the current situation of the company. The Board addressed in detail the economic situation of the company and its operational and strategic development and worked on plans for its further development.

In addition to the reports required by law, the following topics received intensive attention and review from the Board:

- Examination and approval of the 2017 annual financial statements
- Preparation for the General Meeting in 2018/19
- Annual planning for the 2018 financial year
- 2018 annual financial statements and their audit
- Prognosis for a going concern and ensuring liquidity
- Audit of the 2017 annual financial statement by the DPR e.V.
- Growth in the 3D scanner system and digital VR experience worlds business
- Balance-sheet treatment of the sales from the ITO
- German Corporate Governance Code, Declaration of Conformity pursuant to §161 of the German Stock Corporation Act (AktG), and Corporate Governance Declaration

**Annual audit**

RSM GmbH Wirtschaftsprüfungsgesellschaft (Frankfurt am Main), elected by the General Meeting on 13 February 2019 as auditor for the 2018 financial year and then tasked with the audit by the Board of Directors, has closed its audit of the annual financial statements and management report for the 2018 financial year and issued an unqualified audit opinion. The financial statements, the audit report, and the focal points of the audit were discussed in detail with the auditor at the meeting of the Board of Directors on 22 July 2019.

The annual financial statements, comprising the balance sheet, income statement, notes, cash flow statement, and statement of changes in equity, as well as the management report as of 31 December 2018 were fully prepared in accordance with the German Commercial Code (HGB), finalised on 22 July 2019, and audited by RSM. The Board of Directors refers to the rules for the correction of annual statements issued by the Institute of Public Auditors in Germany (IDW HFA RS 6).

The auditor reported the main findings of its audit and was available to the Board of Directors for questions and additional information.

Following its own review and discussion, the Board of Directors and the auditor again discussed the reclassification of the €6.6 million in proceeds from the ITO from sales to prepayments received in the year under review. They also discussed the valuation of the company's goodwill, which was significantly reduced again with an unscheduled depreciation from €14 to €10 million. In addition, the resulting negative equity on the balance sheet as of 31 December 2018 and the consequences of over-indebtedness on the balance sheet were also discussed with the auditor. The Board of Directors had already announced the loss of half of the share capital prior to its meeting to discuss the balance sheet and called for an extraordinary General Meeting to be held on 26 July 2019 with measures to bolster equity were on the agenda.

Finally, following intensive discussion, the Board of Directors took note of the results of the RSM audit and approved and finalised the financial statements and management report for 2018. Accordingly, the net loss for the 2018 financial year amounts to €22 million and the deficit not covered by equity is €7 million. The annual financial statements of Staramba SE are therefore published in accordance with §47 para. 5 of the Act Implementing the Societas Europaea (SE-AG).

**Corporate Governance**

In the past financial year, the Board has consistently monitored the implementation of the provisions of the German Corporate Governance Code and the development of corporate governance standards. In April 2018, an updated declaration of conformity per §161 of the German Stock Corporation Act (AktG) was issued and made permanently available to the shareholders on the company's website. Information on corporate governance in the company as well as a detailed report on the amount and structure of the compensation paid to the Managing Directors and the Board of Directors can be found in the corporate governance statement and the compensation report. The amended 2018 financial statement is also available on our website.

During the year under review, there were no conflicts of interest for the individual members of the Board of Directors and the Managing Directors that required disclosure to the Board or the General Meeting.

On behalf of the Board of Directors, I would like to thank all Staramba employees for their personal commitment and constructive cooperation in the past financial year.

Berlin, July 2019

**Rolf Elgeti**
Chairman of the Board of Directors
Staramba SE

# Table of contents

# Management report for the 2018 financial year

## Preamble

In December 2018, the German Financial Reporting Enforcement Panel (FREP) announced a review of the financial statements for the year ending 31 December 2017 and the management report for the 2017 financial year. The review started in February 2019 and is still ongoing as of the reporting date.

The company has reclassified certain business transactions and balance sheet items in connection with the issuance of tokens (Staramba.Token) after consultation with the auditor. Due to the measures required, initiated, and implemented, the preparation and publication of the annual financial statements and management report for the 2018 financial year have been delayed.

The annual financial statements and management report of Staramba SE prepared by the Managing Director take into account all circumstances occurring after the end of the 2018 financial year.

The management report contains forward-looking statements. Actual results may differ significantly from the stated expectations regarding the anticipated development.

## A. Fundamentals of the company

### Significant changes in the structure of the company

The reporting year and the previous years are comparable only to a limited degree. The company still has the character of a technology start-up and is undergoing various, dynamic stages of development. The 2016 financial year was still characterised by corporate restructuring, the purchase and sale of shares, and a merger, while 2017 was largely influenced by operating activities in both hardware and software and laying the cornerstone for further development of the business.

In the year under review, the company further strengthened its business model and secured the financing of its business through the sale of its own cryptocurrency Staramba.Token and through agreements with shareholders and third parties.

### Business model

Staramba SE continued to develop its business model and adapt to the changing requirements of the still relatively young virtual reality (VR) market. Staramba is currently active in the two business areas: 3D scanner systems and VR experience worlds, to be supplemented with the Staramba.Token cryptocurrency.

The company develops and produces complex 3D photogrammetry scanner systems that can be used for both professional studio purposes (e.g. by video game providers, movie studios) and end-user applications (e.g. 3D character printing, social networking, health programs, e-learning). Using Staramba's own hardware and software solutions, photorealistic digital avatars can be created almost at the push of a button. The company expects lifelike avatars to be used in personalised video games and social media channels in the future and, with its scanning expertise, is positioning itself as the portal into a digital world. The company also intends to offer third-party users in such industries as automotive, apparel, fitness/health, and consumer goods access to the bulk data collected through 3D scanning and subsequently depersonalised.

The company is also developing and producing digital VR worlds for prominent companies and stars from the sports, music, and entertainment industries as a provider of agency services. The expertise gained from this work is continuously used for the further conception and development of the company's own VR world MATERIA.ONE. The company also assumes that consumer-oriented companies and celebrities will, in the future, offer in addition to websites, online shops, and social media channels their own VR worlds in a virtual space in order to make contact with customers and fans. Staramba is well positioned as an agency service provider and multiplier with its VR world.

In the year under review, the company completed the first phase of the sale of its proprietary Staramba.Token cryptocurrency. The sales generated so far have been invested in the further development of the company. In December 2018, the token was included in the listing of an international crypto exchange and could also indirectly be used to acquire virtual properties in MATERIA.ONE, the VR world the company is currently developing.

## B. company management

### Organs

The company has a single-tier management structure. The company's organs are the General Meeting, the Board of Directors, and the Managing Directors.

The Board of Directors had five members in 2018: Christian Daudert (Chairman), Professor Dr Klemens Skibicki (Vice-Chairman), Rolf Elgeti, Marthe Rehmer (née Wolbring), and Marc Kneifel.

At the General Meeting for the 2017 financial year held 13 February 2019, two new members were elected to the Board of Directors, Mr Achim Betz and Mr Axel von Starck to replace Ms Marthe Rehmer (née Wolbring) and Marc Kneifel, who resigned from the Board effective with the adjournment of the General Meeting.

As of the publication of this annual statement, the Board of Directors therefore has the following members: Rolf Elgeti (Chairman), Axel von Starck, Christian Daudert, Achim Betz (Vice-Chairman, Chairman of the Audit Committee), and Professor Dr Klemens Skibicki.

The Managing Directors during the reporting period were Christian Daudert and Frederic Cremer. At its meeting on 27 April 2018, the Staramba SE Board of Directors removed Mr Frederic Cremer from office.

### Management system

The company is managed on the basis of financial and non-financial KPIs. In addition to sales and EBITDA, the financial performance indicators include available liquidity.

In addition to the financial indicators mentioned above, Staramba will also use selected non-financial key figures to manage the company, in particular, the number of followers it has on social media channels and the number of website visitors.

# C. Economic report

## Macroeconomic and industry development

Macroeconomic development

With global gross domestic product (GDP) growth of 3.0%, the global economy maintained its pace in 2018 compared to the previous year. Increasing trade protectionism and tariff conflicts have led to a general decline in trade and investment at the international level. In addition, issues relating to international relations, such as trade conflicts and the ongoing Brexit negotiations, have weighed down the economy. Nevertheless, the economies of the industrialised countries were able to maintain their dynamic pace of growth overall. The US economy made a significant contribution to this development, which, not least due to the fiscal stimulus, was able to outperform the previous year's result with a macroeconomic increase of almost 3%.

The economy of the European Monetary Union, on the other hand, could not match the momentum of the previous year with a 2% growth rate. Decisive for the slowdown in growth was a reduction in momentum from foreign trade.

The German economy grew by only 1.5% in 2018. Here, too, it was above all the weaker export development and a weak phase in the manufacturing sector that prevented a more vigorous expansion.

Sector growth

The latest update to the 2019 IDC VR (and AR) Forecast* provides an overall assessment of the market situation. This corrected the original estimate of 2.3 million VR device sales in 2018 to 5.5 million units. The forecast for 2019 again showed a strong increase to 7.9 million. This is a very positive development as the low prevalence of VR-enabled devices has, to date, reined in the development of a broad market for end users.

Purchases of so-called mobile stand-alone devices (such as the new Occulus Quest) increased by 92%. However, the classic market for high-quality tethered VR devices is also up 56% year-on-year. All in all, the company sees good growth in the market for future Staramba products as the market for VR users continues to grow and devices continue to improve.

Source: *IDC - Worldwide Augmented and Virtual Reality Hardware Forecast
Update, 2019–2023: CY 2Q19

## The company's Situation

### General Report of the Managing Director

In the 2018 financial year, the focus of the work of the Board of Directors and the Managing Director was on the administrative, balance sheet, and legal challenges arising from the adverse audit opinion on the statements for the 2017 financial year, the initial token offering (ITO), and financing activities in the year under review.

Despite this, the company was able to further sharpen its business model in the year under review with the successful release of its own cryptocurrency Staramba.Token as a future payment and settlement platform and to secure the financing of its further business activities.

The company generated sales from the issuance of tokens to end users, professional investors, and intermediaries during the period under review. Given the uncertainties arising from commercial and tax code issues, this was estimated to result in sales of €17.6 million with an operating result (EBITDA) of €5.7 million on 13 February 2019.

However, when preparing the financial statements, the company has opted to reclassify these payments and other transactions as well as balance sheet items: For the 2018 financial year, the company generated sales of €325,000 (2017: €12.049 million) and an operating loss (EBITDA) of -€11.054 million (2017: -€833,000). The net loss for the year is -€22.026 million (2017: -€43.776 million) and is mainly due to the unscheduled value adjustment of the goodwill generated in 2016 as well as the operating loss.

In the reporting year, Staramba SE therefore did not meet its own targets and forecasts.

The reported equity is negative at -€7.034 million (2017: €14.992 million). In the course of preparing the financial statements, the company therefore reported the loss of half of its share capital in accordance with §92 of the German Stock Corporations Act (AktG) and announced various equity-enhancing and cost-cutting measures.

The Board of Directors and the Managing Director are confident in the future economic success of the business model focused on 3D scanner systems and VR worlds and have been able to ensure the continuation of operations for the coming year through financing commitments from anchor investors. If the company is unable to implement equity-enhancing measures over the medium term, the company's continued existence is at considerable risk.

### Asset situation

The fixed assets of the company were valued at €11.798 million as of the balance sheet date (2017: €23.067 million). The key change was the change in the value of the goodwill to €10.344 million (2017: €21.158 million). An unscheduled depreciation of €14.448 million to the goodwill was posted 31 December 2018. This is due to the significantly reduced forecast for 3D scanner system sales than originally expected.

Current assets of €1.257 million (2017: €9.389 million) include €149,000 for trade receivables, taking into account a value adjustment of €610,000. The significant decline in trade receivables mainly results from the sale of the receivable in connection with the sale of a virtual space. The main item under other assets are €908,000 in VAT credits. The company has €63,000 in cash and bank balances (2017: €258,000). €136,000 in prepaid expenses and deferred income were recognised as of the reporting date (2017: €137,000). This mainly includes licensing fees for subsequent financial years.

As at 31 December 2018, the balance sheet total is €20.226 million (2017: €32.593 million) and includes a deficit not covered by equity of €7.034 million. The decline over the previous year's reporting date mainly results from the unscheduled write-down of goodwill on the asset side.

**Financial position**

*Financial management policies and goals*

The fundamental objectives of financial management are to optimise the company's profitability and liquidity assurance situation. Liquidity planning is prepared on an annual basis and reviewed and updated on a monthly basis. The Managing Director receives a monthly liquidity report, which enables a short-term liquidity forecast. As the company currently does not generate sufficient available liquidity, it will refrain from distributing dividends. In order to meet the necessary liquidity requirements during the year, the company is relying on financing from its own funds and external funds. During the reporting period, the company covered its financing needs mainly by issuing Staramba tokens and accepting shareholder and third-party loans.

*Capital structure*

As of 31 December 2018, the company had a €7.034 million deficit not covered by equity (31 December 2017: positive equity of €14.992 million). Both the scheduled and unscheduled depreciation of goodwill and the operating loss situation had an impact here.

Provisions were €1.431 million (2017: €1.284 million) and consist of €5,000 in tax provisions (2017: €193,000) and €1.426 million in other provision (2017: €1.091 million). The other provisions mainly consist of provisions for litigation risks. In addition, provisions were made for outstanding invoices, for retention obligations, and for holiday entitlements not utilised by employees as of the reporting date.

The liabilities amount to €15.843 million (2017: €10.239 million) and consist mainly of €3.5 million in convertible bonds (2017: €3.5 million); €1.714 million in trade accounts payable (2017: €446,000); €3.994 million in other liabilities (2017: €6.292 million); and €6.334 million in advance payments received (2017: €700). The advance payments received from the issue of tokens are non-refundable. Liabilities for social insurance contributions were €124,000 (2017: €2,000).

*Investments*

During the reporting period, the company opened a digital motion capturing studio to digitally capture motion. It also renovated its offices. In total, the company invested €591,000 in operating equipment, fittings, software, and IT equipment.

As of the balance sheet date, there were no significant outstanding investment commitments.

*Liquidity*

During the reporting period, the company generated €1.147 million in cash flow from its operations and €591,000 from its investment activities.

Thanks to the advance payments received, trade receivables, and loans taken out, the company was always able to meet its payment obligations in the financial year. Cash and cash equivalents decreased in the year under review to €63,000 (2017: €258,000).

With regard to the strained liquidity and negative equity situation on the balance sheet at the time this report was prepared, we refer to our comments in the risk report.

**Income position**

The company had €326,000 in sales during the financial year (2017: €12.049 million), including €103,000 from 3D scanning and modelling services, €55,000 from the delivery of scanners, €80,000 from the delivery of 3D figurines, as well as €23,000 from providing electronic services in MATERIA.ONE (sale of virtual property). In the year under review, the company focused almost entirely on its initial token offering, treated as prepayments received, and achieved only a small amount of sales from the sale of 3D scanner systems and VR worlds.

The company had €11.369 million in other operating income (2017: €283,000), resulting mainly from an appreciation of the goodwill as of January 1, 2018 as part of €9.144 million error correction for the 2017 financial year and the recovery of the value of receivables corrected from the previous year.

Expenses for purchased services increased to €2.932 million (2017: €728,000) due to expenses in connection with the ITO.

Personnel expenses amounted to €4.705 million (2017: €2.399 million). The increase in personnel expenses compared to the previous year is attributable to the significant increase in the number of employees in programming and product development.

The company generated an operating loss (EBITDA) of -€11.054 million (2017: -€833,000). Scheduled depreciation totalling €6.577 million (2017: €13.624 million) was taken and resulted primarily from depreciation on intangible assets, in particular €5.509 million in goodwill. In addition, as a result of a realignment of the business units underlying the goodwill as of 31 December 2018, an unscheduled €14.448 million in goodwill was depreciated. €1.558 million in bad debt was written off (2017: €0).

