MANAGEMENT'S DISCUSSION AND ANALYSIS OF NET ASSETS, FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF THE BOXINE GROUP

Investors should read the following management's discussion and analysis of net assets, financial condition and results of operations in conjunction with the Sections "1. Risk Factors", "5. Business Combination" and "12. Business Description".

The financial information contained in the following tables is taken or derived from Holding GmbH's audited consolidated financial statements for the short fiscal year from July 12, 2019 until December 31, 2019 and as of and for the fiscal year ended December 31, 2020, the audited consolidated financial statements of Boxine GmbH as of and for the fiscal years ended December 31, 2018 and December 31, 2019, and the unaudited condensed consolidated interim financial statements of Holding GmbH as of and for the six months ended June 30, 2021, as well as Holding GmbH's accounting records or internal reporting systems.

The audited consolidated financial statements of Holding GmbH for the short fiscal year from July 12, 2019 until December 31, 2019 and as of and for the fiscal year ended December 31, 2020 have been prepared in accordance with IFRS. The financial statements of Boxine GmbH as of and for the fiscal years ended December 31, 2018 and December 31, 2019, were prepared in accordance with German GAAP. The unaudited condensed consolidated interim financial statements of Holding GmbH have been prepared in accordance with IFRS for interim financial reporting (IAS 34). Günther R. Rotteveel has audited in accordance with Section 317 of the German Commercial Code (Handelsgesetzbuch) and German generally accepted standards for financial statement audits and issued a German-language unqualified independent auditor's report (uneingeschränkter Bestätigungsvermerk des unabhängigen Abschlussprüfers) with respect to the audited consolidated financial statements of Boxine GmbH as of and for the fiscal years ended December 31, 2018 and December 31, 2019. KPMG AG Wirtschaftsprüfungsgesellschaft has audited in accordance with Section 317 of the German Commercial Code (Handelsgesetzbuch) and German generally accepted standards for financial statement audits and issued a German-language unqualified independent auditor's report (uneingeschränkter Bestätigungsvermerk des unabhängigen Abschlussprüfers) with respect to the audited consolidated financial statements of Holding GmbH's financial statements for the short fiscal year from July 12, 2019 until December 31, 2019 and as of and for the fiscal year ended December 31, 2020, and. The aforementioned audited consolidated financial statements and the English-language translation of the independent auditor report thereon are included in this Prospectus.

Unless indicated otherwise, all financial information with respect to the fiscal year ended December 31, 2018 presented in the text, tables and discussion is taken from the comparable financial information included in the audited consolidated financial statements of Boxine GmbH as of and for the fiscal year ended December 31, 2019.

Where financial information in the following tables is labeled "audited", this means that it has been taken from the audited consolidated financial statements mentioned above. The label "unaudited" is used in the following tables to indicate financial information that has not been taken from the audited consolidated financial statements mentioned above but has been taken either from Holding GmbH's unaudited condensed consolidated interim financial statements mentioned above or Holding GmbH's accounting records or internal reporting systems, or has been calculated based on figures from the aforementioned sources.

Unless indicated otherwise, all financial information presented in the text and tables included in this Prospectus is shown in millions of Euro (in € million). Certain financial information, including percentages, has been rounded according to established commercial standards. As a result, rounded figures in the tables below may not add up to the aggregate amounts in such tables (sum totals or subtotals), which are calculated based on unrounded figures. Financial information presented in parentheses denotes the negative of such number presented. A dash ("–") signifies that the relevant figure is not available or zero, while a zero ("0.0") signifies that the relevant figure has been rounded to zero.

1. Overview

Our vision is to become the world's largest interactive audio platform for kids in the world. We offer a smart, connected audio player, the Toniebox. The audio content is stored in our Tonies cloud and downloaded and unlocked through our Tonie figurines, which allow not only for an offline usage but also offer our customers an extensive and constantly growing choice of over 300 exciting characters, triggering steady usage and repurchases, comparable to a razor-blade business model, and thereby building brand loyalty. After having focused on the DACH region in the first years following our start of operations in 2016, we have now expanded into the United

Kingdom, Ireland, the United States and, most recently, France. As of June 30, 2021, more than 2.4 million Tonieboxes were activated and more than 25 million Tonies sold to customers (*source: Company information*).

We have created a new product category. Our products are positioned at the intersection of four large consumer markets, video gaming, traditional toys and games, connected audio and video streaming. All of these markets are large and, based on Company information, generally expected to grow strongly over the medium term. The video gaming market had a global size of €136 billion in 2020 and we expect this market to grow at a CAGR of 7% between 2020 and 2025. The traditional toys and games markets had a global trading volume of €70 billion in 2020 and we expect this market to grow at a 3% CAGR between 2020 and 2025. The market for connected audio had a global size of €16 billion in 2020 and is predicted to increase by a CAGR of 10% between 2020 and 2025. Finally, the market for video streaming had a global size of €52 billion in 2020. Between 2020 and 2025, we expect that this market will grow at a CAGR of 10%.

We have created an ecosystem tailored to the needs of young families by providing a playful, safe and screen-free audio experience. Our ecosystem centers around the Toniebox, a smart, connected audio player, which has been designed with the ambition of making it the first connected device to enter a child's room. Content is unlocked through Tonies figurines. We offer a constantly growing choice, currently including over 300 exciting characters, which are triggering steady usage and repurchases, thus strengthening brand loyalty. We secure content through licensing agreements with content owners. For license-free songs and stories, we also use in-house recordings, which helps us increase our margins.

We have outsourced the production of our Tonieboxes to a supplier in China, with a second supplier in Hungary expected to be added later in 2021, and we have outsourced the production of our Tonies figurines to three suppliers in Tunisia and China, with a fourth Chinese supplier currently being added. Our dense distribution network is characterized by an omni-channel, but online focused, approach, relying mainly on offline distribution channels, but also on large e-commerce marketplaces as well as our own website. We currently rely on four distribution centers, one located in Germany, one in the United States (and intend to open two additional distribution centers in the United States) and one in the United Kingdom and intend to add one distribution center in France. Our marketing strategy focuses primarily on brand building as well as efficient customer acquisition.

Since our start of operations in 2016, we have achieved significant size and scale. As of June 30, 2021, more than 2.4 million Tonieboxes had been activated. Approximately 80% of them are used at least once every month, which also includes those activated in 2016. Furthermore, 25 million Tonies have been sold since the start of our operations (*source: Company information*). In 2020, our revenue was €134.6 million and our EBIT loss was €17.8 million.

2. Our Business Model

We generate revenue from the initial sale of our Tonieboxes and follow on purchases of Tonies and accessories.

- ***Toniebox:*** The Toniebox is a smart, connected audioplayer, using our patented hardware. The sale of a Toniebox marks the start of the customer journey through our ecosystem.
- ***Tonies:*** Tonies are figurines that can be placed at the top of the Toniebox. Each Tonie contains a download code, serving as a key to unlock content. Historically, each sale of a Toniebox triggered on average repeat purchases of about 20 Tonies within 4.5 years from the sale of the relevant Toniebox.
- ***Digital library:*** Our digital library broadens our offer and makes sales of content independent from the sale of a physical Tonie.
- ***Accessories:*** Accessories, such as adjacent products and merchandising, allow us to benefit from additional opportunities to monetize our brand.

3. Key Factors Affecting our Results of Operations, Financial Condition and Cash Flows

The key factors discussed below have significantly affected our results of operations, financial condition and cash flows during the periods for which financial information is included in the Prospectus, and we believe that these factors will continue to affect us in the future:

3.1 Development of the Market

Our products define a new product category. As such, in new markets, we are required to create awareness for our products and offerings. The adjacent connected audio, streaming as well as kids gaming and toys segments, which are expected to grow at CAGRs between 3% and 13% between 2020 and 2025 are expected to provide significant tailwinds for the development of our operations.

3.2 Addressable Geographic Market

We started offering our products in the DACH region in 2016. In 2019, we expanded our operations to the United Kingdom and Ireland. In 2020, we entered the United States and in September 2021 France. Our strategy envisages that we continue to expand our geographic footprint, both, as we have done in the past, with full local teams on the ground, as well as, which will be a new approach for us, with a direct-to-customer focused, light touch model, which we believe may position us to grow more quickly.

Expansion into new geographic markets requires us to acquire additional licenses, adapt our offering to additional languages, adapt our content range to local preferences and to differentiate us from local competition. These factors affect the speed at which we are able to expand our geographic scope. They also mean that we typically have to incur upfront costs related to entering a new market.

3.3 Product Range

The Toniebox and the Tonies form the basis of our ecosystem. We constantly seek to expand and adapt the available Tonies to offer the most relevant and popular content. We also seek to tap into additional revenue streams by offering digital library content and Tonie-themed accessories.

3.4 Cost of Materials

Our costs of goods sold are largely variable and depend on the volume of sales. As we grow our business and increase the volumes we sell, we are able to benefit from economies of scale. In addition, we have shifted from a single source strategy to a multiple source approach, which allows us to realize additional cost savings, as we are not dependent on a single source, but are rather in a position to benefit from suppliers that offer advantageous terms. We currently expect that we will be in a position to realize additional cost savings in the future. Currently, we face pressure in sourcing markets from temporarily increase raw material prices and shortage of certain components (e.g., chips for the Toniebox), which weigh on our costs.

3.5 Licensing Costs

We typically acquire audio content that is owned by third parties. If we also acquire the audio files, we will have to pay licensing fees for the audio tracks as well. Accordingly, if we record the audio file in house, we incur production costs relating to the recording of the audio content, but do not have to pay audio licensing fees. In addition, we also offer content consisting of license free songs and stories. We intend to increase the share of in house recordings and the share of license free leads to lower licensing costs and to increase our Adjusted EBITDA margin. We are currently faced with demands from collecting societies and performance rights organizations to pay fees related to reproduction of content. Depending on the outcome of these discussions, we may incur higher or lower cost. Under IFRS, licensing costs are included in other expenses.

3.6 Selling, General and Administrative Expenses

A large portion of our selling, general and administrative expenses are fixed in nature. Accordingly, as we grow our operations and expand our geographic footprint, we increase our operating leverage in personnel and operating costs. This increase in operating leverage positions us to expand our Adjusted EBITDA margin. Under IFRS, licensing costs are included in other expenses.

3.7 Seasonality

Many Tonieboxes and Tonies are holiday gifts for children. Accordingly, the fourth quarter of a fiscal year is typically much stronger than the other quarters. There is an additional smaller sales peak around Easter. Any challenges to sources products for the Christmas or Easter period, as has been the case during the COVID-19 pandemic, may hold back our development and may result in consumers deciding to purchase other products.

4. Comparability of Financial Statements

Holding GmbH was established in 2019. On August 8, 2019 the 25.000 shares of Beteiligungs GmbH, established on July 3, 2019 and registered in the commercial register at the district court Munich under the number HRB 249934, were contributed for €1.00 per share to Holding GmbH.

On October 1, 2019, Holding GmbH directly or indirectly acquired all shares in Boxine GmbH including its wholly owned subsidiaries. Since Holding GmbH was established on July 12, 2019, the entity presents a short comparative period for 2019, which limits the comparability of the presented periods.

5. Results of Operations

5.1 Holding GmbH's Consolidated Statement of Profit or Loss and other Comprehensive Income Prepared in Accordance with IFRS

The following table shows selected financial information taken from Holding GmbH's consolidated statement of profit or loss and other comprehensive income prepared in accordance with IFRS for the periods indicated:

	For the short fiscal year from July 12, until December 31,	For the fiscal year ended December 31,	For the six-month period ended June 30,	
	2019	2020	2020	2021
	(audited)		(unaudited)	
	(in € million)		(in € million)	
Revenue	45.7	134.6	45.9	61.8
Changes in inventories	(25.7)	8.4	4.0	17.1
Cost of materials	(13.8)	(75.5)	(23.8)	(41.2)
Gross profit	**6.2**	**67.5**	**26.1**	**37.6**
Licensing costs	(7.3)	(23.1)	(9.5)	(12.8)
Gross profit after licensing costs	**(1.1)**	**44.4**	**16.6**	**24.8**
Other income	0.2	0.6	0.0	0.0
Personnel expenses	(1.9)	(15.6)	(6.0)	(14.0)
Other expenses	(9.8)	(35.8)	(12.0)	(22.2)
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**(12.6)**	**(6.5)**	**(1.4)**	**(11.4)**
Depreciation and amortization	(3.4)	(11.3)	(5.6)	(5.9)
Earnings before interest and taxes (EBIT)	**(16.0)**	**(17.8)**	**(7.0)**	**(17.3)**
Finance costs	(1.0)	(3.5)	(1.5)	(1.9)
Earnings before tax (EBT)	**(16.9)**	**(21.3)**	**(8.5)**	**(19.2)**
Tax income	6.0	3.1	1.4	2.5
Profit (loss) for the period	**(10.9)**	**(18.2)**	**(7.1)**	**(16.7)**
Exchange differences on translation to presentation currency	(0.0)	0.1	(0.0)	(0.0)
Total comprehensive income for the period	**(11.0)**	**(18.1)**	**(7.2)**	**(16.7)**
thereof attributable to:				
Owners of the Company	*(9.2)*	*(16.2)*	*(6.4)*	*(14.8)*
Owners of the Company (through anticipated acquisitions/ NCI-Put)	*(0.5)*	–	–	–
Non-controlling interests	*(1.2)*	*(2.0)*	*(0.8)*	*(1.8)*

5.1.1 Revenue

We generate revenue solely through its activities as a seller of Tonieboxes, Tonies, digital library content and accessories. As we operate with the same product around the world throughout its whole business, the Management Board reviews operating results, makes decisions about resources to be allocated and assesses performance on an entity wide level. Revenue is measured based on the consideration specified in a contract with a customer. Under IFRS, in contrast to German GAAP, revenue is shown net of marketing contributions paid by us to our sellers. Under German GAAP, marketing contributions are not netted out from revenue, but rather included in distribution expenses. This means that marketing contributions reduce revenue and distributions expenses under IFRS when compared with German GAAP information. We recognize revenue when we transfer control over a service to a customer.

The following tables present the revenue from contracts with customers broken down by primary geographical market, major products and timing of revenue recognition:

	For the short fiscal year from July 12, until December 31,	For the fiscal year ended December 31,	For the six-month period ended June 30,	
	2019	2020	2020	2021
	(audited) (in € million)		(unaudited) (in € million)	
Primary geographical market				
DACH	44.3	126.0	44.6	56.7
UK	1.4	5.8	1.2	2.5
US	0.0	2.8	0.0	2.5
Total	**45.7**	**134.6**	**45.9**	**61.8**
Major products				
Starterset	16.4	43.4	10.4	17.0
Content Tonies	25.7	83.5	32.4	41.2
Creative Tonies	1.7	3.8	1.7	2.1
Other (*e.g.*, accessories and Mytonies)	1.9	3.9	1.3	1.4
Total	**45.7**	**134.6**	**45.9**	**61.8**

5.1.1.1 Comparison of the Six Months Ended June 30, 2021 and June 30, 2020

Revenue increased by 34.6% from €45.9 million in the six months ended June 30, 2020 to €61.8 million in the six months ended June 30, 2021 as a result of strong growth in the DACH region and ramp up of the international markets.

5.1.1.2 Comparison of the Fiscal Year Ended December 31, 2020 and the Short Fiscal Year from July 12, 2019 until December 31, 2019

Revenue increased from €45.7 million in the short fiscal year 2019 to €134.6 million in the fiscal year ended December 31, 2020 primarily due to the inclusion of the results for a full year in 2020 compared to a short fiscal year in 2019 and due to strong growth in the DACH region and other international markets.