The company also had €5.95 million in other operating expenses (2017: €9.768 million). Legal and consulting fees, advertising and travel expenses, the costs for financial statements and audits, licensing fees, and rents have all risen. This is offset by a considerable decline in other, irregular operating expenses, such as the €4.781 million posted in the previous year to acquire assets.

Earnings before interest and taxes (EBIT) were -€24.494 million (2017: -€59.915 million).

The financial result for the reporting periods was a loss of €618,000 (2017: -€368,000).

Earnings after taxes (net loss) were -€22.026 million (2017: -€43.776 million), mainly attributable to the unscheduled correction to the goodwill and the release of deferred tax liabilities that increased the result as well as the operating loss.

## Employees

In the year under review, an average of 107 employees were employed by the company. The average number of employees increased significantly compared to the balance sheet date of the previous year (2017: 55 employees). The company saw a steady increase in staff during the reporting year, mainly to strengthen the company in the areas of software and virtual reality development.

## Research and development

Application-oriented research and development is being carried out at the company level. The costs for development work for new product development and product maintenance mainly relate to personnel expenses and purchased services. Research and development expenses are not capitalised, so there is no accounting treatment for internally generated intangible assets. As of the balance sheet date, 61 employees (previous year: 48) were involved in the development and programming of new products in the company's R&D division.

## D. Compensation report

Pursuant to §285 no. 9 of the German Commercial Code (HGB), the Board of Directors of the company hereby reports that its members did not receive any fixed or variable remuneration in the reporting year for their work. They were only reimbursed for the travel expenses associated with attending board meetings. Variable compensation components were not paid. No member of the Board was granted any performance-related remuneration or components as long-term incentives.

The total remuneration of the Managing Directors of SSE in the 2018 financial year amounts to €196,000 (previous year: €157,000). This remuneration is broken down as follows:

| **Name** | **Christian Daudert** | **Frederic Cremer** | **Total** |
|---|---|---|---|
| Non-performance-related remuneration in € | 126,000 | 70,000 | 196,000 |
| Performance-related remuneration | 0 | 0 | 0 |
| Components with long-term incentive effect | 0 | 0 | 0 |
| **Totals** | **126,000** | **70,000** | **196,000** |

## E. Statement on corporate governance

### Relevant corporate governance practices

The SSE aligns its activities to the legal regulations of the countries in which the company operates. In addition to responsible corporate governance in accordance with the law, the company has issued regulations that reflect its mission and leadership principles. The guiding principles of the SSE include the best possible customer orientation, strong performance, securing and improving its technological developments and key technologies, along with creation of a positive working environment for its employees.

### Manner of working of the Managing Directors and Board of Directors

The Board of Directors directs the company, determines the basic lines of its activities, and monitors their implementation. The Board of Directors convenes the General Meeting if the welfare of the company so requires. A simple majority is sufficient for a resolution. §83 AktG (Stock Corporation Act) applies accordingly for the preparation and execution of resolutions by the General Meeting. The Board of Directors may delegate any of its tasks to the Managing Directors.

Resolutions of the Board of Directors are generally adopted at meetings. However, the chairman may decide to hold a vote in writing, by fax, by email, verbally, by telephone, or by any combination of the aforesaid means of communication as needed, for example, for matters of urgency or if no member objects. The Board of Directors is quorate if all members participate in the resolution. In the case of a resolution in attended meetings, absent members of the Board of Directors may participate in the passing of a resolution by submitting a written vote via attending members of the Board of Directors. The votes may also be communicated to the attending Board of Directors members via fax or email.

The Board of Directors meet regularly, quarterly at least once, to assess the company's situation and to discuss or adopt strategic measures for the future. In addition, telephone conferences shall be convened whenever the situation of the company requires. The Managing Director reports to the Board of Directors regarding the company's current status at each meeting.

Declarations of the Board of Directors' intent may be made by the chairman acting on the Board of Directors' behalf or, in the chairman's absence, by the vice-chairman.

The following types of transactions require an express vote of the Board of Directors:

a) preparation of the company's business plans, medium-term planning and the annual budget;
b) acquisition or disposal of a company if and to the extent its value exceeds a threshold set by the Board of Directors.

The Board of Directors may make other types of transactions subject to its approval.

According to the corporate governance declaration, the Board's five members must include at least one female member in accordance with the resolution of 23 September 2015. The German Employee Codetermination Act (MitbestG) does not apply to the company.

The Board of Directors has adopted rules of procedure which define the respective responsibilities, tasks, and rights of the Board and its members. In addition, the Board has issued rules of procedure for the Managing Directors it appoints and their compliance with said rules is subject to constant review.

The Board of Directors proposed to the General Meeting for the 2017 financial year held 13 February 2019 to replace some members of the Board in order to further enhance the expertise of this significant corporate body. For this purpose, designated experts for finance and audits were nominated for election to the Board of Directors and were elected. The reconfigured Board appointed an audit committee to prepare and supervise future audits. The SSE attaches great importance to transparent and continuous communication in order to emphasise the company's trustworthiness.

The Managing Directors manage the company's business activities. If several Managing Directors have been appointed, they are only authorised to jointly manage the business. Tasks assigned to the Board of Directors by law may not be delegated to the Managing Directors.

The Board of Directors has created rules of procedure for the Managing Directors, subject to amendment at the Board of Directors' sole discretion. In addition, the Board of Directors may decide, either generally or on a case-by-case basis, which types of transactions require its prior approval. The Managing Directors shall comply with the Board of Directors' instructions, in particular the rules of procedure it has stipulated.

The Managing Directors represent the company both in and out of court. The company is generally represented jointly by two Managing Directors or by one Managing Director in conjunction with a proxy. If only one Managing Director has been appointed, he or she shall solely represent the company.

The Board of Directors had five members in 2018: Christian Daudert (Chairman), Professor Dr Klemens Skibicki (Vice-Chairman), Rolf Elgeti, Marthe Rehmer (née Wolbring), and Marc Kneifel.

At the General Meeting for the 2017 financial year held 13 February 2019, two new members were elected to the Board of Directors, Mr Achim Betz and Mr Axel von Starck replaced Ms Marthe Rehmer (née Wolbring) and Marc Kneifel, who resigned from the Board effective with the adjournment of the General Meeting. At the subsequent constitutive meeting, the Board of Directors elected Rolf Elgeti as its chairman and Achim Betz as vice-chairman. Achim Betz was also elected head of the audit committee.

As of the publication of this annual statement, the Board of Directors therefore has the following members: Rolf Elgeti (Chairman), Axel von Starck, Christian Daudert, Achim Betz (Vice-Chairman, Chairman of the Audit Committee), and Professor Dr Klemens Skibicki.

The Managing Directors during the reporting period were Christian Daudert and Frederic Cremer. At its meeting on 27 April 2018, the Staramba SE Board of Directors removed Mr Frederic Cremer from office.

**Information on statutory minimum ratios in management positions**

By resolution of the Board of Directors on 23 September 2015, the company set the target for the proportion of women on the Board of Directors to be at least 30%. Since the Board of Directors of the time already had 33.33% female membership, there was no need to set a deadline to meet this goal. By resolution of the company's General Meeting of 28 July 2016, an increase of the Board of Directors from three to five members was decided, which was entered into the company's commercial register on 18 August 2016. Because the company could not find a suitable female candidate to elect to the Board, the ratio of female members dropped to 20% as a result of the increase.

Given this situation, the Board of Directors decided on 19 August 2016 to set a conversion period of five years for (re)achievement of the fixed quota of 30% for the percentage of women on the Board of Directors. The previously taken decision, that at least 30% of the Managing Directors should be women if the company decides to appoint three or more Managing Directors, remained unchanged. Since there are no further management levels below that of Managing Directors, a quota for female middle management has not been set. Since the General Meeting on 13 February 2019, 0% of management has been female.

**Compliance declaration per §161 AktG**

The Board of Directors of Staramba SE is required pursuant to Art. 9 para. 1 lit. c) ii) Regulation (EC) No. 2157/2001 (Regulation on the Statute for a European Company), §22 para. 6 of the Statute Implementing Regulation (EC) No. 2157/2001 (SEAG) in conjunction with §161 of the German Stock Corporation Act (AktG), to declare at least once a year whether the German Corporate Governance Code has been and will be complied with, or which recommendations of the Code have not or will not be applied and why not. Staramba SE's Board of Directors made its declaration and published it in April 2019 on the Company's website at https://company.staramba.com/about/investors/corporate-governance.

## Future growth and prospects: significant opportunities and risks

### Opportunities and risk report

Conscious and controlled handling of opportunities and risks forms the basis for sustainably successful corporate development. In a rapidly growing global industry environment, the SSE is regularly presented with opportunities that it wants to successfully utilise. On the other hand, it is important to appropriately manage risks in order to secure the company's continuance. Opportunity and risk management will therefore be an important component of SSE's corporate management in the future.

Staramba SE continued to develop its business model and adapt to the changing requirements of the still relatively young virtual reality (VR) market.

**Opportunities**

The SSE regularly assesses the company's opportunities. In principle, opportunities can arise through further development of software and hardware solutions or through introducing new or improved products and services onto the market.

The SSE is currently focusing on two business areas: 3D scanner systems and VR worlds, to be supplemented with the Staramba.Token cryptocurrency.

The company expects lifelike avatars to be used in personalised video games and social media channels in the future and, with its scanning expertise, is positioning itself as the portal into a digital world. The company also intends to offer third-party users in such industries as automotive, apparel, fitness/health, and consumer goods access to the bulk data collected through 3D scanning and subsequently depersonalised.

The company also assumes that consumer-oriented companies and celebrities will, in the future, offer in addition to websites, online shops, and social media channels their own VR worlds in a virtual space in order to make contact with customers and fans. Staramba is well positioned as a provider of agency services and multiplier with its VR world.

**Risks**

**Risk management objectives and methods/internal control system**

The risk management system and the internal control system continued to be developed and expanded in the reporting period and in the first months of the 2019 financial year. In the year under review, a management information system was established based on business analyses, which is continuously adjusted and further developed to meet the current challenges of the company. In this context, the company commissioned Mazars Steuerberatungsgesellschaft, Berlin to handle key financial accounting and bookkeeping tasks from 1 January 2019 and also expanded its own personnel capacities with qualified employees.

**Risks**

The company is exposed to various risks in the ordinary course of its business. These risks are indicated in the table below. All risks can result in one or more assets being depreciated or recognised as provisions, a negative earnings situation, or a liquidity bottleneck.

As financial risks have a direct impact on individual items on the balance sheet and income statement, these risks are explicitly discussed below. Staramba's company policy is to identify and limit these risks.

| **Presentation of the overall risk** | |
|---|---|
| **Risk areas** | |
| Business risks | Economic risks, risks from the general competitive situation, risks to the company's reputation and their effect on customer relationships, growth risks and market entry risks, risks of the technology platforms used in the market |
| Operating risks | Personnel risks, risks from product innovation, risks of insufficient or delayed safety-related approvals, leading to delays in placing products on the market |
| Financial risks | Risks involving financing, exchange rates, interest rates, bad debt, over-indebtedness, and illiquidity |
| Legal and regulatory risks | Risks arising from changes in the legal and regulatory framework as well as litigation risks, in particular licensing risks as well as trademark and copyright risks, risks from contesting resolutions of the General Meeting, risks from issuing the Staramba.Token |
| Liquidity risks | Lack of available financing sources, refusals to extend lines of credit, decisions to increase share capital being dependent on the current share price |
| Information and IT risks | Risks arising from the operation and design of IT systems, as well as risks relating to the confidentiality, availability, and integrity of data |
| Continuity risks | Simultaneous occurrence of several individual risks with existence-threatening consequences for the company, especially over-indebtedness, illiquidity, and indefinite prognosis for continuation |

**Business risks**

The business development of the SSE is fundamentally influenced by the general economic situation. The willingness of companies to invest depending on the economic situation and the willingness of consumers to spend their money has a long-term impact on the company's business development. In the future, the company will address these macro-risks by flexibly adapting products and services to customer needs.

The Managing Director assumes a medium probability of occurrence and a minor impact on the net assets, financial position and results of operations with regard to business risks.

**Operating risks**

The recruitment and retention of qualified personnel can become an operational risk for the SSE. Failure to retain and recruit qualified personnel could result in delays in completing extensive programming work and delaying product launches. The company strives to retain employees in the long-term via creating a pleasant working atmosphere in independently operating teams and by recruiting talented people on a permanent basis. The market introduction of hardware products also depends on safety approvals in the respective countries. The approvals can be postponed, for example, by delays in scheduling testing, making market launch more difficult.

The Managing Director assumes a medium probability of occurrence and a medium impact on the net assets, financial position and results of operations with regard to operating risks.

**Financial risks**

The company does not yet generate sufficient available liquidity and therefore relies on financing from its own funds and outside funds. During the reporting period, the company covered its financing needs mainly through the sale of Staramba.Token and loans. The risk mainly consists of dependence on access to the capital market and the conditions to be achieved for the respective financing instrument (including interest, collateral, and conversion options). The company counters these risks through active communication with respect to investor relations and via high levels of transparency, in order to strengthen the trust of current and potential shareholders and new financing partners in the company for the long term.

Currency risks exist particularly where receivables, liabilities, cash, and cash equivalents as well as planned transactions exist or will arise in a currency other than the local currency of the company. During the reporting period, the company has settled most of its sales in euros and was exposed to almost no exchange rate risks. Liabilities and receivables were recognised at the spot exchange rate. No hedging transactions have been concluded.

Interest rate risks can arise primarily from changes in market interest rates that lead to changes in expected cash flows. The loan liabilities to banks and financing partners have been concluded with fixed interest rates and are therefore not subject to interest rate risks.

The company counters bad debt risks via its selection of business partners and by agreeing on down payments for larger transactions and pre-financing requirements. For other receivables, bad debt risk is limited by the selection of business partners and short maturities.

In the case of identifiable concerns regarding the recoverability of receivables, these receivables are immediately impaired or debited individually and the risks recognised in the income statement.

In the case of identifiable concerns about the recoverability of fixed or current assets, their value has been adjusted.

The unscheduled depreciation of goodwill in combination with the recognition under commercial law of token receipts as prepayments received and not as sales led to over-indebtedness on the balance sheet for the reporting period.

The company's documented over-indebtedness as of the balance sheet date may have an impact on the company's ability to obtain follow-up financing from financing partners and payment terms from suppliers. These risks can significantly burden the liquidity situation and endanger the continued existence of the company. The company reviewed and initiated measures before the reporting date to ensure that insolvency-related over-indebtedness did not materialise.

The Managing Director assumes a medium probability of occurrence and a high impact on the net assets, financial position and results of operations with regard to the financing risks.

**Legal and regulatory risks**

The company acquires and concludes licensing agreements with business and advertising partners. As a result, there are risks associated with maintaining exclusivity agreements, extensions of expired contracts, and changes to remuneration arrangements and contract items that have a potentially significant negative impact on the company's business prospects. Staramba counters these risks through active contract management and proactive negotiations with contract partners during the contract period.

The contractual use of the rights granted by third parties by the company, its contractors, and its employees constitutes a further legal risk for the company, which could endanger the continued existence of the company due to the high contractual penalties and the risk of legal action in international jurisdictions.

The company is exposed to risks arising from resolutions of the General Meeting being contested and possibly overturned. These risks can make the continuation of the company difficult.

The company may also be exposed to risks related to the release of the Staramba.Token, since token purchasers may complain about the still limited usability of the token in the Staramba VR world.

The general legal risks are continuously monitored by the newly created legal department.

The Managing Director assumes a medium probability of occurrence and a high impact on the net assets, financial position and results of operations with regard to legal and regulatory risks.

**Liquidity risks**

The central risk facing the company is the liquidity risk. The company does not yet generate sufficient available liquidity and therefore continues to rely on financing from equity and debt capital. The company is endeavouring to provide sufficient financial resources, whether through capital increase measures or short- and long-term loans, convertible loans, convertible bonds, or by outsourcing of business segments.

For the purposes of estimating its risk, the company has prepared a plan scenario for the 2019 financial year in which sales will not be realised until Q3 2020. This scenario also does not include any further token issues. In the opposite direction, due to the cost-cutting measures introduced before the balance sheet date, the company plans to reduce personnel and material costs significantly for 2019-20, starting in the second half of 2019.

Taking into account these planning assumptions, there will be a liquidity gap of approx. €7.8 million until July 2020. The company has initiated the measures described below to hedge liquidity risks in order to close this funding gap.

As a precautionary measure, the company has already paid the VAT on the proceeds from the ITO as of the reporting date.

The Managing Director assumes a high probability of occurrence and a high impact on the net assets, financial position and results of operations with regard to liquidity risks.

**Measures for hedging liquidity risks**

Liquidity is tight at the time of reporting, however, due to continued support, especially from the shareholders, the company is able to meet its payment obligations when due.

In 2019, the company initiated the following measures to secure liquidity.

The €3.5 million convertible bond with shareholder Hevella Capital GmbH & Co. KGaA, due for repayment or conversion on 23 March 2019, was extended by a further twelve months until 23 March 2020 and interest payments deferred.

In addition, shareholder 11 Champions AG pledged up to €500,000 in further financing in the form of a convertible loan in December 2018. In addition, additional financing in the form of €400,000 in convertible loans was obtained from outside financing partners during the year under review and at the beginning of 2019. These convertible loans each have a term until 31 December 2020 and may be converted during the term in whole or in part into Staramba.Token or alternatively into shares of the company.

In November 2018, shareholder Hevella Capital GmbH & Co. KGaA also made a financing commitment of up to €6 million in the form of a convertible loan.

This convertible loan was increased by €4 million in April 2019 and €2 million in June 2019. The additional increase of €8 million in July 2019 will secure the financing of the company for the coming year. However, as a result, the company continues to rely on sustained financial support, without which the company would otherwise be endangered.

As part of the call to an extraordinary General Meeting to announce the loss of half of its equity capital, the company has also announced capital measures to strengthen its equity position and improve liquidity. These capital measures include seeking up to €20 million in additional financing, expected to take place by the end of 2019.

The Board of Directors is constantly reviewing other options for company financing. These may include issuing further convertible bonds, accepting convertible loans, or seeking increases in capital.

If the company is unable to implement equity-enhancing measures over the medium term, the company's continued existence is at considerable risk.

The Managing Director assumes a high probability of occurrence and a high impact on the net assets, financial position and results of operations with regard to the measures to hedge the liquidity risks.

**Information and IT risks**

Information and IT risks at Staramba are present in the form of inadequate protection against unauthorised access to data by third parties, improper use of data by employees or the failure of computer systems and networks. The company is countering these risks with comprehensive back-up procedures and regular security reviews of all important systems and applications. The hardware and software are also always kept up to date with the latest technology. Market-proven virus, access protection and encryption systems are used for data security and protection against data loss or theft.

The Managing Director assumes a low probability of occurrence and a medium impact on the net assets, financial position and results of operations with regard to information and IT risks.

**Continuity risks**

As of the balance sheet date, the company reported a €7.034 million shortfall not covered by equity and €63,000 in cash and cash equivalents. Despite the measures taken to hedge liquidity risks, the balance sheet situation may have a negative impact on the company's reputation, which could result in a loss of specialized personnel, a reduction in creditworthiness, a reduction in payment terms, and the maturing of loans. In addition, due to the shortfall, the company's management is required to monitor its over-indebted state on a continuous basis and conduct very short-term liquidity planning, leaving management capacity constrained. This combination of risks can lead to a significant threat to the survival of the company.

The Managing Director assumes a medium probability of occurrence and a high impact on the net assets, financial position and results of operations with regard to continuity risks.

**Summary of the overall risk situation**

Due to the indebtedness and tense liquidity situation at the time of reporting, the company took various measures to ensure solvency beyond the year 2019. If, contrary to the expectations of the managing director, the corporate planning for 2019 and 2020 cannot be achieved and the initiated and planned measures for hedging liquidity cannot be successfully implemented, the company's continued existence would be jeopardised. Taking into account the described opportunities and risks as of the reporting date, the management assumes the continuation of the company.

## Outlook

### Preamble

In the reporting year, Staramba SE did not meet its own targets and forecasts.

Nevertheless, the company assumes that combining hardware and software for 3D scanner systems and agency services related to VR worlds will open up considerable business opportunities in the future. The company's own VR world MATERIA.ONE will be complemented with the Staramba.Token and become an important social VR network with lifelike avatars.

### Forecast

In the current 2019 financial year, the VR market accessible to the company has not developed as desired. In addition, the development of the hardware and software platforms as well as VR worlds has been considerably delayed.

The company was able to provide lucrative digitalisation services to the video game industry in 2019 using its own 3D scanner systems and was able to recruit a prominent sports entertainment company as a client for the development of a personalised VR world. In addition, the company continues to regularly handle adult entertainment requests that could play a pioneering role in building virtual worlds with avatars.

Due to the strained earnings and liquidity situation, the company implemented a cost-cutting program in May 2019, with the aim of reducing personnel and material costs by 30-40% by the end of the year.

For the 2019 financial year, the company expects about €500,000 in sales and a net loss of ca. €12 million.

# F. Additional mandatory information according to §289a HGB

Pursuant to §289a of the German Commercial Code (HGB), the company has to report on certain structures subject to AktG and other legal regulations in order to provide a better overview of the company and to disclose restrictions on potential takeover offers.

**Shareholders directly/indirectly holding 10% or more of the voting rights**

Based on information available to Staramba SE, Hevella Capital GmbH & Co. KGaA, Potsdam, whose Managing Directors are Mr Axel von Starck and Mr Rolf Elgeti, and 11 CHAMPIONS AG, Rostock, each have more than 10% of the voting rights in the company. Since 7 December 2017, Mr Christian Daudert, Rostock, holds 9.4% of the voting rights.

**Shares with special rights or restrictions**

To the knowledge of Staramba SE, there are no shares with special rights or restrictions on the exercise of voting rights.

**Stock buyback**

Pursuant to §71 AktG, the company has no authorisation to repurchase its own shares.

**Composition of the share capital**

The share capital of the SSE is composed of no-par-value shares. As of 31 December 2018, the number of shares in circulation was 2,332,755.

Pursuant to §136 AktG, shareholders are not entitled to cast votes under certain conditions. The company is not aware of any contractual restrictions relating to the voting rights or the transfer of shares.

**Shares with special rights that confer powers of control**

Shares with special rights conferring control powers are not provided for in the statutes.

**Authorisation of the Board of Directors to issue shares**

**Authorised capital**

Authorised capital (2017/I).

A resolution of the General Meeting on 25 July 2017 affirmed cancellation of existing authorised capital 2016/I and creation of the new authorised capital (2017/I).

A resolution of the General Meeting on 25 July 2017 authorised the Board of Directors to increase the company's share capital by up to a total of €1,131,000.00 for a period of five years, calculated from the date of entry in the commercial register, by issuing new bearer shares against cash and/or contributions in kind (Authorised Capital 2017/I). The authorisation may be used once or several times, either in whole or in part.

The new shares are to be offered to shareholders as a matter of principle. If their subscription right is not excluded, the right to take over shares held by banks or other entities fulfilling the requirements of §186 para. 5 AktG may be exercised, provided that they are then offered to shareholders (indirect subscription right).

However, the Board of Directors is authorised to exclude shareholders' subscription rights

- for fractional amounts;
- in the case of capital increases against cash contributions, provided that the pro rata portion of the share capital attributable to the new shares for which the subscription right is excluded is no more than 10% of the share capital available at the time the resolution is adopted by the General Meeting and the issue price of the new shares does not significantly undercut the price of the shares of the same type and conditions already listed at the time the final issue price is fixed by the Board, pursuant to §§203 para. 1 and 2, 186 para. 3 clause 4 AktG. The 10% cap includes those shares that have already been issued or sold during the term of this authorisation in direct or analogous application of §186 para. 3 clause 4 AktG under exclusion of subscription rights. Furthermore, shares to be used to service option and/or conversion rights or option and/or conversion obligations from convertible bonds and/or warrant bonds are to be included, provided that these bonds are excluded from the subscription right during the term of this authorisation, in the meaning of §186 para. 3 clause 4 AktG;
- for capital increases in exchange for cash contributions, to grant shares for the purpose of acquiring companies, parts of companies or stakes in companies, or to acquire other assets (including third party claims against the company or companies affiliated with the company) associated with such a merger or acquisition;
- to the extent necessary in order to protect against dilution, to grant a subscription right to the holders or creditors of bonds with warrants and/or convertible bonds issued by the company or its subsidiaries within the scope of an authorisation granted to the Board of Directors by the General Meeting, to the extent such would have been granted to them after exercising the option or conversion right or after fulfilment of the option or conversion obligations;

- for the servicing of option and/or conversion rights or option and/or conversion obligations arising from option and/or convertible bonds issued by the company;
- when cooperating with another company when such cooperation serves the interests of the company and the cooperating company requires an ownership interest in the company;
- in order to issue shares to members of the Board of Directors, the Managing Directors, and members of the management team, and employees of companies affiliated with the company. The new shares may also be issued to a bank or an equivalent institution provided they accept the obligation to pass them on exclusively to subsequent beneficiaries.

The Board of Directors is authorised to establish further terms and conditions for the issuing of shares, including the issue amount, as well as the content of the share rights when executing the capital increases from Authorised Capital 2017/I. If the profit distribution for a past fiscal year has not yet been decided, the start of the profit participation may also be applied to the beginning of that fiscal year.
The Board of Directors is also authorised to amend the statutes of the company to reflect the extent to which Authorised Capital 2017/I was utilised once implemented in whole or in part or upon expiry of the authorisation
In the 2018 financial year, the Board of Directors did not make use of the authorisation to increase the capital per Authorised Capital 2017/I, meaning that Authorised Capital 2017/I was fully available as of the balance sheet date of 31 December 2018.

**Contingent capital**

<u>Contingent capital (2016/I)</u>
The General Meeting of 28 July 2016 conditionally increased the share capital of the company by up to €905,999.00 to be funded by issuing up to 905,999 new bearer shares (Contingent Capital 2016/I).
The contingent capital increase serves to grant shares upon exercise of option or conversion rights or upon fulfilment of option or conversion obligations to the holders of the option or convertible bonds issued by the company, or by a direct or indirect majority holding company on the basis of the authorisation granted by the General Meeting on 28 July 2016. The shares are issued at the option or conversion price to be determined in accordance with the above authorisation.
The contingent capital increase will only be undertaken in the event of the issuance of warrant or convertible bonds and to the extent that the holders of warrant or convertible bonds issued or guaranteed until 27 July 2021 by the company or its direct or indirect majority holding companies pursuant to the authorisation resolution of the General Meeting on 28 July 2016, exercise their options or conversion rights or fulfil their option or conversion obligations and

insofar as other forms of fulfilment are not implemented. The new shares issued as a result of the exercise of the option or conversion right or the fulfilment of the option or conversion obligation generally participate in the profit from the beginning of the fiscal year in which they are issued. If the profit distribution for a past fiscal year has not yet been decided, the start of the profit participation may also be applied to the beginning of that fiscal year.
The Board of Directors was authorised to establish further details for the contingent capital increase.
The Board of Directors was further authorised to amend §5 para. 1 and §6.2 para. 1 clause 1 of the statutes when said contingent capital is used and to make any and all other related adjustments to the wording of the same. The same applies in the event that the Board of Directors opts not to exercise the authorisation to issue options or convertible bonds and the authorisation period has expired and in the event Contingent Capital 2016/I is not fully used after the expiry of the deadlines for the exercise of option or conversion rights or for the fulfilment of option or conversion obligations.
On 15 March 2017, the Board of Directors decided to use the 28 July 2016 authorisation of the General Meeting to issue bonds with options and/or convertible bonds and a convertible bond with a total volume of €5,000,000.00 and a term of two years. The convertible bond was divided into 5,000 bearer bonds with a nominal value of €1,000.00 each. The annual interest rate was set at 6%. The convertible bonds may be converted by their holders into new Staramba SE shares. The conversion price has been set at €21.20 per share if bond holders opt to exercise their right of conversion. The convertible bond was issued in accordance with the 28 July 2016 resolution of the General Meeting and excluded shareholders' subscription rights.
Contingent Capital 2016/I authorised by the General Meeting on 28 July 2016 was used in October 2017 by issuing 70,755 new no-par-value bearer shares in the amount of €70,755.00 in order to service existing conversion rights based on the convertible bonds issued. The share capital of the company is therefore conditionally increased by up to €835,244.00 on the basis of Contingent Capital 2016/I as of the balance sheet date of 31 December 2018 by issuing up to 835,244 new no-par-value bearer shares.

<u>Contingent Capital (2017/I)</u>
The General Meeting of 25 July 2017 conditionally increased the share capital of the company by up to €75,000.00 to be funded by issuing up to 75,000 new bearer shares (Contingent Capital 2017/I). Contingent Capital 2017/I is to be used to hedge subscription rights arising from stock options issued by Staramba SE under the 2017 stock option plan between 25 July 2017 and 30 June 2022, on the basis of 25 July 2017 decision of the General Meeting.
The contingent capital increase will only be carried out to the extent that stock options are issued and the holders of these stock options exercise their subscription rights to shares of the company and the company does not use its own shares or cash to fulfil said rights. Issuance of the shares from contingent capital will take place at the exercise price set forth in Item 9

§1 lit. e of the agenda for the 25 July 2017 General Meeting. The new shares generally participate in the profit from the beginning of the fiscal year in which they arise. If the profit distribution for a past fiscal year has not yet been decided, the start of the profit participation may also be applied to the beginning of that fiscal year.
The Board of Directors was authorised to establish further details for the contingent capital increase.
The Board of Directors was further authorised to amend §5 para. 1 as well as §6.3 para. 1 clause 1 of the statutes when said contingent capital is used and to make any and all other related adjustments to the wording of the same. The same applies if the 2017 authorisation to launch a stock option program expires without being used and if Contingent Capital 2017/I is not used after expiry of the periods for exercise of the subscription rights.
In the 2018 financial year, the Board of Directors did not make use of the authorisation to increase the capital per Contingent Capital 2017/I, meaning that Contingent Capital 2017/I was fully available as of the balance sheet date of 31 December 2018.

**Statutory provisions and provisions in the statutes of the company for the appointment of the Board of Directors and Managing Directors and for amendments to the statutes**

**Governing bodies**

The SSE's organs are the General Meeting, the Board of Directors and the Managing Directors.

**Board of Directors**

The statutes stipulate that the Board of Directors shall consist of five members elected by the General Meeting. The Board of Directors members are elected for terms that conclude upon the adjournment of the General Meeting that decides to discharge them of their liability for the fourth fiscal year following the beginning of their term of office. The year in which the term of office begins is not counted. The General Meeting may elect members to shorter terms at its discretion. Board of Directors members may be elected more than once for the term described above.

In addition to electing the ordinary Board of Directors members, the General Meeting may opt to elect members as alternates to replace a specific member or members should they leave the Board. The alternate takes the seat when said ordinary member leaves the Board before the end of their term. If a replacement is not elected at the next General Meeting, the alternate shall remain in office until the end of the original member's term. Replacements elected to the Board will serve the remainder of the original member's term.

Board members who have been elected by the General Meeting without having been nominated by the Board may be removed before the end of their term. This resolution requires three quarters of the votes cast in favour.

Any member or replacement member of the Board of Directors may resign from office by submitting a written declaration to the chairman of the Board at least one month in advance of the effective date. No grounds need be named.

The Board of Directors is authorised by the statutes to make amendments to the same if they are merely formal in nature.

**Managing Director(s)**

The Board of Directors appoints one or more Managing Directors. Board members may be appointed Managing Directors, provided they do not thereby make up a majority of the Board. Managing Directors may be removed at any time by the Board of Directors. However, a Managing Director who is also on the Board of Directors may only be removed for good cause.