5.1.2 Changes in Inventories

5.1.2.1 Comparison of the Six Months Ended June 30, 2021 and June 30, 2020

Changes in inventories was positive €4.0 million in the six months ended June 30, 2020 and positive €17.1 million in the six months ended June 30, 2021.

5.1.2.2 Comparison of the Fiscal Year Ended December 31, 2020 and the Short Fiscal Year from July 12, 2019 until December 31, 2019

Changes in inventories was negative €25.7 million in the short fiscal year 2019 and positive €8.4 million in 2020 largely due to seasonal effects, as the short fiscal year included only the last months of 2019, when we typically record high sales volumes and deplete our product storage.

5.1.3 Cost of Materials

Cost of materials consists of raw materials and consumables used and purchased services. Cost of materials can be broken down as follows for the periods indicated:

	For the short fiscal year from July 12, until December 31,	For the fiscal year ended December 31,	For the six-month period ended June 30,	
	2019	2020	2020	2021
	(audited)		(unaudited)	
	(in € million)		(in € million)	
Raw materials and consumables used...........	13.5	74.2	39.5	23.5
Purchased services..	0.3	1.3	1.7	0.3
Total cost of materials	**13.8**	**75.5**	**41.2**	**23.8**

5.1.3.1 Comparison of the Six Months Ended June 30, 2021 and June 30, 2020

Cost of materials increased by 73.1% from €23.8 million in the six months ended June 30, 2020 to €41.2 million in the six months ended June 30, 2021 primarily attributable to the growth in revenue.

5.1.3.2 Comparison of the Fiscal Year Ended December 31, 2020 and the Short Fiscal Year from July 12, 2019 until December 31, 2019

Cost of materials increased from €13.8 million in the short fiscal year 2019 to €75.5 million in the fiscal year ended December 31, 2020 primarily due to the inclusion of the results for a full year in 2020 compared to a short fiscal year in 2019 and growth of our operations.

5.1.4 Gross Profit

5.1.4.1 Comparison of the Six Months Ended June 30, 2021 and June 30, 2020

Gross Profit increased by 44.1% from €26.1 million in the six months ended June 30, 2020 to €37.6 million in the six months ended June 30, 2021 as a result of the growth of our operations.

5.1.4.2 Comparison of the Fiscal Year Ended December 31, 2020 and the Short Fiscal Year from July 12, 2019 until December 31, 2019

Gross profit increased from €6.2 million in the short fiscal year 2019 to €67.5 million in 2020 primarily due to the inclusion of the results for a full year in 2020 compared to a short fiscal year in 2019 and growth of our operations.

5.1.5 Licensing Costs

1.1.1.1.1 Comparison of the Six Months Ended June 30, 2021 and June 30, 2020

Licensing costs increased by 34.7% from €9.5 million in the six months ended June 30, 2020 to €12.8 million in the six months ended June 30, 2021 driven by overall growth. As percent of revenue costs, licensing costs remained roughly stable.

5.1.5.1 Comparison of the Fiscal Year Ended December 31, 2020 and the Short Fiscal Year from July 12, 2019 until December 31, 2019

Licensing costs increased strongly from €7.3 million in the short fiscal year 2019 to €23.1 million in 2020 mainly due to revenue growth.

5.1.6 Other Income

Other income includes non-period income, reversal of provisions and other income.

5.1.6.1 Comparison of the Six Months Ended June 30, 2021 and June 30, 2020

Other income decreased slightly in the six months ended June 30, 2020 compared to 2021.

5.1.6.2 Comparison of the Fiscal Year Ended December 31, 2020 and the Short Fiscal Year from July 12, 2019 until December 31, 2019

Other income increased from €0.2 million in the short fiscal year 2019 to €0.6 million in 2020 mainly due to higher income from reversal of provisions and higher non-period income.

5.1.7 Personnel Expenses

The following table provides a breakdown of our personnel expenses for the periods indicated:

	For the short fiscal year from July 12, until December 31,	For the fiscal year ended December 31,	For the six-month period ended June 30,	
	2019	**2020**	**2020**	**2021**
	(audited)		**(unaudited)**	
	(in € million)		**(in € million)**	
Wages and salaries	1.5	10.3	4.4	9.1
Social security contributions	0.4	1.9	0.8	1.4
Cash-settled share-based payments	0.0	3.5	0.8	3.5
Total personnel expenses	**1.9**	**15.6**	**6.0**	**14.0**

5.1.7.1 Comparison of the Six Months Ended June 30, 2021 and June 30, 2020

Personnel expenses increased from €6.0 million in the six months ended June 30, 2020 to €14.0 million in the six months ended June 30, 2021, mainly due to additional hiring in order to support further growth as well as the addition of further employees to the share-based payment program.

5.1.7.2 Comparison of the Fiscal Year Ended December 31, 2020 and the Short Fiscal Year from July 12, 2019 until December 31, 2019

Personnel expenses increased from €1.9 million in the short fiscal year 2019 to €15.6 million 2020, primarily due to the inclusion of the results for a full year in 2020 compared to a short fiscal year in 2019 and growth of our operations.

5.1.8 Other Expenses

The following table provides an overview of the composition of our other expenses for the periods indicated:

	For the short fiscal year from July 12 until December 31,	For the fiscal year ended December 31,	For the six-month period ended June 30,	
	2019	**2020**	**2020**	**2021**
	(audited)		**(unaudited)**	
	(in € million)		**(in € million)**	
Logistic costs	4.0	11.5	4.5	6.8
Marketing and sales costs	0.7	8.3	2.4	5.2
Insurance and contributions	1.0	5.0	1.4	3.2
Legal, audit and consulting fees	1.0	4.0	1.6	2.7
IT costs	0.3	3.4	1.0	3.0
Administration costs	0.3	1.2	0.7	0.7
Non-period expenses	1.5	0.7	0.2	0.1
Warranties	0.9	0.4	–	–
Miscellaneous other operating expenses	0.2	0.9	0.2	0.6
Total other expenses	**9.8**	**35.8**	**12.0**	**22.2**

5.1.8.1 Comparison of the Six Months Ended June 30, 2021 and June 30, 2020

Other expenses increased by 82% from €12.2 million in the six months ended June 30, 2020 to €22.2 million in the six months ended June 30, 2021 mainly attributable to the Group's business growth. The increase in IT costs is attributable to revenue dependent cloud-cost and further improvements in the IT services to support the operating business.

5.1.8.2 Comparison of the Fiscal Year Ended December 31, 2020 and the Short Fiscal Year from July 12, 2019 until December 31, 2019

Other expenses increased by 265.3% from €9.8 million in the short fiscal year 2019 to €35.8 million in 2020, primarily due to the inclusion of the results for a full year in 2020 compared to a short fiscal year in 2019 and growth of our operations, which mainly resulted in higher logistics and other operational costs.

5.1.9 <u>Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)</u>

5.1.9.1 Comparison of the Six Months Ended June 30, 2021 and June 30, 2020

Our earnings before interest, taxes, depreciation and amortization (EBITDA) changed from a loss of €1.4 million in the six months ended June 30, 2020 to a loss of €11.4 million in the six months ended June 30, 2021, mainly due to the growth-driven increase in personnel expenses and other expenses. Adjusting our EBITDA for extraordinary expenses and share based compensation expenses, our adjusted EBITDA deteriorated from a a profit of €0.9 million in the six months ended June 30, 2020 to a loss of €5.3 million in the six months ended June 30, 2021, mainly driven by an increase in expenses in anticipation of expected future growth.

5.1.9.2 Comparison of the Fiscal Year Ended December 31, 2020 and the Short Fiscal Year from July 12, 2019 until December 31, 2019

Our earnings before interest, taxes, depreciation and amortization (EBITDA) improved from a loss of €12.6 million in the short fiscal year 2019 to a loss of €6.5 million in 2020.

5.1.10 <u>Depreciation and Amortization</u>

5.1.10.1 Comparison of the Six Months Ended June 30, 2021 and June 30, 2020

Depreciation and amortization increased slightly from €5.6 million in the six months ended June 30, 2020 to €5.9 million in the six months ended June 30, 2021.