**Agreements with the Board of Directors in the event of a takeover bid**

There are no agreements with the Board of Directors subject to a change of control as a result of a takeover bid. No agreements with Board members, the Managing Director, or employees for settlements in the event of a takeover have been made.

**Staramba SE**

Berlin, 17 July 2019

*The Managing Director*

Christian Daudert

# Affirmation by the legally authorized representatives

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the company's assets, financial position, and results of operations. The management report, including the results of operations, presents the company's situation in a true and fair manner as are the principal opportunities and risks associated with the expected development of the company.

**Staramba SE**

Berlin, 17 July 2019

*The Managing Director*

Christian Daudert

## Balance sheet as of 31 December 2018

**ASSETS**

| | | Financial year | Previous year |
|---|---|---|---|
| | EUR | EUR | EUR |
| **A. Fixed assets** | | | |
| I. Intangible assets | | | |
| 1. Purchased concessions, industrial property rights and similar rights and values, as well as licenses for such rights and values | 773,785.86 | | 1,526,587.00 |
| 2. Goodwill | 10,344,432.51 | 11,118,218.37 | 21,158,211.00 |
| II. Tangible fixed assets | | | |
| 1. Other equipment, operating and office equipment | | 680,240.00 | 362,770.00 |
| III. Financial fixed assets | | | |
| 1. Participations | | 2.00 | 19,661.81 |
| **B. Current assets** | | | |
| I. Inventories | | | |
| 1. Raw materials, auxiliary materials and supplies | 0.00 | | 7,252.05 |
| 2. Job orders in progress | 21,213.86 | | 0.00 |
| 3. Advance payments | 0.00 | 21,213.86 | 1,900.00 |
| II. Receivables and other assets | | | |
| 1. Trade receivables | 149,326.97 | | 6,071,763.08 |
| 2. Other assets | 1,023,523.89 | 1,172,850.86 | 3,050,531.18 |
| - including those with a remaining term of more than one year 25,637.22 (35,837.22) | | | |
| III. Cash on hand, Bundesbank balance, bank balances, and checks | | 63,293.37 | 257,617.51 |
| **C. Accrued and deferred items** | | 136,302.23 | 137,054.73 |
| **D. Deficit not covered by equity** | | 7,034,268.12 | 0.00 |
| | | 20,226,388.81 | 32,593,348.36 |

LIABILITIES

| | EUR | Financial year EUR | Previous year EUR |
|---|---|---|---|
| **A. Equity** | | | |
| I. Subscribed capital | | 2,332,755.00 | 2,332,755.00 |
| II. Capital reserves | | 11,515,644.96 | 11,515,644.96 |
| III. Balance brought forward from previous year | | 1,143,669.39 | 44,919,995.07 |
| IV. Annual deficit | | -22,026,337.47 | -43,776,325.68 |
| V. Uncovered losses | | 7,034,268.12 | 0.00 |
| Book equity | | 0.00 | 14,992,069.35 |
| **B. Provisions** | | | |
| 1. Tax accruals | 4,548.42 | | 193,096.67 |
| 2. Other provisions | 1,425,648.92 | 1,430,197.34 | 1,090,899.69 |
| **C. Liabilities** | | | |
| 1. Bonds | 3,500,000.00 | | 3,500,000.00 |
| - including convertible bonds of 3,500,000.00 (3,500,000.00) | | | |
| with a remaining term of more than one year 3,500,000.00 (3,500,000.00) | | | |
| 2. Liabilities to banks | 899.56 | | 0.00 |
| with a term of less than one year 899.56 (0.00) | | | |
| 3. Advance payments on orders received | 6,633,685.13 | | 728.66 |
| with a term of up to one year 0.00 (728.66) | | | |
| with a term of more than one year 6,633,685.13 (0.00) | | | |
| 4. Trade liabilities | 1,713,669.84 | | 446,472.67 |
| with a term of less than one year 1,713,669.84 (446,472.67) | | | |
| 5. Other liabilities | 3,994,466.73 | 15,842,721.26 | 6,292,221.21 |
| - to shareholders 828,814.83 (3,504,959.20) | | | |
| - for taxes 139,808.74 (1,241,251.64) | | | |
| - for social insurance 123,991.70 (2,302.48) | | | |
| - with a term of less than one year 2,982,327.93 (5,822,171.21) | | | |
| - with a term of more than one year 1,012,138.80 (470,050.00) | | | |
| **D. Deferred Income** | | 61,833.00 | 89,833.00 |
| **E. Deferred taxes** | | 2,891,637.21 | 5,988,027.11 |
| | | 20,226,388.81 | 32,593,348.36 |

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## Profit and Loss Statement for the Period from 1 January to 31 December 2018

| | | Financial year | Previous year |
|---|---|---|---|
| | EUR | EUR | EUR |
| 1. Sales | | 325,661.00 | 12,048,751.55 |
| 2. Decrease and increase in inventories of finished and unfinished products | | 21,213.86 | -40,522.39 |
| 3. Other capitalized contributions | | 42,000.00 | 0.00 |
| 4. Other operating income | | 11,368,741.46 | 282,502.87 |
| - including earnings from currency conversion 25,563.71 (9,969.89) | | | |
| 5. Cost of materials | | | |
| a) Expenditure on raw materials and supplies and on purchased goods | -59,821.44 | | -227,830.27 |
| b) Expenses for purchased services | -2,931,733.38 | -2,991,554.82 | -728,321.51 |
| 6. Personnel expenses | | | |
| a) Wages and salaries | -3,985,049.86 | | -1,992,885.16 |
| b) Social insurance contributions and expenses for pensions and support | -720,421.81 | -4,705,471.67 | -406,220.51 |
| - including for pensions 510.00 (EUR 0.00) | | | |
| 7. Depreciation | | | |
| a) of intangible assets | -21,025,385.93 | | -59,082,216.72 |
| b) current assets in excess of the depreciation customary for the company | -1,558,213.81 | -22,583,599.74 | 0.00 |
| 8. Other operating expenses | | -5,949,589.07 | -9,767,796.49 |
| - including expenses from currency conversion 7,597.86 (2,921.75) | | | |
| 9. Other interest and similar income | | 326.15 | 13,607.20 |
| Including income from the discounting of provisions 326.15 (657.46) | | | |
| 10. Amortisation of financial assets and investments classified as current assets | | -19,659.81 | 0.00 |
| 11. Interest and similar expenses | | -618,414.06 | -368,723.47 |
| 12. Taxes on income and earnings | | 3,085,718.62 | 16,494,245.22 |
| - including income from the reversal of deferred taxes 3,096,389.90 (16,647,847.52) | | | |
| **13. Result after taxes** | | -22,024,628.08 | -43,775,409.68 |
| 14. Other taxes | | -1,709.39 | -916.00 |
| **15. Annual deficit** | | -22,026,337.47 | -43,776,325.68 |

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# Statement of changes in equity as of 31 December 2018

| | Subscribed | Capital reserves | Generated capital | Total |
|---|---|---|---|---|
| | EUR | EUR | EUR | EUR |
| As of 01.01.2017 | 2,112,000.00 | 7,236,399.96 | 44,919,995.07 | 54,268,395.03 |
| Shares issued | 220,755.00 | 4,279,245.00 | 0.00 | 4,500,000.00 |
| Net result for the period | 0.00 | 0.00 | -43,776,325.68 | -43,776,325.68 |
| Balance on 31.12.2017 | 2,332,755.00 | 11,515,644.96 | 1,143,669.39 | 14,992,069.35 |
| Net result for the period | 0.00 | 0.00 | -22,026,337.47 | -22,026,337.47 |
| Balance on 31.12.2018 | 2,332,755.00 | 11,515,644.96 | -20,882,668.08 | -7,034,268.12 |

# Cash flow statement as of 31 December 2018

| | Financial year EUR | Previous year EUR |
|---|---|---|
| Net result for the period | -22,026,337.47 | -43,776,325.68 |
| -/+ Depreciation/appreciation of fixed assets | 11,901,486.60 | 59,082,216.72 |
| + Increase in provisions | 181,147.23 | 1,019,856.31 |
| - Other non-cash earnings | -42,000.00 | -188.03 |
| -/+ Increase/decrease in inventories | -12,061.81 | 62,958.35 |
| -/+ Increase/decrease in trade receivables | 5,922,436.11 | -5,740,748.44 |
| +/- increase/decrease in other assets not attributable to investment or financing activities | 882,248.93 | -219,531.49 |
| -/+ increase/decrease in trade payables | 1,267,197.17 | -300,704.29 |
| + Increase in other liabilities not attributable to investment or financing activities | 5,927,046.81 | 2,224,360.13 |
| - gain on the disposal of fixed assets | 0.00 | -8,445.67 |
| + loss from the disposal of fixed assets | 0.00 | 104,920.45 |
| + interest expenses | 242,314.83 | 215,768.71 |
| +/- change in deferred taxes | -3,096,389.90 | -16,647,847.52 |
| **Cash flow resulting from ongoing business activity** | **1,147,088.50** | **-3,983,710.45** |
| - payments for investments in intangible assets | -44,163.94 | -4,545,976.15 |
| + proceeds from disposal of tangible fixed assets | 0.00 | 6,386.55 |
| - payments for investments in tangible assets | -546,553.22 | -313,240.57 |
| + proceeds from disposals of financial assets | 0.00 | 194,541.67 |
| - payments for investments in financial assets | 0.00 | -104,000.00 |
| + proceeds for financial investments as part of short-term financial management | 0.00 | 2,034,541.68 |
| - payments for financial investments in the context of short-term financial management | 0.00 | -2,043,687.42 |
| **Cash flow from investment activity** | **-590,717.16** | **-4,771,434.24** |
| Proceeds from capital contributions | 0.00 | 4,500,000.00 |
| + Payments from issuance of loans and taking (financial) lines of credit | 3,420,163.72 | 7,004,959.20 |
| - Payments for the repayment of bonds and (financial) loans | -3,928,544.37 | -2,290,393.28 |
| - Interest paid | -242,314.83 | -215,768.71 |
| **Cash flow from financing activities** | **-750,695.48** | **8,998,797.21** |
| Cash changes in cash and cash equivalents (total cash flows) | -194,324.14 | 243,652.52 |
| + Cash and cash equivalents at the beginning of the period | 257,617.51 | 13,964.99 |
| **Cash and cash equivalents at the end of period** | **63,293.37** | **257,617.51** |

# Notes to the Financial Statements for the Year ending 31 December 2018

## A. General information

Staramba SE is a company listed on the regulated, general standard market of the stock exchanges in Frankfurt and Berlin, and is organised as a Societas Europaea (SE) under European law with registered office at Aroserallee 60-66, 13407 Berlin, Germany (Commercial Register HRB 158018, Berlin-Charlottenburg).

The company is a large corporation according to the rules of §267 para. 3 clause 2 and §264d of the German Commercial Code (HGB). The amended financial statements have been prepared in accordance with the accounting provisions of §§242 ff. and §§264 ff. HGB and the supplementary provisions of the German Stock Corporation Act (AktG) and Art. 61 of EU Regulation 2157/2001.

The income statement is prepared in accordance with §275 para. 1 HGB using the total cost method.

## B. Explanation of the accounting and valuation methods

The accounting and valuation methods applied correspond to those applied in the previous year. Despite the tense liquidity situation, the accounting and valuation have been performed under the assumption of a going concern (§252 para. 1 no. 2 HGB). Due to the tense liquidity situation at the time of reporting, the company took various measures to ensure solvency beyond the year 2019. If, contrary to the expectations of the Managing Director, the company's plans cannot be achieved and the initiated and planned measures for hedging liquidity cannot be successfully implemented, the company's continued existence would be jeopardised. For details of the measures taken, please refer to the comments on the events after the balance sheet date under E. Other information 11.

### 1. Fixed assets

The purchased intangible assets are valued at cost less scheduled, straight-line depreciation. Unscheduled depreciation was taken to the extent necessary to adjust their value. If there is an indefinite useful life, no scheduled depreciation is taken.

The goodwill includes deferred taxes. For deferred taxes in the case of the merger in the 2016 fiscal year, deferred tax assets and tax liabilities are not borne by the transferring legal entity, but must be re-examined and recognised accordingly. As the assets and liabilities assumed were measured at fair value, the deferred taxes related to hidden reserves are hidden. They therefore represent acquisition costs that must be treated as deferred. The deferred taxes on the acquired goodwill are inseparably linked with this and must therefore be capitalised as acquisition costs.

The assets acquired in the merger in 2016 were measured at fair value on the basis of an appraisal that determined the income value after income taxes. The resulting deferred taxes included in the resulting goodwill of €60.4 million were posted at a value of €26.118 million, taking into account the company's rates for corporation and trade taxes. The goodwill was capitalised at €86.56 million, i.e. the value before the deferred taxes.

The goodwill is depreciated over a useful life of 7.5 years. The useful life of the goodwill resulting from the merger in 2016 reflects not only technical expertise but also other influencing factors. The remaining useful life as of 31 December 2018 is 4.5 years.

The unscheduled depreciation of €42.316 million taken on 31 December 2017 had to be adjusted in the 2018 financial year for the deferred taxes not recognised at the time. On 1 January 2018, the error was corrected in the current account with a one-time appreciation of €9.144 million. As a result, deferred tax liabilities increased by €2.759 million.

Because sales did not develop as planned, a need to adjust the value of this goodwill was again recognised when preparing these financial statements. The goodwill was therefore depreciated by €14.448 million on 31 December 2018. A complete value adjustment is not required as the acquired licensing agreements and the company's expertise in 3D scanning will continue to create future earnings opportunities.

Tangible assets were valued at acquisition cost. The fixed assets were depreciated on a straight-line basis. The amortisation period is based on the scheduled normal useful life.

Low-value assets acquired for a cost of less than €410.00 were fully depreciated in the reporting year.

| Balance sheet items (asset groups) | | | Useful lives |
|---|---|---|---|
| I. | | **Intangible assets** | |
| | 1. | Fee-based concessions, industrial property rights and similar rights, assets and values, as well as licenses for such rights and assets | 1 to 15 years (unlimited) |
| | 2. | Goodwill | 7.5 years |
| **II.** | | **Tangible fixed assets** | |
| | | Other equipment, factory and office equipment | 1 to 13 years |

Financial assets include investments in companies in which the company holds an interest. The shares were written down to a reminder value of EUR 1.00 due to the permanent impairment.

## 2. Current assets

Inventories include the Staramba.Token (STT) held by the company as of the balance sheet date. They are valued at acquisition or production costs.

Trade receivables and other assets were posted at their nominal values. Specific value adjustments were made to the extent required. Individual value adjustments from previous years were reduced by €2.096 million. There was no need to make any general value adjustments. Any receivables held in foreign currencies were valued at the spot exchange rate.

Cash and cash equivalents were stated at nominal value.

Deferred income is recognized for significant items, such as expenses attributable to subsequent financial years. These are essentially expenditures related to existing licensing agreements.

### 3. Borrowed capital

Provisions have been set up for all identifiable risks and contingent liabilities, in each case at an amount that represents a reasonable fulfilment value (§253 para. 1 clause 2 HGB).

Provisions with a remaining term of more than one year are discounted with the remaining term corresponding to the average market interest rate of the past seven fiscal years as determined by the Bundesbank or objectification reasons (§253 para. 2 clause 1 HGB). Cost increases are taken into account when determining the settlement value. The option to discount provisions with a residual maturity of less than one year has not been exercised.

Liabilities were posted at their settlement value.

Transactions in foreign currencies were either posted at the current exchange rate or at the exchange rates contractually agreed. The currency conversion on the balance sheet date is carried out in accordance with §256a HGB at the spot exchange rate.

To determine deferred taxes resulting from temporary or semi-permanent differences between the commercial values of assets, liabilities and prepaid expenses and their tax bases, these are measured with the individual company tax rates at the time of reduction of differences, and the amounts of the resulting tax burden and relief not discounted.

### 4. Profit and loss statement

Proceeds from the sale of tokens are initially recognized as prepayments received. Sales recognition occurs only when the tokens are accepted as a means of payment for the purchase of goods and services.

## C. Notes on the balance sheet

### 1. Fixed assets

The development of the fixed assets as well as the acquisition costs of the individual items are shown in the following table.

Intangible assets were valued at €11.118 million (previous year: €22.685 million). They essentially result from the goodwill resulting from the merger in 2016 at fair value, which then underwent both scheduled and unscheduled depreciation.

Property, plant, and equipment were valued at €680,000 (previous year: €363,000) and include operating and office equipment.

Financial assets were valued at €2 (previous year: €20,000) and also include shares in companies with which a participation is held as well as in other companies. Information on shareholdings per §285 No. 11 HGB:

| Holding | Domicile | Percentage | Share capital 31.12.2018 (previous year) | Equity* | Result of the most recent fiscal year* |
|---|---|---|---|---|---|
| Social VR GmbH, Berlin HRB13777 | Berlin | 48.00% | €25,000 (€25,000) | -€104,000 (-€97,000) | -€8,000 (-€6,000) |

*Information from the latest annual financial statements of the companies as of 31.12.2016

## Development of fixed assets in 2018 financial year

| | Acquisition, Manufacturing, costs 01.01.2018 | Additions | including debt interest | Disposals | Transfers | Acquisition, Manufacturing, costs 31.12.2018 | accumulated Depreciation 01.01.2018 | Depreciation Financial year | Accruals | Disposals | Reclassifications | accumulated Depreciation 31.12.2018 | Appreciation Financial year | Book value 31.12.2018 | Book value 31.12.2017 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR |
| **A. Fixed assets** | | | | | | | | | | | | | | | |
| I. Intangible assets | | | | | | | | | | | | | | | |
| 1. Purchased concessions, industrial property rights and similar rights and values, as well as licenses for such rights and values | 6,888,564.40 | 44,163.94 | 0.00 | 0.00 | 0.00 | 6,932,728.34 | 5,361,977.40 | 796,965.08 | 0.00 | 0.00 | 0.00 | 6,158,942.48 | 0.00 | **773,785.86** | 1,526,587.00 |
| 2. Goodwill | 86,556,146.94 | 0.00 | 0.00 | 0.00 | 0.00 | 86,556,146.94 | 65,397,935.94 | 19,957,337.63 | 0.00 | 0.00 | 0.00 | 85,355,273.57 | 9,143,559.14 | **10,344,432.51** | 21,158,211.00 |
| **Total intangible assets** | **93,444,711.34** | **44,163.94** | **0.00** | **0.00** | **0.00** | **93,488,875.28** | **70,759,913.34** | **20,754,302.71** | **0.00** | **0.00** | **0.00** | **91,514,216.05** | **9,143,559.14** | **11,118,218.37** | 22,684,798.00 |
| II. Tangible fixed assets | | | | | | | | | | | | | | | |
| 1. Other equipment, operating and office equipment | 512,824.70 | 588,553.22 | 0.00 | 0.00 | 0.00 | 1,101,377.92 | 150,054.70 | 271,083.22 | 0.00 | 0.00 | 0.00 | 421,137.92 | 0.00 | 680,240.00 | 362,770.00 |
| **Total tangible assets** | **512,824.70** | **588,553.22** | **0.00** | **0.00** | **0.00** | **1,101,377.92** | **150,054.70** | **271,083.22** | **0.00** | **0.00** | **0.00** | **421,137.92** | **0.00** | **680,240.00** | 362,770.00 |
| III. Investments | | | | | | | | | | | | | | | |
| 1. Participations | 19,661.81 | 0.00 | 0.00 | 0.00 | 0.00 | 19,661.81 | 0.00 | 19,659.81 | 0.00 | 0.00 | 0.00 | 19,659.81 | 0.00 | **2.00** | 19,661.81 |
| Total financial assets | **19,661.81** | **0.00** | **0.00** | **0.00** | **0.00** | **19,661.81** | **0.00** | **19,659.81** | **0.00** | **0.00** | **0.00** | **19,659.81** | **0.00** | **2.00** | 19,661.81 |
| **Total fixed assets** | **93,977,197.85** | **632,717.16** | **0.00** | **0.00** | **0.00** | **94,609,915.01** | **70,909,968.04** | **21,045,045.74** | **0.00** | **0.00** | **0.00** | **91,955,013.78** | **9,143,559.14** | **11,798,460.37** | 23,067,229.81 |

## 2. Receivables and other assets

Receivables and other assets are due within one year, with the exception of the deposits amounting to €26,000 (previous year: €36,000).

There are no receivables from companies with which an investment relationship exists (previous year: €0).

There are no receivables within the meaning of §285 No. 9c HGB as of the reporting date (previous year: €39,000).

## 3. Credit balances with banks and cash on hand.

Bank balances amount to €63,000 (previous year: €258,000).

## 4. Equity

The reported equity as at 31 December 2018 is negative. The deficit not covered by equity is €7.034 million.

### 4.1 Subscribed capital

The company's fully paid-in share capital is divided into 2,332,755 no-par-value shares (31.12.2017: 2,332,755), which are bearer shares valued at €2,332,755 as of 31 December 2018 (31 December 2017: €2,332,755).

### 4.2 Authorised capital (§160 para. 1 No. 4 AktG)

Authorised capital (2017/I).

A resolution of the General Meeting on 25 July 2017 affirmed cancellation of existing authorised capital 2016/I and creation of the new authorised capital (2017/I).

A resolution of the General Meeting on 25 July 2017 authorised the Board of Directors to increase the company's share capital by up to a total of €1,131,000.00 for a period of five years, calculated from the date of entry in the commercial register, by issuing new bearer shares against cash and/or contributions in kind (Authorised Capital 2017/I). The authorisation may be used once or several times, either in whole or in part.

The new shares are to be offered to shareholders as a matter of principle. If their subscription right is not excluded, the right to take over shares held by banks or other entities fulfilling the requirements of §186 para. 5 AktG may be exercised, provided that they are then offered to shareholders (indirect subscription right).

However, the board is authorised to exclude shareholders' subscription rights for fractional amounts;

- in the case of capital increases against cash contributions, provided that the pro rata portion of the share capital attributable to the new shares for which the subscription right is excluded is no more than 10% of the share capital available at the time the resolution is adopted by the General Meeting and the issue price of the new shares does not significantly undercut the price of the shares of the same type and conditions already listed at the time the final issue price is fixed by the board, pursuant to §§203 para. 1 and 2, 186 para. 3 clause 4 AktG. The 10% cap includes those shares that have already been issued or sold during the term of this authorisation in direct or analogous application of §186 para. 3 clause 4 AktG under exclusion of subscription rights. Furthermore, shares to be used to service option and/or conversion rights or option and/or conversion obligations from convertible bonds and/or warrant bonds are to be included, provided that these bonds are excluded from the subscription right during the term of this authorisation, in the meaning of §186 para. (3) clause 4 AktG;

- for capital increases in exchange for cash contributions, to grant shares for the purpose of acquiring companies, parts of companies or stakes in companies, or to acquire other assets (including third party claims against the company or companies affiliated with the company) associated with such a merger or acquisition;
- to the extent necessary in order to protect against dilution, to grant a subscription right to the holders or creditors of bonds with warrants and/or convertible bonds issued by the company or its subsidiaries within the scope of an authorisation granted to the Board of Directors by the General Meeting, to the extent such would have been granted to them after exercising the option or conversion right or after fulfilment of the option or conversion obligations;
- for the servicing of option and/or conversion rights or option and/or conversion obligations arising from option and/or convertible bonds issued by the company;
- in order to issue shares to members of the Board of Directors, the Managing Directors, and members of the management team, and employees of companies affiliated with the company. The new shares may also be issued to a bank or an equivalent institution provided they accept the obligation to pass them on exclusively to subsequent beneficiaries.

The Board of Directors is authorised to establish further terms and conditions for the issuing of shares, including the issue amount, as well as the content of the share rights when executing the capital increases from Authorised Capital 2017/I. If the profit distribution for a past fiscal year has not yet been decided, the start of the profit participation may also be applied to the beginning of that fiscal year.

The Board of Directors is also authorised to amend the statutes of the company to reflect the extent to which Authorised Capital 2017/I was utilised once implemented in whole or in part or upon expiry of the authorisation

In the 2018 financial year, the Board of Directors did not make use of the authorisation to increase the capital per Authorised Capital 2017/I, meaning that Authorised Capital 2017/I was fully available as of the balance sheet date of 31 December 2018.

## 5.3 Contingent capital (§152 para.1 AktG)

Contingent capital (2016/I)

The General Meeting of 28 July 2016 conditionally increased the share capital of the company by up to €905,999.00 to be funded by issuing up to 905,999 new bearer shares (Contingent Capital 2016/I).

The contingent capital increase serves to grant shares upon exercise of option or conversion rights or upon fulfilment of option or conversion obligations to the holders of the option or convertible bonds issued by the company, or by a direct or indirect majority holding company on the basis of the authorisation granted by the General Meeting on 28 July 2016. The shares are issued at the option or conversion price to be determined in accordance with the above authorisation.

The contingent capital increase will only be undertaken in the event of the issuance of warrant or convertible bonds and to the extent that the holders of warrant or convertible bonds issued or guaranteed until 27 July 2021 by the company or its direct or indirect majority holding companies pursuant to the authorisation resolution of the General Meeting on 28 July 2016, exercise their options or conversion rights or fulfil their option or conversion obligations and insofar as other forms of fulfilment are not implemented. The new shares issued as a result of the exercise of the option or conversion right or the fulfilment of the option or conversion obligation generally participate in the profit from the beginning of the fiscal year in which they are issued. If the profit distribution for a past fiscal year has not yet been decided, the start of the profit participation may also be applied to the beginning of that fiscal year.

The Board of Directors was authorised to establish further details for the contingent capital increase.

The Board of Directors was further authorised to amend §5 para. 1 and §6.2 para. 1, clause 1 of the statutes when said contingent capital is used and to make any and all other related adjustments to the wording of the same. The same applies in the event that the Board of Directors opts not to exercise the authorisation to issue options or convertible bonds and the authorisation period has expired and in the event Contingent Capital 2016/I is not fully used after the expiry of the deadlines for the exercise of option or conversion rights or for the fulfilment of option or conversion obligations.

On 15 March 2017, the Board of Directors decided to use the 28 July 2016 authorisation of the General Meeting to issue bonds with options and/or convertible bonds and a convertible bond with a total volume of €5,000,000.00 and a term of two years. The convertible bond was divided into 5,000 bearer bonds with a nominal value of €1,000.00 each. The annual interest rate was set at 6%. The convertible bonds may be converted by their holders into new Staramba SE shares. The conversion price has been set at €21.20 per share if bond holders opt to exercise their right of conversion. The convertible bond was issued in accordance with the 28 July 2016 resolution of the General Meeting and excluded shareholders' subscription rights.

Contingent Capital 2016/I authorised by the General Meeting on 28 July 2016 was used in October 2017 by issuing 70,755 new no-par-value bearer shares in the amount of €70,755.00 in order to service existing conversion rights based on the convertible bonds issued. The share capital of the company is therefore conditionally increased by up to €835,244.00 on the basis of Contingent Capital 2016/I as of the balance sheet date of 31 December 2018 by issuing up to 835,244 new no-par-value bearer shares.

Contingent Capital (2017/I)

The General Meeting of 25 July 2017 conditionally increased the share capital of the company by up to €75,000.00 to be funded by issuing up to 75,000 new bearer shares (Contingent Capital 2017/I). Contingent Capital 2017/I is to be used to hedge subscription rights arising from stock options issued by Staramba SE under the 2017 stock option plan between 25 July 2017 and 30 June 2022, on the basis of 25 July 2017 decision of the General Meeting.

The contingent capital increase will only be carried out to the extent that stock options are issued and the holders of these stock options exercise their subscription rights to shares of the company and the company does not use its own shares or cash to fulfil said rights. Issuance of the shares from contingent capital will take place at the exercise price set forth in Item 9 §1 lit. e of the agenda for the 25 July 2017 General Meeting. The new shares generally participate in the profit from the beginning of the fiscal year in which they arise. If the profit distribution for a past fiscal year has not yet been decided, the start of the profit participation may also be applied to the beginning of that fiscal year.

The Board of Directors was authorised to establish further details for the contingent capital increase.

The Board of Directors was further authorised to amend §5 para. 1 as well as §6.3 para. 1 clause 1 of the statutes when said contingent capital is used and to make any and all other related adjustments to the wording of the same. The same applies if the 2017 authorisation to launch a stock option program expires without being used and if Contingent Capital 2017/I is not used after expiry of the periods for exercise of the subscription rights.

In the 2018 financial year, the Board of Directors did not make use of the authorisation to increase the capital per Contingent Capital 2017/I, meaning that Contingent Capital 2017/I was fully available as of the balance sheet date of 31 December 2018.

### 4.4 Capital reserves (§152 para.2 AktG).

Additional reserves created by the difference between the market values of the new shares issued during the capital increase and their nominal values were also created.

### 4.5 Profit carried forward (§268 para. 1 clause 2 HGB)

The €43.776 million in net loss for the year ending 31 December 2017 was offset in full against the profit carried forward. As of the balance sheet date, the profit carried forward is €1.144 million.

### 4.6 Proposed appropriation of earnings

The Managing Director proposes to balance the current year's result with the existing profit carried-forward and to carry forward any remainder.

## 5. Provisions

The tax provisions include the VAT amounts included in trade receivables, recognised as liabilities in the amount of €5,000 (previous year: €39,000). The company paid taxes on fees for taxable services on the basis of an authorisation granted 13 October 2014 pursuant to §20 para. 1 of the German Value-Added Tax Act (UStG) when the fees were collected. This authorisation expired on 31 December 2016 because the statutory sales threshold of €500,000 had been exceeded. The approved payment of tax on receivables arising before this reporting date continues to apply.

Further provisions for taxes are not recognised.

€1.426 million in other provisions were posted (previous year: €1.09 million) as follows:

| **In €thousands** | **As of 01.01.2018** | **Use** | **Liquidation** | **Added** | **Status 31.12.2018.** |
|---|---|---|---|---|---|
| **Name/description** | | | | | |
| Other provisions | 793 | 72 | 0 | 194 | 915 |
| Acquisition costs | 169 | 169 | 0 | 288 | 288 |
| Staff costs | 85 | 48 | 0 | 131 | 168 |
| Provisions, Dismantling obligations | 0 | | | 12* | 12 |
| Retention obligations | 43 | 0 | 0 | 0 | 43 |
| **Total** | **1,090** | **289** | **0** | **625** | **1,426** |

*) includes €300 from the change in discounting.

Other provisions include €644,000 for litigation cost risks.

## 6. Liabilities

Advance payments received include payments received from token sales, provided that the tokens have not yet been redeemed for Staramba SE goods or services.

Other liabilities include liabilities from taxes in the amount of €140,000 (previous year: €1.241 million) and €829,000 in liabilities to shareholders (previous year: €3.505 million).

Other liabilities include €1.002 million with a residual term of more than one year and less than five years. The other liabilities are due within one year.

## 7. Deferred tax liabilities

Deferred tax liabilities result from the difference between the goodwill recognised at fair value in the balance sheet and the book value in the tax balance sheet from the merger of Staramba SE and Staramba GmbH in 2016. The calculation was based on a tax rate of 30.18%. Income from the release of deferred tax liabilities results from the reduction in goodwill due to scheduled and unscheduled depreciation.

The deferred tax liabilities (§285 No. 30 HGB) developed as follows:

| **01.01.**<br>€thousands | **Addition**<br>€thousands | **Use**<br>€thousands | **Liquidation**<br>€thousands | **31.12.**<br>€thousands |
|---:|---:|---:|---:|---:|
| 5,988 | 2,759 | 0 | 5,855 | 2,892 |

## D. Notes on the income statement

The company had €326,000 in sales during the financial year (2017: €12.048 million), including €103,000 from 3D scanning and modelling services, €55,000 from the delivery of scanners, €80,000 from the delivery of 3D figurines, as well as €23,000 from providing electronic services in MATERIA.ONE. The remaining amounts result from 3D printing services, user fees, and data sales.