5.1.10.2 Comparison of the Fiscal Year Ended December 31, 2020 and the Short Fiscal Year from July 12, 2019 until December 31, 2019

Depreciation and amortization increased from €3.4 million in the short fiscal year 2019 to €11.3 million in 2020 primarily due to the inclusion of the results for a full year in 2020 compared to a short fiscal year in 2019 and growth of our operations.

5.1.11 <u>Earnings before Interest and Taxes (EBIT)</u>

5.1.11.1 Comparison of the Six Months Ended June 30, 2021 and June 30, 2020

Our earnings before interest and taxes (EBIT) changed from a loss of €7.0 million in the six months ended June 30, 2020 to a loss of €17.3 million in the six months ended June 30, 2021 mainly due to the growth-driven increase in personnel expenses and other expenses.

5.1.11.2 Comparison of the Fiscal Year Ended December 31, 2020 and the Short Fiscal Year from July 12, 2019 until December 31, 2019

Our earnings before interest and taxes (EBIT) changed from a loss of €16.0 million in the short fiscal year 2019 to a loss of €17.8 million 2020 primarily due to higher depreciation and amortization expenses that more than offset an improvement in our EBITDA.

5.1.12 <u>Finance Costs</u>

5.1.12.1 Comparison of the Six Months Ended June 30, 2021 and June 30, 2020

Finance costs increased slightly from €1.5 million in the six months ended June 30, 2020 to €1.9 million in the six months ended June 30, 2021.

5.1.12.2 Comparison of the Fiscal Year Ended December 31, 2020 and the Short Fiscal Year from July 12, 2019 until December 31, 2019

Finance costs increased from €1.0 million in the short fiscal year 2019 to €3.5 million 2020 primarily due to the inclusion of the results for a full year in 2020 compared to a short fiscal year in 2019 and growth of our operations.

5.1.13 <u>Earnings Before Tax (EBT)</u>

5.1.13.1 Comparison of the Six Months Ended June 30, 2021 and June 30, 2020

Earnings before tax (EBT) changed from a loss on €8.5 million in the six months ended June 30, 2020 to a loss of €19.2 million in the six months ended June 30, 2021 primarily due to the reasons specified above.

5.1.13.2 Comparison of the Fiscal Year Ended December 31, 2020 and the Short Fiscal Year from July 12, 2019 until December 31, 2019

Earnings before tax (EBT) changed from a loss of €16.9 million in the short fiscal year 2019 to a loss of €21.3 million in the fiscal year ended December 31, 2020 due to a higher loss at the EBIT level and an increase in finance costs.

5.1.14 <u>Tax Income</u>

5.1.14.1 Comparison of the Six Months Ended June 30, 2021 and June 30, 2020

Tax income increased by 78.6% from €1.4 million in the six months ended June 30, 2020 to €2.5 million in the six months ended June 30, 2021 as a result of deferred taxes.

5.1.14.2 Comparison of the Fiscal Year Ended December 31, 2020 and the Short Fiscal Year from July 12, 2019 until December 31, 2019

Our tax income decreased by 48.3% from €6.0 million in the short fiscal year 2019 to €3.1 million in the fiscal year ended December 31, 2020 driven by a reversal of deferred taxes resulting from the acquisition of Boxine Group.

5.1.15 <u>Profit (loss) for the Period</u>

5.1.15.1 Comparison of the Six Months Ended June 30, 2021 and June 30, 2020

Loss for the period changed from €7.1 million in the six months ended June 30, 2020 to €16.7 million in the six months ended June 30, 2021, mainly due to the reasons specified above.

5.1.15.2 Comparison of the Fiscal Year Ended December 31, 2020 and the Short Fiscal Year from July 12, 2019 until December 31, 2019

Loss for the period changed from €10.9 million in the short fiscal year 2019 to €18.2 million in 2020 as a result of the above items.

5.2 Boxine GmbH's Consolidated Income Statement Prepared in Accordance with German GAAP

The following table shows selected financial information taken from Boxine GmbH's consolidated income statement prepared in accordance with German GAAP for the periods indicated:

	For the fiscal year ended December 31,	
	2018	**2019**
	(audited)	
	(in € million)	
Revenue	**60.5**	**101.7**
Increase or decrease in finished goods and work in progress	11.2	(2.0)
Other own work capitalized	0.7	–

	For the fiscal year ended December 31,	
	2018	2019
	(audited)	
	(in € million)	
Other income	0.1	0.8
Cost of materials	(48.3)	(55.6)
Thereof:		
Cost of raw materials, supplies and purchased goods	(47.7)	(54.9)
Cost of purchased services	(0.6)	(0.7)
Personnel expenses	(3.7)	(6.7)
Thereof:		
Wages and salaries	(3.0)	(5.5)
Social security, post-employment and other employee benefit costs	(0.7)	(1.2)
Amortization, depreciation and write-downs of intangible assets and property, plant and equipment	(1.1)	(1.4)
Other operating expenses	(16.8)	(44.4)
Other interest and similar income	0.0	–
Interest and similar expenses	(0.9)	(1.2)
Income taxes	(0.0)	3.1
Earnings after taxes	**1.8**	**(5.8)**
Net income/loss for the financial year	**1.8**	**(5.8)**

5.2.1 *Comparison of the Fiscal Years Ended December 31, 2019 and 2018*

5.2.1.1 *Revenue*

Revenue increased by 68.1% from €60.5 million in 2018 to €101.7 million primarily due to the growth of our operations in the DACH region and – to a minor extent – the entry of the markets in the United Kingdom and Ireland.

5.2.1.2 *Increase or decrease in finished goods and work in progress*

Increase or decrease in finished goods and work in progress changed from €11.2 million in 2018 to negative €2.0 million in 2019 primarily due to very strong Christmas business in 2019 which the inventory decreased accordingly. In 2018 inventory was increased due to post Christmas demand in January 2019.

5.2.1.3 *Other Income*

Other income increased from €0.1 million in 2018 to €0.8 million in 2019 primarily as a result of a reversal of a specific bad debt allowance.

5.2.1.4 *Cost of Materials*

Cost of materials increased by 15.1% from €48.3 million in 2018 to €55.6 million in 2019 as a result of the growth of our operations.

5.2.1.5 *Personnel Expenses*

Personnel expenses increased by 81.1% from €3.7 million in 2018 to €6.7 million in 2019 driven by an increase in our workforce and thus more cost for wages and salaries due to the growth of our operations.

5.2.1.6 *Amortization, Depreciation and Write-downs of Intangible Assets and Property, Plant and Equipment*

Amortization, depreciation and write-downs of intangible assets and property, plant and equipment increased by 27.3% from €1.1 million 2018 to €1.4 million in 2019 as a result of investments driven by the growth of our operations.

5.2.1.7 Other Operating Expenses

Other operating expenses increased from €16.8 million in 2018 to €44.4 million in 2019 as a result of increased investments into scaling and growth of our business as well as several provisions and other effects related to prior years.

5.2.1.8 Interest and Similar Expenses

Interest and similar expenses increased by 33.3% from €0.9 million in 2018 to €1.2 million in 2019 primarily due to increased costs related to working capital lines.

5.2.1.9 Income Taxes

Income taxes changed from €0.0 million in 2018 to income of €3.1 million in 2019 as a result of initial recognition of deferred tax assets.

5.2.1.10 Net Income/Loss for the Financial Year

Net income/loss for the financial year decreased from an income of €1.8 million in 2018 to a loss of €5.8 million in 2019 due to the combination of the above effects.

6. Assets, Equities and Liabilities

6.1 Assets as per Holding GmbH's Consolidated Statement of Financial Position Prepared in Accordance with IFRS

The following table provides an overview of our assets as of the dates indicated:

	As of December 31,		As of June 30,
	2019	**2020**	**2021**
	(audited) (in € million)		**(unaudited) (in € million)**
Property, plant and equipment	1.8	5.3	4.8
Right of use assets	0.2	0.5	0.4
Intangible assets (excl. Goodwill)	132.5	125.5	124.6
Goodwill	162.2	162.2	162.2
Deferred tax assets	4.3	4.4	5.5
Non-current assets	**301.1**	**297.9**	**297.6**
Inventories	12.7	23.1	40.0
Trade receivables	17.1	16.9	5.8
Other assets (short term)	3.0	3.3	12.3
Cash and cash equivalents	6.8	9.1	2.2
Current assets	**39.6**	**52.3**	**60.3**
Total assets	**340.7**	**350.2**	**357.9**

6.1.1 <u>Non-Current Assets</u>

6.1.1.1 June 30, 2021 Compared to December 31, 2020

Non-current assets slightly decreased from €297.9 million as of December 31, 2020 to €297.6 million as of June 30, 2021 due to regular write-off of intangible assets (excl. goodwill).

6.1.1.2 December 31, 2020 Compared to December 31, 2019

Non-current assets decreased from €301.1 million as of December 31, 2019 to €297.9 million as of December 31, 2020 [mainly due to a decrease in intangible assets that was only partially offset by an increase in right of use assets. The decrease in intangible assets was mainly a result of the amortization of trademarks and technology capitalized during the acquisition of the Boxine Group.]

6.1.2 *Current Assets*

6.1.2.1 June 30, 2021 Compared to December 31, 2020

Current assets increased by 15.3% from €52.3 million as of December 31, 2020 to €60.3 million as of June 30, 2021 mainly attributable to increasing inventory to facilitate international growth.

6.1.2.2 December 31, 2020 Compared to December 31, 2019

Current assets increased by 32.1% from €39.6 million as of December 31, 2019 to €52.3 million as of December 31, 2020, mainly due to increase in inventories driven by the growth of our operations.

6.2 Assets as per Boxine GmbH's Consolidated Balance Sheet Prepared in Accordance with German GAAP

The following table provides an overview of Boxine GmbH's assets as of the dates indicated:

	As of December 31,	
	2018	**2019**
	(audited) (in € million)	
Intangible assets	5.0	4.4
Property, plant and equipment	1.3	1.8
Thereof:		
Technical equipment and machinery	1.1	1.5
Other equipment, operating and office	0.2	0.3
Financial assets	0.0	–
Fixed assets	**6.3**	**6.2**
Inventories	14.1	12.7
Thereof:		
Raw materials and supplies	2.0	2.6
Work in process	0.6	1.1
Finished goods and merchandise	11.4	9.0
Receivables and other assets	14.3	18.3
Thereof:		
Trade receivables	13.6	17.3
Receivables from affiliated companies	0.4	–
Other assets	0.3	1.0
Cash and cash equivalents	2.5	0.8
Current Assets	**30.9**	**31.8**
Prepaid expenses	0.1	0.9
Deferred tax assets	–	4.3
Total assets	**37.3**	**43.3**

6.2.1 *December 31, 2019 Compared to December 31, 2018*

6.2.1.1 Fixed Assets

Fixed assets slightly decreased from €6.3 million as of December 31, 2018 by €0.1 million to €6.2 million as of December 31, 2019 with an increase in technical equipment and machinery offsetting a decrease in intangible assets.

6.2.1.2 Current Assets

Current assets increased by 2.9% from €30.9 million as of December 31, 2018 to €31.8 million as of December 31, 2019 as an increase in receivables and other assets more than offset a decrease in inventories.

6.3 Equity and Liabilities as per Holding GmbH's Consolidated Statement of Financial Position Prepared in Accordance with IFRS

The following table provides an overview of our equity and liabilities as of the dates indicated:

	As of December 31,		As of June 30,
	2019	**2020**	**2021**
	(audited) (in € million)		**(unaudited) (in € million)**
Share capital	0.1	0.1	0.1
Share premium	193.1	203.2	203.2
Translation reserve	(0.0)	0.0	0.0
Retained earnings	(0.1)	(9.9)	(26.1)
Profit (loss)	(9.7)	(16.3)	(14.8)
Equity attributable to owners of the company	**183.3**	**177.2**	**162.4**
Non-controlling interests	23.3	21.3	19.4
Total equity	**206.5**	**198.5**	**181.9**
Loans and borrowings (long term)	40.6	–	–
Lease liabilities (long term)	0.1	0.3	0.3
Share-based payment liabilities (long term)	–	3.5	6.9
Deferred tax liabilities	40.0	37.3	35.9
Non-current liabilities	**80.7**	**41.1**	**43.2**
Income tax liabilities	1.2	0.8	0.5
Loans and borrowings (short term)	17.6	57.8	71.6
Lease liabilities (short term)	0.1	0.1	0.1
Trade payables (short term)	13.5	24.9	28.5
Other liabilities (short term)	11.2	13.8	16.4
Provisions (short term)	9.7	13.2	15.8
Current liabilities	**53.5**	**110.5**	**132.8**
Total liabilities	**134.1**	**151.6**	**176.0**
Total equity and liabilities	**340.7**	**350.2**	**357.9**

6.3.1 Equity

6.3.1.1 June 30, 2021 Compared to December 31, 2020

Equity decreased from €198.5 million as of December 31, 2020 by 8.4% to €181.9 million as of June 30, 2021 as a result of a loss for the period of €14.8 million.

6.3.1.2 December 31, 2020 Compared to December 31, 2019

Equity decreased by 3.9% from €206.5 million as of December 31, 2019 to €198.5 million as of December 31, 2020, mainly due to the loss for the period, which was only partially offset by an increase in the share premium due to the issuance of new ordinary shares.

6.3.2 Non-Current Liabilities

6.3.2.1 June 30, 2021 Compared to December 31, 2020

Non-current liabilities increased by 5.1% from €41.1 million as of December 31, 2020 to €43.2 million as of June 30, 2021 due to an increase in long-term share-based payment liabilities.

6.3.2.2 December 31, 2020 Compared to December 31, 2019

Non-current liabilities decreased by 49.1% from €80.7 million as of December 31, 2019 to €41.1 million as of December 31, 2020, due to an increase in long term share-based payment liabilities and long term lease liabilities.

6.3.3 Current Liabilities

6.3.3.1 June 30, 2021 Compared to December 31, 2020

Current liabilities increased by 20.2% from €110.5 million as of December 31, 2020 to €132.8 million as of June 30, 2021 mainly attributable to a growth-driven increase in short-term loans and borrowings and trade payables, which was only partially offset by a decrease in short-term provisions.

6.3.3.2 December 31, 2020 Compared to December 31, 2019

Current liabilities increased by 106.5% from €53.5 million as of December 31, 2019 to €110.5 million as of December 31, 2020, due to an increase in short term trade payables and short term provisions.

6.4 Equity and Liabilities as per Boxine GmbH's Consolidated Balance Sheet Prepared in Accordance with German GAAP

The following table provides an overview of Boxine GmbH's equity and liabilities as of the dates indicated:

	As of December 31,	
	2018	**2019**
	(audited) (in € million)	
Subscribed capital	0.1	0.1
Capital reserve	9.0	9.0
Foreign currency translation differences	–	(0.1)
Retained earnings/accumulated deficit	(5.8)	(4.3)
Net income/loss for the year	1.8	(5.8)
Equity	**5.1**	**(1.1)**
Tax provisions	0.0	1.2
Other provisions	4.0	19.2
Provisions	**4.0**	**20.4**
Liabilities to banks	9.9	7.5
Trade payables	15.5	12.4
Liabilities to affiliated companies	0.0	–
Liabilities to shareholders	1.4	1.4
Other liabilities	1.4	2.5
Liabilities	**28.2**	**23.9**
Total equity and liabilities	**37.3**	**43.3**

6.4.1 December 31, 2019 Compared to December 31, 2018

6.4.1.1 Equity

Equity changed from €5.1 million as of December 31, 2018 to negative €1.1 million as of December 31, 2019 as a result of the loss for the year 2019.