Sales are broken down geographically as follows:

| | **Fiscal year** | **Previous year** |
|---|---:|---:|
| | €thousands | €thousands |
| Rest of the world | 14 | |
| USA | 95 | 4,304 |
| Germany | 217 | 7,745 |
| **Total** | **326** | **12,049** |

Income of extraordinary magnitude or non-period income: Other operating income includes €9.144 million appreciation in goodwill. In addition, income from the reduction of specific valuation allowances on trade receivables and impaired loan receivables in the amount of €2,095,000 as well as €85,000 from the cancellation of contingent liabilities due to ageing were included.

The cost of materials includes, in particular, expenses for services purchased in connection with the issue of the Staramba.Token (STT).

An unscheduled depreciation of €14.448 million was taken against the goodwill resulting from the merger with Staramba GmbH in 2016. In addition, €1.558 million in depreciation from losses on receivables was also taken.

| | Financial year €thousands | Previous year €thousands |
|---|---|---|
| Other interest and similar income | 0.3 | 14 |
| including | | |
| Other interest and similar income | 0.3 | 14 |
| Interest and similar expenses | 618 | 369 |
| including | | |
| Interest on current liabilities | 376 | 153 |
| Interest to shareholders | 242 | 216 |
| **Result** | **-618** | **-355** |

## E. Other disclosures

### 1. Other financial obligations

The other financial obligations, together with their maturities, are shown in the table below.

| in thousands of euros | up to 1 year | 2 to 5 years | 5+ years | Total |
|---|---|---|---|---|
| Rental obligations | **270** | **613** | **0** | **882** |
| Licensing agreements | **178** | **25** | **0** | **203** |
| Vehicle leases/rentals | **17** | **6** | **0** | **23** |
| Total | **465** | **643** | **0** | **1,108** |

In addition, various licensing agreements contain indefinite payment obligations dependent on the respective sales. Either the royalties based on sales or the agreed minimum fee, whichever is greater, is payable.

### 2. Information on the cash flow statement

The cash flow statement was not prepared in accordance with the DRSC recommendation pursuant to DRS 21.

The company paid €373,000 in interest during the financial year (previous year: €343,000) and received zero interest (previous year: €13,000).

The financial resources are defined as cash and cash equivalents, i.e. demand deposits. Equivalents of means of payment/cash equivalents are short-term, highly liquid financial assets that can be converted into cash at any time and that are only subject to insignificant fluctuations in value. As a result, cash equivalents at the acquisition date may only have a residual maturity of three months or less. In addition, liabilities due to banks as well as other short-term borrowings, which are part of the liquid assets, must be included in the cash and cash equivalents per DRS 21 and must be settled.

## 3. Information on the statement of changes in equity

The profit carried forward was exhausted by the losses. As of the balance sheet date, there was a deficit of €7.034 million not covered by equity.

## 4. Employees

The average number of employees in the financial year was 107 (previous year: 55).

## 5. Information pursuant to §285 No. 15a HGB and §160 para. 1 No. 5 AktG

As at the reporting date, the company has €3.5 million in outstanding convertible bonds. The convertible bond was listed on the Frankfurt Stock Exchange on 22 March 2017. It originally had a term of two years and was extended until 23 March 2020. The convertible bond is divided into 3,500 bearer bonds with a nominal value of €1,000 each. The annual interest rate is 6%. The convertible bonds may be converted by their holders into new Staramba SE shares. The conversion price has been set at €21.20 per share if bond holders opt to exercise their right of conversion.

## 6. Information about the Board of Directors and Managing Director(s)

The company opts for a single-tier management system pursuant to Art. 38 lit b) SeVO.

The Board of Directors consisted of the following persons during the reporting period:

1. Mr Christian Daudert, asset manager, Rostock (Chairman)
2. Professor Dr Klemens Skibicki, university teacher, Cologne (Vice-Chairman)
3. Ms Marthe Rehmer (née Wolbring), PR consultant, Berlin
4. Mr Rolf Elgeti, businessman, Potsdam
5. Mr Marc Kneifel, managing partner of SkyVention GmbH, Berlin

In the absence of an expert in the areas of accounting and auditing pursuant to §100 para. 5 AktG, the Staramba SE has no audit committee pursuant to §324 para. 1 HGB.

The company is represented by its Managing Directors:

1. Mr Christian Daudert, asset manager, Rostock (Chairman of the Management Board)
2. Mr Frederic Cremer, game producer, Berlin (from 01 January 2018 to 27 April 2018)

Mr Rolf Elgeti was a member of the following boards and other supervisory bodies during the reporting period:

- Chairman, Board of Directors, TAG Immobilien AG (since November 2014)
- Chairman, Board of Directors, 1801 Deutsche Leibrenten AG (since July 2015)

- Member, Advisory Board, Laurus Property Partners (since July 2016)
- Chairman, Board of Directors, Creditshelf AG (since May 2018)
- Member, Advisory Board, Highlight Event and Entertainment AG (since June 2018)

## 7. Officer remuneration

The total remuneration of the Managing Directors of the SSE in the 2018 financial year amounts to €196,000 (previous year: €157,000).

This remuneration is broken down as follows:

| **Name** | **Christian Daudert** | **Frederic Cremer** | **Total** |
|---|---|---|---|
| **Role** | **Managing Director** | | |
| Non-performance-related remuneration in € | 126,000 | 70,000 | 196,000 |
| Performance-related remuneration | 0 | 0 | 0 |
| Components with long-term incentive effect | 0 | 0 | 0 |
| **Totals** | **126,000** | **70,000** | **196,000** |

## 8. Declaration of Conformity with the German Corporate Governance Code

The Board of Directors of Staramba SE has issued the declaration of compliance with the German Corporate Governance Code required by §161 AktG and made it permanently available to the shareholders on the company's website (https://company.staramba.com/about/investors/corporate-governance).

## 9. Auditor's fee

The total fee of the auditor for the financial year is

| | EURO thousands |
|---|---|
| Audit services | 190 |
| Other services | 0 |
| Tax consultancy | 0 |
| Other services | 0 |
| | 190 |

## 10. Information on transactions with related parties and companies (§285 No. 21 HGB)

Legal persons and natural persons are considered to be "related" to the SSE in particular in cases in which they (1) are subject to joint control, (2) one of the parties has the ability to control the other party, (3) one of the parties has a significant influence on the other party or (4) can influence the other party as a result of joint management. Determining the relationship between the parties is determined not just from a legal perspective, but also from an economic one. In addition, persons who hold a key position in the management or supervisory body of the reporting entity are considered "related" to that entity. In principle, the SSE, which operates in the legal form of a *Societas Europaea* (SE), includes the Managing Directors and the members of the Board of Directors.

During the reporting period, SSE maintained significant business relationships with related parties in the course of its operating activities.

### I. Business transactions with persons holding a key position in the SSE management

In the year under review, the SSE entered into transactions with several persons holding a key position in the company's management to acquire the company's in-house cryptocurrency ("token"). The total volume of completed token sales amounted to €92,000 in the year under review.

In the year under review, the SSE paid €86,000 to people holding a key position in the SSE management who received remuneration in a separate employment relationship not linked to the mandate activity.

Apart from that, the SSE and one person holding a key position in the management of the company were involved in €184,000 in payment and clearing transactions.

### II. Business transactions with associated companies

The SSE received a 2% interest-bearing loan from an associated company with a balance of €1.312 million as of the closing date, which was offset by €46,000 in cash as well as the remaining amount as of the balance sheet date against a purchase price claim from the SSE was completely redeemed or offset against the associate for the sale and assignment of a trade receivable.

In addition, there were €52,000 in liabilities for services rendered by an associated company during the reporting period.

### III. Business transactions with companies controlled by a key person in the SSE management

The SSE received a 2% interest-bearing loan from a key person in management with a balance of €462,000 as of the closing date, which was offset against a purchase price claim from the SSE was completely redeemed or offset against the associate for the sale and assignment of a trade receivable.

In addition, the SSE received a loan of €750,000 at an interest rate of 8% from a company controlled by a key person in the management of SSE.

In addition, during the reporting period, interest payments of €210,000 were made on the subscription of a convertible bond to a company controlled by a key person in the management of the SSE.

The SSE has also entered into transactions with a company controlled by a key person in the management of the SSE to acquire tokens in the amount of €3.5 million.

Due to a contractually agreed transfer of rights, the SSE has paid a license fee of €60,000 to a company controlled by a key person of the management.

**IV. Other business transactions**

The SSE paid a fee of €22,000 to a dependent person close to the SSE, who worked in the administration of the company on a freelance basis during the reporting period.

In the reporting period, other transactions (in particular reimbursement of expenses and expenses such as travel and entertainment costs, clearing transactions recognized in the balance sheet, etc.) amounting to €56,000 were posted between the SSE and related parties as well as relatives of related parties.

In addition, other transactions (in particular reimbursement of expenses and expenses such as travel and entertainment expenses, clearing transactions recognized in the balance sheet, etc.) amounting to €59,000 were posted between the SSE and associated companies as well as companies controlled by a key person in the management of the SSE.

**V. Remuneration of the Managing Directors and the members of the Board of Directors**

Related persons basically comprise the Managing Directors specified in section E. 6. as well as the members of the SSE Board of Directors.

The total remuneration for Managing Directors Christian Daudert and Frederic Cremer was €196,000 in the year under review.

No compensation was paid to the members of the Board of Directors for the exercise of their mandate in the year under review.

With regard to the details of the remuneration of the Managing Director and the members of the SSE Board of Directors, reference is also made to the Remuneration Report (Section 7).

## 11. Events after the closing date which must be reported per §285 No. 33 HGB (New Version)

At the General Meeting for the 2017 financial year held 13 February 2019, two new members were elected to the Board of Directors, Mr Achim Betz and Mr Axel von Starck to replace Ms Marthe Rehmer (née Wolbring) and Marc Kneifel, who resigned from the Board effective with the adjournment of the General Meeting.

As of the publication of this annual statement, the Board of Directors therefore has the following members: Rolf Elgeti (Chairman), Axel von Starck, Christian Daudert, Achim Betz (Vice-Chairman, Chairman of the Audit Committee), and Professor Dr Klemens Skibicki.

In May 2019, the company decided to undergo comprehensive restructuring with personnel measures. In this context, around €500,000 in expenses have been incurred.

In November 2018, shareholder Hevella Capital GmbH & Co. KGaA also made a financing commitment of up to €6 million in the form of a convertible loan.

This convertible loan was increased by €4 million in April 2019 and €2 million in June 2019. The additional increase of €8 million in July 2019 will secure the financing of the company for the coming year. However, as a result, the company continues to rely on sustained financial support, without which the company would otherwise be endangered.

As part of the call to an extraordinary General Meeting to announce the loss of half of its equity capital, the company has also announced capital measures to strengthen its equity position and improve liquidity. These capital measures include seeking up to €20 million in additional financing, expected to take place by the end of 2019, although uncertainty remains until these measures are taken.

If the company is unable to implement equity-enhancing measures over the medium term, the company's continued existence is at risk.

## 12. Report pursuant to §160 para. 1 No. 8 AktG

Pursuant to §160 para. 1 No. 8 AktG, Staramba SE is obliged to publish the content of the notices received pursuant to §21 para. 1 or 1a of the Securities Trading Act (WpHG).

The following reports pursuant to §160 para. 1 No. 8 AktG were made before this statement was prepared:

19.04.2018 / 17:11
Voting rights announcement published by DGAP, a service of EQS Group AG.
The issuer is responsible for the content of this announcement.

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**Voting rights notice**

**1. Information on the issuer**

| |
|---|
| Staramba SE<br>Aroser Allee 66<br>13407 Berlin<br>Germany |

**2. Reason for the notice**

| | |
|---|---|
| X | Acquisition/sale of shares with voting rights |
| | Acquisition/sale of instruments |
| | Change in the total number of voting rights |
| | Other reason: |

**3. Information regarding the person obliged to make the notification**

| Name: | Registered office and country: |
|---|---|
| IAFA Global Opportunities SICAV | 16, rue Gabriel Lippmann, 5365 Munsbach<br>Luxemburg |

**4. Name of shareholders**
with 3% or more voting rights, if different from 3.

| |
|---|
| n/a |

**5. Date at which the threshold is crossed or reached:**

| |
|---|
| 18 Apr 2018 |

**6. Total voting rights**

| | Share of voting rights (Total 7.a.) | Share of instruments (Total 7.b.1.+ 7.b.2.) | Total shares (Total 7.a. + 7.b.) | Total number of voting rights of the issuer |
|---|---|---|---|---|
| new | 4.93% | 0% | 4.93% | 2,332,755 |
| Previous notice | 5.11% | 0% | 5.11% | / |

**7. Details of voting rights**
**a. Voting rights (§§33, 34 WpHG)**

| ISIN | absolute | | in % | |
|---|---|---|---|---|
| | direct (§33 WpHG) | allocated (§34 WpHG) | direct (§33 WpHG) | allocated (§34 WpHG) |
| DE000A1K03W5 | 115,000 | 0 | 4.93% | 0% |
| **Total** | 115,000 | | 4.93% | |

**b.1. Instruments per §38 para. 1 No. 1 WpHG**

| Type of instrument | Maturity/expiration | Exercise period/term | Absolute voting rights | Voting rights in% |
|---|---|---|---|---|
| n/a | n/a | n/a | 0 | 0% |
| | | **Total** | 0 | 0% |

**b.1. Instruments per §38 para. 1 No. 2 WpHG**

| Type of instrument | Maturity/expiration | Exercise period/term | Cash settlement or physical settlement | Absolute voting rights | Voting rights in% |
|---|---|---|---|---|---|
| n/a | n/a | n/a | n/a | 0 | 0% |
| | | | **Total** | 0 | 0% |

**8. Information relating to the notifying party**

| | |
|---|---|
| X | The notifying party (3.) is neither controlled by nor does it control other parties obligated to provide notice relating to voting rights of the issuer (1.). |
| | Complete chain of subsidiaries, starting with the top-level controlling party or company: |

| Company | Voting rights in %, if 3% or higher | Instruments in %, if 5% or higher | Total in %, if 5% or higher |
|---|---|---|---|
| | | | |

**9. For proxies per §34 para. 3 WpHG**
(only possible in the event of an allocation pursuant to §34 para. 1 clause 1 no. 6 WpHG)

| | |
|---|---|
| Date of the General Meeting: | |
| Total share of voting rights after the General Meeting: | % (corresponds to voting rights) |

**10. Other explanatory remarks:**

25.04.2018 / 18:03
Voting rights announcement published by DGAP, a service of EQS Group AG.
The issuer is responsible for the content of this announcement.