6.4.1.2 Provisions

Provisions increased from €4.0 million as of December 31, 2018 to €20.4 million as of December 31, 2019 primarily due to an increase in provisions related to licensing costs. This increase in 2019 also included effects related to 2018 and prior years.

6.4.1.3 Liabilities

Liabilities decreased from €28.2 million as of December 31, 2018 to €23.9 million as of December 31, 2019, mainly due to a decrease in trade payables.

7. Liquidity and Capital Resources

Liquidity is critical for us. Historically, our main sources of liquidity consisted of financing from our shareholders and from third parties.

Between 2014 and 2017, Boxine GmbH closed ten equity financing rounds, raising a total of €[●] million from its shareholders. [In 2016, Boxine, as borrower, entered into a fixed rate loan agreement with certain shareholders in the total amount of €250,000, which was repayable until July 31, 2020. In 2018, Boxine, as borrower, entered into another fixed rate loan agreement with certain shareholders in the total amount of €1.1 million, which was repayable until September 30, 2019. Both loans have been acquired by Beteiligungs GmbH in context of the Armira acquisition and have not been repaid / settled yet.]

Over the prior years, Boxine GmbH, as borrower, entered into various current account credit facility agreements which were amended, extended and modified from time to time. As of September [15], 2021 Boxine GmbH had agreements in an amount of (i) € 8 million with Deutsche Bank AG as lender until further notice, (ii) €6.5 million with Commerzbank AG as lender until further notice, (iii) €6.5 million with Volksbank Düsseldorf Neuss eG as lender until further notice, (iv) €5 million with National-Bank AG as lender, repayable until December 31, 2021, with the joint objective to further prolong the credit facility (v) €6 million with Bankhaus Lampe KG as lender until December 30, 2021. The credit account facilities (i) to (iv) are secured with Boxine GmbH's inventory, the credit account facility (v) is unsecured.

We expect our liquidity needs to decrease as a result of the Business Combination and as we grow and seek to improve our results of operations.

7.1 Holding GmbH's Consolidated Statement of Cash Flows Prepared in Accordance with IFRS

	For the short fiscal year from July 12, until December 31,	For the fiscal year ended December 31,	For the six-month period ended June 30,	
	2019	2020	2020	2021
	(audited) (in € million)		(unaudited) (in € million)	
Profit (loss) for the period	(10.9)	(18.2)	(7.1)	(16.7)
Depreciation and amortization	3.4	11.3	5.6	5.9
Interest (income) expenses	1.0	3.5	1.5	1.9
Income taxes	(6.0)	(3.1)	(1.4)	(2.5)
EBITDA	**(12.6)**	**(6.5)**	**(1.4)**	**(11.4)**
Decrease (increase) in trade receivables	(7.9)	0.2	9.4	11.1
Decrease (increase) in inventories	24.9	(10.4)	(5.0)	(17.0)
Increase (decrease) in trade payables	(8.7)	11.3	0.3	3.6
Decrease (increase) in net working capital	**8.3**	**1.1**	4.7	(2.3)
Loss on disposal of property, plant and equipment	0.0	(0.0)	–	–
Decrease (increase) in other assets	0.1	(0.3)	(0.9)	(10.2)
Increase (decrease) in other provisions	12.2	3.5	1.6	2.6
Increase (decrease) in other liabilities	(4.1)	2.6	(2.7)	3.5
Increase (decrease) in share-based payment liabilities	0.0	3.5	0.8	3.5
Other non-cash (income) expenses	0.4	0.0	0.0	(0.2)
Cash flow from operating activities	**4.4**	**3.8**	**2.0**	**(14.5)**
Acquisition of subsidiaries, net of cash acquired	(198.0)	0.0	–	–
Purchase of property, plant and equipment	(0.2)	(3.5)	(1.2)	(0.9)
Acquisition of intangible assets	(0.8)	(4.2)	(1.9)	(3.5)
Cash flow from investing activities	**(199.0)**	**(7.7)**	**(3.1)**	**(4.4)**
Proceeds from issue of share capital by shareholders of the parent company	193.3	10.4	10.4	0.0
Proceeds from borrowings	15.0	6.4	5.3	12.1
Repayments of borrowings	(6.2)	(10.4)	(10.4)	0.0

	For the short fiscal year from July 12, until December 31,	For the fiscal year ended December 31,	For the six-month period ended June 30,	
	2019	2020	2020	2021
	(audited) (in € million)		(unaudited) (in € million)	
Interest paid	(0.4)	(0.2)	(0.1)	(0.1)
Payment of lease liabilities	(0.0)	(0.1)	(0.1)	(0.1)
Dividends Paid	(0.1)	0.0	0.0	0.0
Cash flow from financing activities	**201.5**	**6.1**	**5.2**	**12.0**
Net increase in cash	**6.9**	**2.2**	**4.0**	**(6.9)**
Change in cash resulting from exchange rate differences	(0.0)	0.1	(0.0)	(0.0)
Net cash at the beginning of the period	0.0	6.8	6.8	9.1
Net cash at end of the period	6.8	9.1	10.9	2.2

7.1.1 Cash Flow from Operating Activities

7.1.1.1 Comparison of the Six Months Ended June 30, 2021 and June 30, 2020

Cash flow from operating activities changed from cash inflow of €2.0 million in the six months ended June 30, 2020 to a cash outflow of €14.5 million in the six months ended June 30, 2021 driven by a decrease in EBITDA and build up of working capital.

7.1.1.2 Comparison of the Fiscal Year Ended December 31, 2020 and the Short Fiscal Year from July 12, 2019 until December 31, 2019

Cash flow from operating activities decreased from a cash inflow of €4.6 million in the short fiscal year 2019 to a cash inflow of €3.8 million in 2020.

7.1.2 Cash Flow from Investing Activities

7.1.2.1 Comparison of the Six Months Ended June 30, 2021 and June 30, 2020

Cash flow from investing activities changed from a cash outflow of €3.1 million in the six months ended June 30, 2020 to a cash outflow of €4.4 million in the six months ended June 30, 2021 mainly due to higher cash outflows for the acquisition of intangible assets.

7.1.2.2 Comparison of the Fiscal Year Ended December 31, 2020 and the Short Fiscal Year from July 12, 2019 until December 31, 2019

Cash flow from investing activities changed from cash outflow of €199.0 million in the short fiscal year 2019 to a cash outflow of €7.7 million in 2020 as the cash flow for 2019 included the acquisition of Boxine GmbH by Holding GmbH.

7.1.3 Cash Flow from Financing Activities

7.1.3.1 Comparison of the Six Months Ended June 30, 2021 and June 30, 2020

Cash flow from financing activities changed from a cash inflow of €5.2 million in the six months ended June 30, 2020 to a cash inflow of €12.0 million in the six months ended June 30, 2020 mainly due to net borrowings.

7.1.3.2 Comparison of the Fiscal Year Ended December 31, 2020 and the Short Fiscal Year from July 12, 2019 until December 31, 2019

Cash flow from financing activities decreased from a cash inflow of €201.5 million in 2019 to a cash inflow of €6.1 million in 2020 as the cash flow for 2019 included the acquisition of Boxine GmbH by Holding GmbH.