**Voting rights notice**

**1. Information on the issuer**

| |
|---|
| Staramba SE<br>Aroser Allee 66<br>13407 Berlin<br>Germany |

**2. Reason for the notice**

| | |
|---|---|
| | Acquisition/sale of shares with voting rights |
| | Acquisition/sale of instruments |
| | Change in the total number of voting rights |
| X | Other reason:<br>Notice due to the entry as general partner of Hevella Capital GmbH & Co. KGaA |

**3. Information regarding the person obliged to make the notification**

| Name: | Registered office and country: |
|---|---|
| Hevella Beteiligungs GmbH | Potsdam<br>Germany |

**4. Name of shareholders**
with 3% or more voting rights, if different from 3.

| |
|---|
| Hevella Capital GmbH & Co. KGaA |

**5. Date at which the threshold is crossed or reached:**

| |
|---|
| 08 Aug 2017 |

**6. Total voting rights**

| | Share of voting rights (Total 7.a.) | Share of instruments (Total 7.b.1.+ 7.b.2.) | Total shares (Total 7.a. + 7.b.) | Total number of voting rights of the issuer |
|---|---|---|---|---|
| new | 29.9996% | 0% | 29.9996% | 2,262,000 |
| Previous notice | 29.61% | 0% | 29.61% | / |

**7. Details of voting rights**
**a. Voting rights (§§33, 34 WpHG)**

| ISIN | absolute | | in % | |
|---|---|---|---|---|
| | direct (§33 WpHG) | allocated (§34 WpHG) | direct (§33 WpHG) | allocated (§34 WpHG) |
| DE000A1K0W5 | 0 | 678,590 | 0% | 29.9996% |
| **Total** | 678,590 | | 29.9996% | |

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**b.1. Instruments per §38 para. 1 No. 1 WpHG**

| Type of instrument | Maturity/expiration | Exercise period/term | Absolute voting rights | Voting rights in% |
|---|---|---|---|---|
| | | | | % |
| | | **Total** | | % |

**b.1. Instruments per §38 para. 1 No. 2 WpHG**

| Type of instrument | Maturity/expiration | Exercise period/term | Cash settlement or physical settlement | Absolute voting rights | Voting rights in% |
|---|---|---|---|---|---|
| | | | | | % |
| | | | **Total** | | % |

**8. Information relating to the notifying party**

| | |
|---|---|
| | The notifying party (3.) is neither controlled by nor does it control other parties obligated to provide notice relating to voting rights of the issuer (1.). |
| X | Complete chain of subsidiaries, starting with the top-level controlling party or company: |

| Company | Voting rights in %, if 3% or higher | Instruments in %, if 5% or higher | Total in %, if 5% or higher |
|---|---|---|---|
| Hevella Beteiligungen GmbH | % | % | % |
| Hevella Capital GmbH & Co. KGaA | 29.9996% | % | 29.9996% |

**9. For proxies per §34 para. 3 WpHG**
(only possible in the event of an allocation pursuant to §34 para. 1 clause 1 no. 6 WpHG)

| | |
|---|---|
| Date of the General Meeting: | |
| Total share of voting rights after the General Meeting: | % (corresponds to voting rights) |

**10. Other explanatory remarks:**

| |
|---|
| Hevella Beteiligungen GmbH became the general partner of Hevella Capital GmbH & Co. KGaA on 8 August 2017. |

26.04.2018 / 18:02
Voting rights announcement published by DGAP, a service of EQS Group AG.
The issuer is responsible for the content of this announcement.

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**Correction** of a voting right announcement published on 25.04.2018

**1. Information about the issuer**

| |
|---|
| Staramba SE<br>Aroser Allee 66<br>13407 Berlin<br>Germany |

**2. Reason for the notice**

| | |
|---|---|
| | Acquisition/sale of shares with voting rights |
| | Acquisition/sale of instruments |
| | Change in the total number of voting rights |
| X | Other reason:<br>Notice due to the entry as general partner of Hevella Capital GmbH & Co. KGaA |

**3. Information regarding the person obliged to make the notification**

| Name: | Registered office and country: |
|---|---|
| Hevella Beteiligungen GmbH | Potsdam<br><br>Germany |

**4. Name of shareholders**
with 3% or more voting rights, if different from 3.

| |
|---|
| Hevella Capital GmbH & Co. KGaA |

**5. Date at which the threshold is crossed or reached:**

| |
|---|
| 08 Aug 2017 |

**6. Total voting rights**

| | Share of voting rights (Total 7.a.) | Share of instruments (Total 7.b.1.+ 7.b.2.) | Total shares (Total 7.a. + 7.b.) | Total number of voting rights of the issuer |
|---|---|---|---|---|
| new | 29.9996% | 0% | 29.9996% | 2,262,000 |
| Previous notice | n/a % | n/a % | n/a % | / |

**7. Details of voting rights**

**a. Voting rights (§§33, 34 WpHG)**

| ISIN | absolute | | in % | |
|---|---|---|---|---|
| | direct (§33 WpHG) | allocated (§34 WpHG) | direct (§33 WpHG) | allocated (§34 WpHG) |
| DE000A1K03W5 | 0 | 678,590 | 0% | 29.9996% |
| **Total** | 678,590 | | 29.9996% | |

**b.1. Instruments per §38 para. 1 No. 1 WpHG**

| Type of instrument | Maturity/expiration | Exercise period/term | Absolute voting rights | Voting rights in% |
|---|---|---|---|---|
| | | | | % |
| | | **Total** | | % |

**b.1. Instruments per §38 para. 1 No. 2 WpHG**

| Type of instrument | Maturity/expiration | Exercise period/term | Cash settlement or physical settlement | Absolute voting rights | Voting rights in% |
|---|---|---|---|---|---|
| | | | | | % |
| | | | **Total** | | % |

**8. Information relating to the notifying party**

| | |
|---|---|
| | The notifying party (3.) is neither controlled by nor does it control other parties obligated to provide notice relating to voting rights of the issuer (1.). |
| X | Complete chain of subsidiaries, starting with the top-level controlling party or company: |

| Company | Voting rights in %, if 3% or higher | Instruments in %, if 5% or higher | Total in %, if 5% or higher |
|---|---|---|---|
| Hevella Beteiligungen GmbH | % | % | % |
| Hevella Capital GmbH & Co. KGaA | 29.9996% | % | 29.9996% |

**9. For proxies per §34 para. 3 WpHG**

(only possible in the event of an allocation pursuant to §34 para. 1 clause 1 no. 6 WpHG)

| | |
|---|---|
| Date of the General Meeting: | |
| Total share of voting rights after the General Meeting: | % (corresponds to voting rights) |

**10. Other explanatory remarks:**

| |
|---|
| Hevella Beteiligungen GmbH became the general partner of Hevella Capital GmbH & Co. KGaA on 8 August 2017. |

15.05.2018 / 12:17
Voting rights announcement published by DGAP, a service of EQS Group AG.
The issuer is responsible for the content of this announcement.

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**Voting rights notice**

**1. Information on the issuer**

| |
|---|
| Staramba SE<br>Aroser Allee 66<br>13407 Berlin<br>Germany |

**2. Reason for the notice**

| | |
|---|---|
| X | Acquisition/sale of shares with voting rights |
| | Acquisition/sale of instruments |
| | Change in the total number of voting rights |
| | Other reason: |

**3. Information regarding the person obliged to make the notification**

| Name: | Registered office and country: |
|---|---|
| MainFirst Affiliated Fund Managers S.A. | 16, rue Gabriel Lippmann, 5365 Munsbach<br>Luxembourg |

**4. Name of shareholders**
with 3% or more voting rights, if different from 3.

| |
|---|
| n/a |

**5. Date at which the threshold is crossed or reached:**

| |
|---|
| 08 May 2018 |

**6. Total voting rights**

| | Share of voting rights (Total 7.a.) | Share of instruments (Total 7.b.1.+ 7.b.2.) | Total shares (Total 7.a. + 7.b.) | Total number of voting rights of the issuer |
|---|---|---|---|---|
| new | 3.04% | 0% | 3.04% | 2,332,755 |
| Previous notice | n/a % | n/a % | n/a % | / |

**7. Details of voting rights**

**a. Voting rights (§§33, 34 WpHG)**

| ISIN | absolute | | in % | |
|---|---|---|---|---|
| | direct (§33 WpHG) | allocated (§34 WpHG) | direct (§33 WpHG) | allocated (§34 WpHG) |
| DE000A1K03W5 | 7,0850 | 0 | 3.04% | 0% |
| **Total** | 7,0850 | | 3.04% | |

**b.1. Instruments per §38 para. 1 No. 1 WpHG**

| Type of instrument | Maturity/expiration | Exercise period/term | Absolute voting rights | Voting rights in% |
|---|---|---|---|---|
| n/a | n/a | n/a | 0 | 0% |
| | | **Total** | 0 | 0% |

**b.1. Instruments per §38 para. 1 No. 2 WpHG**

| Type of instrument | Maturity/expiration | Exercise period/term | Cash settlement or physical settlement | Absolute voting rights | Voting rights in% |
|---|---|---|---|---|---|
| n/a | n/a | n/a | n/a | 0 | 0% |
| | | | **Total** | 0 | 0% |

**8. Information relating to the notifying party**

| | |
|---|---|
| X | The notifying party (3.) is neither controlled by nor does it control other parties obligated to provide notice relating to voting rights of the issuer (1.). |
| | Complete chain of subsidiaries, starting with the top-level controlling party or company: |

| Company | Voting rights in %, if 3% or higher | Instruments in %, if 5% or higher | Total in %, if 5% or higher |
|---|---|---|---|
| | | | |

**9. For proxies per §34 para. 3 WpHG**

(only possible in the event of an allocation pursuant to §34 para. 1 clause 1 no. 6 WpHG)

| | |
|---|---|
| Date of the General Meeting: | |
| Total share of voting rights after the General Meeting: | % (corresponds to voting rights) |

**10. Other explanatory remarks:**

02.07.05.2018 / 20:19
Voting rights announcement published by DGAP, a service of EQS Group AG.
The issuer is solely responsible for the content of this announcement.

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**Voting rights notice**

**1. Information on the issuer**

| |
|---|
| Staramba SE<br>Aroser Allee 66<br>13407 Berlin<br>Germany |

**2. Reason for the notice**

| | |
|---|---|
| X | Acquisition/sale of shares with voting rights |
| | Acquisition/sale of instruments |
| | Change in the total number of voting rights |
| | Other reason: |

**3. Information regarding the person obliged to make the notification**

| Name: | Registered office and country: |
|---|---|
| MainFirst Affiliated Fund Managers S.A. | 16, rue Gabriel Lippmann, 5365 Munsbach<br>Luxembourg |

**4. Name of shareholders**
with 3% or more voting rights, if different from 3.

| |
|---|
| n/a |

**5. Date at which the threshold is crossed or reached:**

| |
|---|
| 02 Jul 2018 |

**6. Total voting rights**

| | Share of voting rights (Total 7.a.) | Share of instruments (Total 7.b.1.+ 7.b.2.) | Total shares (Total 7.a. + 7.b.) | Total number of voting rights of the issuer |
|---|---|---|---|---|
| new | 2.46% | 0% | 2.46% | 2,332,755 |
| Previous notice | 3.04% | 0% | 3.04% | / |

**7. Details of voting rights**

**a. Voting rights (§§33, 34 WpHG)**

| ISIN | absolute | | in % | |
|---|---|---|---|---|
| | direct (§33 WpHG) | allocated (§34 WpHG) | direct (§33 WpHG) | allocated (§34 WpHG) |
| DE000A1K03W5 | 57,374. | 0 | 2.46% | 0% |
| **Total** | 57,300 | | 2.46% | |

**b.1. Instruments per §38 para. 1 No. 1 WpHG**

| Type of instrument | Maturity/expiration | Exercise period/term | Absolute voting rights | Voting rights in% |
|---|---|---|---|---|
| n/a | n/a | n/a | 0 | 0% |
| | | **Total** | 0 | 0% |

**b.1. Instruments per §38 para. 1 No. 2 WpHG**

| Type of instrument | Maturity/expiration | Exercise period/term | Cash settlement or physical settlement | Absolute voting rights | Voting rights in% |
|---|---|---|---|---|---|
| n/a | n/a | n/a | n/a | 0 | 0% |
| | | | **Total** | 0 | 0% |

**8. Information relating to the notifying party**

| | |
|---|---|
| X | The notifying party (3.) is neither controlled by nor does it control other parties obligated to provide notice relating to voting rights of the issuer (1.). |
| | Complete chain of subsidiaries, starting with the top-level controlling party or company: |

| Company | Voting rights in %, if 3% or higher | Instruments in %, if 5% or higher | Total in %, if 5% or higher |
|---|---|---|---|
| | | | |

**9. For proxies per §34 para. 3 WpHG**

(only possible in the event of an allocation pursuant to §34 para. 1 clause 1 no. 6 WpHG)

| | |
|---|---|
| Date of the General Meeting: | |
| Total share of voting rights after the General Meeting: | % (corresponds to voting rights) |

**10. Other explanatory remarks:**

05.07.2018 / 11:02
Voting rights announcement published by DGAP, a service of EQS Group AG.
The issuer is solely responsible for the content of this announcement.

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**Voting rights notice**

**1. Information on the issuer**

| |
|---|
| Staramba SE<br>Aroser Allee 66<br>13407 Berlin<br>Germany |

**2. Reason for the notice**

| | |
|---|---|
| X | Acquisition/sale of shares with voting rights |
| | Acquisition/sale of instruments |
| | Change in the total number of voting rights |
| | Other reason: |

**3. Information regarding the person obliged to make the notification**

| Name: | Registered office and country: |
|---|---|
| IAFA Global Opportunities SICAV | 16, rue Gabriel Lippmann, 5365 Munsbach<br>Luxemburg |

**4. Name of shareholders**
with 3% or more voting rights, if different from 3.

| |
|---|
| n/a |

**5. Date at which the threshold is crossed or reached:**

| |
|---|
| 05 Jul 2018 |

**6. Total voting rights**

| | Share of voting rights (Total 7.a.) | Share of instruments (Total 7.b.1.+ 7.b.2.) | Total shares (Total 7.a. + 7.b.) | Total number of voting rights of the issuer |
|---|---|---|---|---|
| new | 5.16 % | 0% | 5.16 % | 2,332,755 |
| Previous notice | 4.93% | 0% | 4.93% | / |

**7. Details of voting rights**

**a. Voting rights (§§33, 34 WpHG)**

| ISIN | absolute | | in % | |
|---|---|---|---|---|
| | direct (§33 WpHG) | allocated (§34 WpHG) | direct (§33 WpHG) | allocated (§34 WpHG) |
| DE000A1K03W5 | 120,288 | 0 | 5.16 % | 0% |
| **Total** | 120,288 | | 5.16 % | |

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**b.1. Instruments per §38 para. 1 No. 1 WpHG**

| Type of instrument | Maturity/expiration | Exercise period/term | Absolute voting rights | Voting rights in% |
|---|---|---|---|---|
| n/a | n/a | n/a | 0 | 0% |
| | | **Total** | 0 | 0% |

**b.1. Instruments per §38 para. 1 No. 2 WpHG**

| Type of instrument | Maturity/expiration | Exercise period/term | Cash settlement or physical settlement | Absolute voting rights | Voting rights in% |
|---|---|---|---|---|---|
| n/a | n/a | n/a | n/a | 0 | 0% |
| | | | **Total** | 0 | 0% |

**8. Information relating to the notifying party**

| | |
|---|---|
| X | The notifying party (3.) is neither controlled by nor does it control other parties obligated to provide notice relating to voting rights of the issuer (1.). |
| | Complete chain of subsidiaries, starting with the top-level controlling party or company: |

| Company | Voting rights in %, if 3% or higher | Instruments in %, if 5% or higher | Total in %, if 5% or higher |
|---|---|---|---|
| | | | |

**9. For proxies per §34 para. 3 WpHG**
(only possible in the event of an allocation pursuant to §34 para. 1 clause 1 no. 6 WpHG)

| | |
|---|---|
| Date of the General Meeting: | |
| Total share of voting rights after the General Meeting: | % (corresponds to voting rights) |

**10. Other explanatory remarks:**

16.11.2018 / 09:00
Voting rights announcement published by DGAP, a service of EQS Group AG.
The issuer is solely responsible for the content of this announcement.