7.2 Boxine GmbH's Consolidated Statement of Cash Flow Prepared in Accordance with German GAAP

	For the fiscal year ended December 31,	
	2018	**2019**
	(audited) **(in € million)**	
Consolidated profit/loss for the period including share of profit of non-controlling interests	1.8	(5.8)
(+/-) Depreciation/amortization/(reversal of) impairment losses on fixed assets	1.1	1.4
(+/-) Increase/decrease in provisions	3.7	15.2
(+/-) Other non-cash expenses/income	0.0	3.0
(-/+) Increase/decrease in inventories, trade receivables and other assets not attributable to investing or financing activities	(23.0)	(7.7)
(+/-) Increase/decrease in trade payables and other liabilities not attributable to investing of financing activities	10.6	(4.3)
(-/+) Gain/loss on disposal of fixed assets	0.0	1.1
(+/-) Interest expense/income	0.8	1.2
(+/-) Income tax expense/income	0.0	(1.9)
(-/+) Income taxes paid	(0.0)	0.0
Cash flow from operating activities	**(4.9)**	**2.2**
(-) Acquisition of intangible assets	(2.5)	(1.3)
(-) Acquisition of property, plant and equipment	(0.7)	(1.1)
(-) Acquisition of financial assets	(0.0)	0.0
(+) Interest received	0.0	0.0
Cash flow from investing activities	**(3.2)**	**(2.4)**
(+) Proceeds from issue of share capital by shareholders of the Parent Company	0.5	0.0
(+) Proceeds from issue of bonds and from loans and borrowings	10.3	0.0
(-) Interest paid	(0.9)	(1.1)
Cash flow from financing activities	**10.0**	**(1.1)**
Net increase/decrease in cash and cash equivalent	1.8	(1.3)
(+/-) Consolidation-related changes	0.0	(0.3)
(+/-) Effect of movements in exchange rates and remeasurements on cash held	0.0	(0.1)
(+) Cash and cash equivalents at the beginning of the period	0.7	2.5
Cash and cash equivalents at the end of the period	**2.5**	**0.8**

7.2.1 <u>Comparison of the Fiscal Years Ended December 31, 2019 and 2018</u>

7.2.1.1 Cash Flow from Operating Activities

Cash flow from operating activities changed from a cash outflow of €4.9 million in 2018 by €7.1 million to a cash inflow of €2.2 million in 2019 as a result of stronger operating cash generation.

7.2.1.2 Cash Flow from Investing Activities

Cash flow from investing activities decreased from a cash outflow of €3.2 million in 2018 to a cash outflow of €2.4 million in 2019 primarily due to lower cash outflows for acquisition of intangible assets.

7.2.1.3 Cash Flow from Financing Activities

Cash flow from financing activities changed from a cash inflow of €10.0 million in 2018 to a cash outflow of €1.1 million in 2019 as cash inflows from the issuance of bonds and from loans and borrowings in 2018 did not recur in 2019.

7.3 Capital Expenditure

Our capital expenditures are defined as acquisitions of intangible assets as well as acquisitions of property, plant and equipment.

The following tables provides a breakdown of our capital expenditures for the periods presented:

	For the short fiscal year from July 12, until December 31,	For the fiscal year ended December 31,	For the six-month period ended June 30,	
	2019	**2020**	**2020**	**2021**
	(audited) (in € million)		**(unaudited) (in € million)**	
Purchase of property, plant and equipment[(1)]	(0.2)	(3.5)	(1.2)	(0.9)
Acquisition of intangible assets[(1)]	(0.8)	(4.2)	(1.9)	(3.5)
Capital expenditures	**(1.0)**	**(7.7)**	**(3.1)**	**(4.4)**

(1) Taken from Holding GmbH's Consolidated Statement of Cash Flows prepared in accordance with IFRS.

	For the fiscal year ended December 31,	
	2018	**2019**
	(audited) (in € million)	
Acquisition of intangible assets[(1)]	(2.5)	(1.3)
Acquisition of property, plant and equipment[(1)]	(0.7)	(1.1)
Capital expenditures	**(3.2)**	**(2.4)**

(1) Taken from Boxine GmbH's Consolidated Statement of Cash Flow prepared in accordance with German GAAP.

Capital expenditures are not recognized as a measure under IFRS and should not be considered as a substitute for an analysis of our consolidated balance sheet and consolidated statement of cash flow prepared in accordance with IFRS. In addition, our definition of capital expenditures may not be comparable to similarly titled information published by other companies.

7.3.1 Future and Planned Capital Expenditures

As of the date of this Prospectus, our Management Board has not made material commitments on future capital expenditures.

7.3.2 Capital Expenditures since June 30, 2020 and Ongoing Capital Expenditures

In the six months ended June 30, 2021, our capital expenditures amounted to €4.4 million, with the majority relating to additions in intangible assets.

Between June 30, 2021 and the date of this Prospectus, we have not made significant capital expenditures.

7.3.3 Capital Expenditures in the Years ended December 31, 2020, 2019 and 2018

Capital expenditures in 2020 amounted to €7.7 million and comprised capital expenditures for the purchase of property, plant and equipment, which amounted to €3.5 million, and the acquisition of intangible assets, which amounted to €4.2 million. Capital expenditures for the purchase of property, plant and equipment largely comprised tools related to the production of Tonies, office equipment and IT hardware. Acquisition of intangible assets related primarily to our ERP system, our Tonie cloud as well as our website and mobile platform/app.

Capital expenditures for the short fiscal year 2019 amounted to €1.3 million. Capital expenditures for acquisition of intangible assets amounted to €1.1 million and largely comprised similar categories as in 2020. Purchase of property, plant and equipment related primarily to similar categories as in 2020.

Capital expenditures in 2018 amounted to €3.2 million. Capital expenditures for the acquisition of intangible assets amounted to €2.5 million and largely comprised similar categories as in 2020. Acquisition of property, plant and equipment included similar categories as in 2020. No investments were made in property in 2018, 2019 and 2020.

All capital expenditures were financed from available cash and cash equivalents.

7.4 Financial Liabilities

The table below summarizes our financial liabilities as of December 31, 2020.

	Original Currency	Matures in	Interest Type	Effective Interest Rate	Face Value	Carrying amount
Balance as of December 31, 2020				**(in %)**	**(€ thousand)**	**(€ thousand)**
Unsecured bank loans......	EUR	unlimited	variable	4.50	6,000	5,487
Secured bank loans..........	EUR	unlimited	variable	3.75-4.95	24,000	9,265
Vendor loan.....................	EUR	30.09.2021	fix	6.00	40,000	43,020
Total................................					**70,000**	**57,772**

8. Financial Risk Management

Holding GmbH’s managing directors have overall responsibility for the establishment and oversight of Holding GmbH’s risk management framework. The managing directors are also responsible for developing and monitoring its risk management policies.

Holding GmbH’s risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. A. VI, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations. The company is currently adjusting internal risk management and internal controls processes to be compliant with the requirements of a public company. This involves a detailed documentation of processes, controls implemented and related management testing. Where necessary, processes are adjusted and additionally controls are implemented. This process is expected to be completed until year-end 2021.

Holding GmbH’s main financial liabilities include trade payables and loans and borrowings consisting of secured and unsecured bank loans as well as lease liabilities. The primary purpose of these financial liabilities is to finance Holding GmbH’s operations and provide guarantees to support its operations. Furthermore, the Boxine Group has other payables and cash directly related to its business activities. Holding GmbH is mainly exposed to liquidity risk as well as low credit and market risk.

8.1 Credit Risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company’s maximum credit exposure is represented by the carrying amounts of financial assets deducted by the Company’s insurances for specific assets. The Company monitors its risk regularly.

8.1.1 Expected credit loss assessment for counterparties

The Company allocates each exposure to a credit risk based on data that is determined to be predictive of the risk of loss.

The maximum credit risk is presented in the following table:

	As of December 31, 2020	As of December 31, 2019	As of July 12, 2019
		(in € thousand)	
Trade receivables..	5,521	3,665	0
Other financial assets	2,278	772	0
Cash..	9,079	6,849	13

Other financial assets mainly reflect deposits and receivables from payment providers for which the risk of default is low. No material impairment losses for other financial assets were therefore identified for any of the reported periods.

Cash mainly consists of bank balances. The corresponding creditworthiness is also monitored regularly. Due to the good credit rating of the banks, cash has a very low risk of default. No material impairment losses were therefore identified for any of the reported periods.

For trade receivables, the Company applies the so-called "simplified approach" and recognizes the expected credit losses over the entire remaining term already upon addition. Under the simplified approach, the Company determines the expected credit losses by category of the trade receivables, taking into account historical default rates on the basis of historical default data from the last financial year and taking into account forward-looking macroeconomic indicators.

The Company differentiates between receivables from businesses and receivables from individual customers. For the latter, no expected credit losses were recognized. For receivables from businesses the Company has taken out an insurance for multiple customers. Therefore, not all receivables from businesses are taken into account for the maximum credit risk exposure.

A bad debt provision is recognized on an individual basis under the simplified approach if one or more events with an adverse effect on the debtor's credit rating have occurred. These events are, among others, payment delays, an impending insolvency or concessions by the debtor due to payment difficulties. Trade receivables are written off directly when their recoverability is no longer reasonably expected. This is the case, for example, when the debtor is determined to be insolvent.

Expected credit loss on trade receivables relate only to contracts with customers and have developed as follows:

	Expected credit loss
	(in € thousand)
Balance as of January 01, 2020	57
Bad debt on trade receivables recognized through profit and loss	19
Balance as of December 31, 2020	**76**

	Expected credit loss
	(in € thousand)
Balance as of July 12, 2019	0
Bad debt on trade receivables acquired through a business combination	46
Bad debt on trade receivables recognized through profit and loss	10
Balance as of December 31, 2019	**57**

Credit Risk	**Weighted-average loss rate**	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**
December 31, 2020	**(in %)**		**(in € thousand)**	
Current (not past due)	0.79	4,303	34	4,270
1-30 days past due	0.96	246	2	244
31-60 days past due	1.73	86	1	85
61-90 days past due	3.30	397	11	384
More than 90 days past due	5.12	488	21	463
Total	**1.37**	**5,521**	**57**	**5,445**

Credit Risk	Weighted-average loss rate	Gross carrying amount	Loss allowance	Net carrying amount
December 31, 2019	**(in %)**		**(in € thousand)**	
Current (not past due)	0.79	2,675	21	2,654
1-30 days past due	1.00	200	2	198
31-60 days past due	1.80	70	1	69
61-90 days past due	3.43	323	11	312
More than 90 days past due	5.33	397	21	376
Total	**1.54**	**3,665**	**57**	**3,609**

8.2 Liquidity Risk

Liquidity risk is the risk that Holding GmbH will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Holding GmbH aims to maintain the level of its cash at an amount in excess of expected cash outflows on financial liabilities.

8.2.1 Exposure to liquidity risk

The following table shows the remaining contractual maturities of Holding GmbH's financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments:

Balance as of December 31, 2020	Carrying amount	Total	< 1 year	1-5 years	More than 5 years	Interest rate
			(audited) (in € thousand)			**(in %)**
Secured bank loans	9,265	**9,637**	9,637			3.75-4.95
Unsecured bank loan	5,487	**5,734**	5,734			4.5
Vendor loan	43,020	**44,800**	44,800			6
Lease liabilities	477	**568**	151	192	224	
Trade and other payables	33,880	**33,880**	33,880			
Forward exchange contracts used for economic hedging	1,175	**1,175**	1,175			
Total	**93,304**	**95,794**	**95,377**	**193**	**224**	

Balance as of December 31, 2019	Carrying amount	Total	< 1 year	1-5 years	More than 5 years	Interest rate
			(audited) (in € thousand)			**(in %)**
Secured bank loans	3,673	**3,855**	3,855			4.5-4.95
Unsecured bank loan	3,827	**4,017**	4,017			4.966
Vendor loan	40,585	**44,800**		44,800		
Lease liabilities	222	**232**	130	102	0	
Trade and other payables	21,939	**21,939**	21,939			
Put liability	10,147	**10,147**	10,147			
Forward exchange contracts used for economic hedging	97	**97**	97			
Total	**80,491**	**85,087**	**40,185**	**44,902**	**0**	

Holding GmbH is exposed to liquidity risks, if the financial covenants for the secured and unsecured bank loans are not met. During the preparation period, an extension of the credit lines was agreed with the financing banks, as well as a conditional waiver of extraordinary termination on the part of the banks after non-compliance with agreed financial covenants.

Holding GmbH has also implemented a daily cash reporting to ensure a current view over the short-term liquidity compared to planned cash outflows.

The interest payments for the secured bank loans in the table above reflects the interest rate at the reporting date. The interest rate may change if the market interest rates change as well as a specific leverage ratio will not be maintained.

8.3 Market Risk

Market risk is the risk that changes in market prices – e.g., foreign exchange rates, interest rates and equity prices – will affect Holding GmbH's income or the value of its holdings of financial instruments. The financial instruments affected by market risk essentially comprise of financial liabilities.

8.3.1 Interest rate risk

In general, interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. With regard to Holding GmbH, certain recognised loans and borrowings have interest rates based on variable parameters.

The following table shows the fixed-interest or non-interest-bearing liabilities and the variable interest-bearing liabilities:

Carrying amount of financial liabilities bearing interest	**As of December 31, 2019**		**As of December 31, 2018**		**As of January 1, 2018**	
	Fixed-interest or non-interest-bearing	**Variable interest rate**	**Fixed-interest or non-interest-bearing**	**Variable interest rate**	**Fixed-interest or non-interest-bearing**	**Variable interest rate**
			(in € thousand)			
Loans and borrowings	43,020	14,752	40,585	7,500		

	Loans and borrowings (+100 BP)	**Loans and borrowings (-100 BP)**
	(in € thousand)	
Effects on profit before tax		
December 31, 2019	217	(217)
December 31, 2018	181	(181)
January 1, 2018	0	0

8.3.2 Currency Risk

Holding GmbH is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which loans and borrowings and trade payables are denominated and the respective functional currency of Holding GmbH. The functional currency of Holding GmbH is Euro. Revenues are partly denominated in USD and GBP, while most of revenue is still generated in EUR. Procurement is partly denominated in USD for key suppliers (e.g. for Tonies) and some IT services utilized.

The following table shows Holding GmbH's exposure to currency risk:

	As of December 31, 2020			**As of December 31, 2019**			**As of July 12, 2019**		
	€	**$**	**£**	**€**	**$**	**£**	**€**	**$**	**£**
					(in thousand)				
Trade receivables..................	−	4,695	872	−	−	478	−	−	−
Cash.....................	1	1,069	972	5	2	296	−	−	−
Trade payables......................	−	(6,268)	(215)	−	(6,483)	(115)	−	−	−
Net exposure.......................	**1**	**(504)**	**1,629**	**5**	**(6,481)**	**659**	**0**	**0**	**0**

Forward exchange contracts amounting to €1,175 thousand (December 31, 2019: €97 thousand) are used by the Group to secure against currency risks from purchases in USD.

The following significant exchange rates have been applied:

	Average rate		**Exchange rate as of**		
	2020	**2019**	**December 31, 2020**	**December 31, 2019**	**July 12, 2019**
$............................	1.1422	1.1074	1.2170	1.1234	1.1151

£............................	0.8897	0.8787	0.9062	0.8508	0.9126

In 2020 foreign currency translation resulted in income of €1,667 thousand (2019: €427 thousand) and expenses of €1,600 thousand (2019: €372 thousand).

The sensitivity to currencies is as follows for the balance sheet items:

	USD Net exposure (+10%)	**USD Net exposure (-10%)**	**GBP Net exposure (+10%)**	**GBP Net exposure (-10%)**
	(in € thousand)			
Effects on profit before tax				
December 31, 2020	38	(46)	163	(200)
December 31, 2019	609	(744)	95	(116)
July 12, 2019	0	0	0	0

8.3.3 *Other market risks*

Holding GmbH is not significantly exposed to other market risks.

9. Changes in Accounting Standards

A number of new and revised accounting standards and amendments to standards have been issued by the date of our consolidated financial statements as of and for the year ended December 31, 2020 and come into force in annual periods beginning on or after January 1, 2021, none of which are expected to have a material impact on our consolidated financial statements. For more information, see Note 3.16 to our consolidated financial statements as of and for the fiscal year ended December 31, 2020.