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**Voting rights notice**

**1. Information on the issuer**

| | |
|---|---|
| Name: | Staramba SE |
| Street, No.: | Aroser Allee 66 |
| Postcode: | 13407 |
| Place: | Berlin<br>Germany |
| Legal Entity Identifier (LEI) | 5299008Y94QHNMRK6U07 |

**2. Reason for the notice**

| | |
|---|---|
| X | Acquisition/sale of shares with voting rights |
| | Acquisition/sale of instruments |
| | Change in the total number of voting rights |
| | Other reason: |

**3. Information regarding the person obliged to make the notification**

| |
|---|
| Legal entity: Global Opportunities SICAV<br>Registered office, Country: 16, rue Gabriel Lippmann, 5365 Munsbach, Luxembourg |

**4. Name of shareholders**
with 3% or more voting rights, if different from 3.

n/a

**5. Date at which the threshold is crossed or reached:**

14.11.2018

**6. Total voting rights**

| | Share of voting rights (Total 7.a.) | Share of instruments (Total 7.b.1.+ 7.b.2.) | Total shares (Total 7.a. + 7.b.) | Total number of voting rights pursuant to §41 WpHG |
|---|---|---|---|---|
| new | 2.83% | 0% | 2.83% | 2,332,755 |
| Previous notice | 5.16 % | 0% | 5.16 % | / |

**7. Details of voting rights**

**a. Voting rights (§§33, 34 WpHG)**

| ISIN | absolute | | in % | |
|---|---|---|---|---|
| | direct (§33 WpHG) | allocated (§34 WpHG) | direct (§33 WpHG) | allocated (§34 WpHG) |

| | | | | |
|---|---|---|---|---|
| DE000A1K03W5 | 65,900 | 0 | 2.83% | 0% |
| **Total** | 65,900 | | 2.83% | |

**b.1. Instruments per §38 para. 1 No. 1 WpHG**

| Type of instrument | Maturity/expiration | Exercise period/term | Absolute voting rights | Voting rights in% |
|---|---|---|---|---|
| n/a | n/a | n/a | 0 | 0% |
| | | **Total** | 0 | 0% |

**b.1. Instruments per §38 para. 1 No. 2 WpHG**

| Type of instrument | Maturity/expiration | Exercise period/term | Cash settlement or physical settlement | Absolute voting rights | Voting rights in% |
|---|---|---|---|---|---|
| n/a | n/a | n/a | n/a | 0 | 0% |
| | | | **Total** | 0 | 0% |

**8. Information relating to the notifying party**

| | |
|---|---|
| X | The notifying party (3.) is neither controlled by nor does it control other parties obligated to provide notice relating to voting rights of the issuer (1.) or to which voting rights in the issuer have been granted. |
| | Complete chain of subsidiaries, starting with the top-level controlling party or company: |

| Company | Voting rights in %, if 3% or higher | Instruments in %, if 5% or higher | Total in %, if 5% or higher |
|---|---|---|---|
| | | | |

**9. For proxies per §34 para. 3 WpHG**
(only possible in the event of an allocation pursuant to §34 para. 1 clause 1 no. 6 WpHG)

Date of the General Meeting:
Total voting rights (6.) after the General Meeting:

| Share of voting rights | Share of instruments | Total shares |
|---|---|---|
| % | % | % |

**10. Other information:**

Berlin, 17 July 2019

Staramba SE

*The Managing Director*

Christian Daudert

# Independent Auditor's Report

## NOTE ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

### Audit opinions

We have audited the annual financial statements of Staramba SE, consisting of the balance sheet as at 31 December 2018, the income statement, the cash flow statement and the equity analysis for the financial year from 1 January 2018 to 31 December 2018 as well as the notes, including the presentation of the accounting and measurement methods. In addition, we audited the management report of Staramba SE for the 2018 financial year. We have not examined the content of the corporate governance statement for compliance with German statutory provisions.

In our opinion, based on the findings of our audit,

- the attached annual financial statements comply in all material respects with the provisions of German commercial law applicable to corporations and, in compliance with German generally accepted accounting principles, give a true and fair view of the financial position of the company, as of 31 December 2018 and its income situation for the financial year from 1 January to 31 December 2018, and

- the accompanying management report overall provides an accurate picture of the state of the company. In all material respects, this management report is consistent with the annual financial statements, complies with German statutory provisions and accurately presents the opportunities and risks of future development. Our opinion on the management report does not extend to the content of the corporate governance statement referenced above.

Pursuant to §322 para. 3 clause 1 of the German Commercial Code (HGB), we hereby declare that our audit has not led us to any adverse findings concerning the proper preparation of the annual financial statement and management report.

### Basis for the auditor's opinions

We have audited the annual financial statements and the management report in accordance with §317 HGB and the EU Auditors Ordinance (No. 537/2014, hereinafter "EU-APrVO") in accordance with the German generally accepted principles for the audit of financial statements promulgated by the Institute of Public Auditors (Institut der Wirtschaftsprüfer - IDW). Our responsibilities under these rules and policies are further described in the section entitled "Auditors' Responsibility when Auditing Financial Statements" of our Auditor's Report. We are independent of the company in accordance with the German commercial and professional regulations and have fulfilled our other German professional obligations in accordance with these requirements. In addition, in accordance with Art. 10 para. 2 lit. f) EU-APrVO, we declare that we have not provided any prohibited non-audit services as defined in Art. 5 para. 1 EU-APrVO. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and the management report.

**Significant uncertainty in connection with the continuation of the business activity**

We refer to the information provided in E.11. of the notes and the disclosures in the sections "Liquidity risks", "Measures to hedge liquidity risks" and "Summary of the overall risk situation" in the management report, in which the legal representatives of the company describe its strained liquidity situation. As indicated in E.11. of the notes and disclosures in the sections "Liquidity risks", "Liquidity risk management measures" and "Summary of the overall risk situation" in the management report, these events and circumstances point to the existence of a material uncertainty that casts serious doubt on the ability of the company to continue its activities and its continued existence is at risk within the meaning of §322 para. 2 clause 3 HGB. This has not affected our audit opinions.

**Particularly important issues raised in the audit of the annual financial statements**

Particularly important issues raised in the audit are those matters that, in our best judgement, were most significant in our audit of the financial statements for the financial year from 1 January through 31 December 2018. These issues have been taken into account in the context of our audit of the financial statements as a whole and in our opinion on the audit; we are not offering a separate opinion on these matters.

From our point of view, the following facts were most significant in our audit:

- Treatment of the token sales
- Impairment of goodwill
- Preparation of the balance sheet assuming a going concern

We structure our presentation of these particularly important audit matters as follows:

1. Facts and problem
2. Auditing procedure and findings
3. Reference to further information

Below we present the most important facts from the audit:

**Treatment of the token sales**

1. The company sold tokens with a transaction volume of $7.4 million in the 2018 financial year. The tokens were sold without any obligation to refund the purchase price, even in the event that the tokens cannot be used by the buyer. At the same time, the company has stated in a white paper that it will accept the tokens as a means of payment for products and services in the virtual world of Staramba-Spaces (now Materia-One). The token sales were initially classified as sales when preparing the financial statements. This was later changed, with all proceeds from the sales initially recognized as prepayments received, with sales only recognised if accepted as a means of payment on Materia-One (platform service).

   This treatment of the token sales is complex. Therefore, the treatment of the token sales was of particular importance to our audit.

2. As part of our audit work, we gained an understanding of the company's process of selling tokens. In this context, we intensively reviewed the underlying contracts and the white paper of the company and compared the conditions it contains against the rules in the HGB on sales recognition.

We consider the company's treatment of the proceeds from token sales as prepayments received and subsequent sales recognition in the event the tokens are used as a means of payment on Materia-One to be appropriate.

3. The information provided by the company on the accounting principles applied is disclosed in the company's notes on "Accounting Policies".

**Impairment of goodwill**

1. In the annual financial statement prepared for Staramba SE, €10.3 million in goodwill is listed under intangible assets; the goodwill originally came from the 2016 upstream merger and was posted at fair value. This goodwill makes up 51% of the balance sheet total as of the closing date and thus has a significant impact on the company's financial position. Goodwill is recognised at acquisition cost less scheduled and unscheduled depreciation.

   As part of an error correction in the current account for a faulty valuation in the previous year's financial statements (year ending 31.12.2017), the goodwill was initially appreciated by €9.1 million. Due to a reorientation and reassessment of the scanners and 3D data segment on 31.12.2018, an impairment loss of €10.3 million was recognised when preparing this financial statement.

   The valuation of goodwill is complex and highly dependent on the estimates of the legal representatives, in particular with regard to future price and volume developments, the timing of operating cash flows, the discount factors used, and the long-term growth rate. The valuation is therefore subject to uncertainties. Therefore, the complexity of its valuation was of particular importance to our audit.

2. As part of our audit work, we gained an understanding of the company's process of assessing the value of its goodwill and determining the weighted average capital costs. In doing so, we also assessed, based on the information obtained during our audit, whether there were indications of required depreciation not identified by the company. We critically scrutinised and examined the valuation model and the plausibility of the assumptions made. In this regard, we reviewed the forecast for future sales and earnings development in the scanner and 3D data segment and agreed with the projections approved by the Managing Director and the Board of Directors. In addition, we assessed the consistency of the assumptions with external market assessments.

   Based on our audit procedures, we did not make any material findings and find the valuations made by the legal representatives, including the disclosures in the notes, to be reasonable.

3. The information provided by the company on the accounting principles applied is disclosed in the company's notes on "Accounting Policies". Information on the amount of goodwill can be found in the statement of fixed assets as an attachment to the notes.

**Preparation of the balance sheet assuming a going concern**

1. The accounting for the annual financial statement of Staramba SE for the year ending 31.12.2018 was based on the assumption of a going concern. The company continues to be classified as a start-up. Accordingly, it generates only a small amount of sales and cash inflows. The company repeatedly received financial commitments from shareholders in the 2018 financial year and subsequently as the financial statement was being prepared.

Preparing a balance sheet assuming a going concern is a complex matter. Therefore, the preparation of the balance sheet assuming a going concern was of particular importance to our audit.

2. As part of our audit work, we gained an understanding of the company's liquidity review process. In doing so, we also assessed, based on the information we obtained during our audit, whether there was any indication that the company would be unable to ensure payment of the expected liabilities over the next 12 months. In this regard, we reviewed the forecast for future sales and earnings development and the financing commitments already obtained and agreed with the projections approved by the Managing Director and the Board of Directors. In addition, we assessed the consistency of the assumptions with external market assessments and actual figures for the first months of the 2019 financial year.

   We believe that the preparation of the annual financial statements and the management report, assuming the going concern, is appropriate on the basis of our audit procedures.

3. The information provided by the company on the accounting principles applied is disclosed in the company's notes on "Accounting Policies". Additional disclosures regarding risks which threaten the existence of the company have been made in the notes and the management report. Please refer to our note above on "Significant uncertainty in connection with the continuation of business activities".

**Other information**

The legal representatives are responsible for the other information. The other information includes:

- the corporate governance statement
- the corporate governance report per No. 3.10 of the German Corporate Governance Code and
- the assurance of the annual statement required by §264 para. 2 clause 3 HGB and the assurance of the management report required by §289 para. 1 clause 5 HGB.

Our audit opinions on the annual financial statements and the management report do not extend to the other information, and accordingly, we provide neither an opinion nor any other form of audit conclusion.

In connection with our audit, we have the responsibility to read the other information and to evaluate whether the other information

- contains material inconsistencies with the annual financial statements, the management report, or knowledge we obtained during our audit; or
- which may otherwise appear significantly misrepresented.

**The legal representatives' responsibility for the annual financial statements and management report**

The legal representatives are responsible for preparation of the annual financial statements, which comply with the German commercial law applicable to corporations in all material respects, and that the annual financial statements give a true and fair view of the assets, financial position, and income situation of the company in accordance with German generally accepted accounting principles. In addition, the legal representatives are responsible for the internal controls that they have determined to be necessary in accordance with generally accepted accounting principles in order to facilitate preparation of financial statements that are free from material misstatement, whether intentional or unintentional.

In preparing the financial statements, the legal representatives are responsible for assessing the company's ability to continue as a going concern. They are also responsible for disclosing matters relating to the company's ability to continue as a going concern, where relevant. In addition, they are responsible for accounting for the company's ability to continue as a going concern on the basis of the accounting policy, insofar as this does not conflict with actual or legal circumstances.

In addition, the legal representatives are responsible for the preparation of the management report, which as a whole conveys a true picture of the company's position, is in all material respects consistent with the annual financial statements, complies with German legal requirements and accurately reflects the opportunities and risks of future development. Furthermore, the legal representatives are responsible for the precautions and measures (systems) that they deemed necessary to enable the preparation of a management report in accordance with the applicable German statutory provisions and to provide sufficient suitable evidence for the statements in the management report.

The Board of Directors is responsible for overseeing the Company's financial reporting process for preparing the financial statements and the management report.

**The auditor's responsibility for auditing the annual financial statements and the management report**

Our objective is to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether intentional or unintentional, and whether the management report gives a true and fair view of the condition of the company and in all material respects is consistent with the annual financial statements and with the findings of the audit, that it complies with German legal requirements, accurately reflects the opportunities and risks of future development, and that it issues an auditor's report that includes our audit opinions on the annual financial statements and management report.

Reasonable certainty means a high degree of certainty, but there is no guarantee that an audit conducted in accordance with §317 of the German Commercial Code and in compliance with the German generally accepted principles for the audit of financial statements promulgated by the Institute of Public Auditors (Institut der Wirtschaftsprüfer-IDW) will always discover a material misstatement. Misrepresentations may result from breaches or inaccuracies, and are considered material if they could reasonably be expected to influence, individually or collectively, the economic decisions of the target audience made on the basis of these financial statements.

During the audit, we exercise due discretion and maintain a critical attitude. Furthermore,

- we identify and assess the risks of material misstatement, whether intentional or unintentional, in the financial statements and the management report, we plan and perform procedures in response to those risks, and obtain audit evidence sufficient and appropriate to form the basis of our opinion. The risk that material misstatements resulting from fraud will not be identified is greater than that for a misstatement resulting from errors, since fraud may include fraudulent co-operation, counterfeiting, deliberate omissions, misleading representations or the overriding of internal controls.
- we gain an understanding of the internal control system relevant to the audit of the financial statements and the arrangements and measures relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of company systems;

- we assess the appropriateness of the accounting methods used by the legal representatives and evaluate whether the estimated values and related information are reasonable as presented by the legal representatives;
- we draw conclusions regarding the appropriateness of the accounting policy used by the legal representatives with respect to the company's ability to continue as a going concern, and, on the basis of the audit evidence obtained, whether there is material uncertainty surrounding events or circumstances that indicate significant doubts as to the Company's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements and management report or, if such disclosures are inappropriate, to modify our audit opinion. We draw our conclusions based on the audit evidence obtained up to the date of our auditor's certification notice. Future events or circumstances may, however, result in the company no longer being able to continue as a going concern.
- we assess the overall presentation, structure and content of the annual financial statements, including the disclosures and whether the annual financial statements present the underlying transactions and events in such a way that the annual financial statements, in compliance with generally accepted German accounting principles, give a true and fair view of the company's financial position and earnings situation.
- we assess the consistency of the management report with the annual financial statements, its legislation and the image it conveys of the state of the company.
- we perform audit procedures on the future-oriented statements made by the Company's legal representatives in the management report. On the basis of adequately appropriate audit evidence, we in particular examine the significant assumptions underlying the forward-looking statements made by the Company's legal representatives and assess the proper derivation of the forward-looking statements from said assumptions. We do not express an independent opinion on the forward-looking statements or the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking statements.

Among other things, we discuss with the supervisors the planned scope and timing of the audit, as well as significant audit findings, including any deficiencies in the internal control system that we identify during our audit.

We make a statement to the people responsible for governance that we have complied with the relevant independence requirements, and discuss with them all relationships and other matters that can reasonably be expected to affect our independence and related safeguards.

From the issues we have discussed with the people responsible for governance, we identify the issues that were most significant in the audit of the annual financial statements for the current period and are therefore the key audit issues. We describe these issues in the Auditor's Report, unless laws or other laws or other regulations preclude the public statement of the issue.

**OTHER LEGAL AND REGULATORY REQUIREMENTS**

**Other information according to Art. 10 EU-APrVO**

We were first elected auditors for the company by the General Meeting on 13 February 2019. We were appointed by the Board of Directors on 21 March 2019.

We declare that the audit opinions contained in this Auditor's Report are consistent with the additional report to the Board of Directors pursuant to Art. 11 EU-APrVO (audit report).

**RESPONSIBLE AUDITOR**

The auditor responsible for the audit is Arno Kramer.

Frankfurt am Main, 17 July 2019

RSM GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

| | |
|---|---|
| …………………. | …………………. |
| D. Hanxleden | A. Kramer |