

## Search Result

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### **FACELIFT brand building technologies GmbH**

**Hamburg**

### **Annual financial statements for the business year from 01/01/2017 to 12/31/2017**

#### **Independent auditor's report**

To FACELIFT brand building technologies GmbH

#### **Examination Opinions**

We have prepared the annual financial statements of FACELIFT brand building technologies GmbH, Hamburg, - consisting of the balance sheet as of December 31, 2017 and the income statement for the financial year from January 1 to December 31, 2017 as well as the notes, including the presentation of Accounting and valuation methods - checked. In addition, we have audited the management report of FACELIFT brand building technologies GmbH for the financial year from January 1 to December 31, 2017.

According to our assessment based on the knowledge gained during the audit

- The attached annual financial statements comply in all material respects with the German commercial law regulations applicable to corporations and give a true and fair view of the company's assets and financial position as of December 31, 2017, as well as its earnings position for the financial year, taking into account German principles of proper accounting from January 1 to December 31, 2017 and
- the attached management report gives an overall accurate picture of the company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and accurately presents the opportunities and risks of future development.

In accordance with Section 322 (3) sentence 1 of the German Commercial Code (HGB), we declare that our audit has not led to any objections to the correctness of the annual financial statements and the management report.

#### **Basis for the examination results**

We carried out our audit of the annual financial statements and the management report in accordance with Section 317 of the German Commercial Code (HGB), taking into account the generally accepted German auditing principles established by the Institute of Auditors (IDW). Our responsibility under these regulations and principles is further described in the section "Responsibility of the auditor for the audit of the annual financial statements and the management report" of our auditor's report. We are independent of the company in accordance with German commercial and professional regulations and have fulfilled our other German professional obligations in accordance with these requirements. We believe

#### **Responsibility of the legal representatives for the annual financial statements and the management report**

The legal representatives are responsible for the preparation of the annual financial statements, which comply in all essential respects with the German commercial law regulations applicable to corporations, and for ensuring that the annual financial statements, in compliance with the German principles of proper bookkeeping, provide a true and fair view of the assets, finance - and the company's earnings. Furthermore, the legal representatives are responsible for the internal controls that they have determined to be necessary in accordance with the German principles of proper accounting to enable the preparation of the annual financial statements,

When preparing the annual financial statements, the legal representatives are responsible for assessing the company's ability to continue business operations. They are also responsible for disclosing issues relating to the going concern of the company, if relevant. In addition, they are responsible for accounting for the going concern basis of accounting, unless actual or legal circumstances conflict with this.

In addition, the legal representatives are responsible for the preparation of the management report, which as a whole provides an accurate picture of the company's position and is consistent with the annual financial statements in all material respects, complies with German legal regulations and accurately presents the opportunities and risks of future development. Furthermore, the legal representatives are responsible for the precautions and measures (systems) that they have deemed necessary to enable the

preparation of a management report in accordance with the applicable German legal regulations and to be able to provide sufficient suitable evidence for the statements in the management report .

Auditor's responsibility for the audit of the annual financial statements and the management report

Our objective is to obtain sufficient certainty as to whether the annual financial statements as a whole are free of material - intentional or unintentional - misrepresentation and whether the management report as a whole provides an accurate picture of the company's position and, in all material matters, with the annual financial statements as well is in line with the knowledge gained during the audit, complies with German legal requirements and correctly presents the opportunities and risks of future development, as well as issuing an auditor's report that includes our audit opinions on the annual financial statements and the management report.

Adequate security is a high level of security, but no guarantee that an audit carried out in accordance with Section 317 of the German Commercial Code (HGB) in accordance with the German principles of proper auditing established by the Institute of Auditors (IDW) will always reveal a material misstatement. Misrepresentations can result from violations or inaccuracies and are regarded as material if it could reasonably be expected that they individually or collectively influence the economic decisions made by the addressees on the basis of these annual financial statements and management report.

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

- We identify and assess the risks of material - intentional or unintentional - misrepresentations in the annual financial statements and management report, plan and carry out audit procedures in response to these risks, and obtain audit evidence that is sufficient and suitable to serve as a basis for our audit opinions. The risk that material misrepresentations are not detected is higher in the case of violations than inaccuracies, since violations can involve fraudulent interaction, forgeries, intentional incompleteness, misleading representations or the overriding of internal controls;
- We gain an understanding of the internal control system relevant to the audit of the annual financial statements and the precautions and measures relevant to the audit of the management report in order to plan audit procedures that are appropriate under the given circumstances, but not with the aim of making an audit opinion effective deliver these systems to society;
- We assess the appropriateness of the accounting methods used by the legal representatives and the acceptability of the estimated values presented by the legal representatives and the related information;
- we draw conclusions about the appropriateness of the going concern accounting principle applied by the legal representatives and, on the basis of the audit evidence obtained, whether there is any material uncertainty in connection with events or circumstances, the significant doubts about the company's ability to continue as a going concern Can raise corporate activity. If we come to the conclusion that there is material uncertainty, we are obliged to draw attention to the relevant information in the annual financial statements and in the management report in the auditor's report or, if this information is inappropriate, to modify our respective audit opinion. We draw our conclusions based on the audit evidence obtained up to the date of our auditor's report. Future events or circumstances can, however, mean that the company can no longer continue its business activities;
- We assess the overall presentation, structure and content of the annual financial statements, including the information, as well as whether the annual financial statements represent the underlying business transactions and events in such a way that the annual financial statements provide a true and fair view of assets and finance in compliance with German generally accepted accounting principles - and the company's earnings position;
- We assess the consistency of the management report with the annual financial statements, its compliance with the law and the picture it provides of the company's position;
- we perform audit procedures on the future-oriented information presented by the legal representatives in the management report. On the basis of sufficient, suitable audit evidence, we particularly review the significant assumptions underlying the future-oriented information from the legal representatives and assess the appropriate derivation of the future-oriented information from these assumptions. We do not issue an independent audit opinion on the future-oriented information or the underlying assumptions. There is a considerable unavoidable risk that future events will differ materially from the forward-looking statements.

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

**Hamburg, May 4, 2018**

**Ernst & Young GmbH**  
auditing company  
**Brorhilker, auditor**  
**Rathjen, auditor**

## **Balance sheet as of December 31, 2017**

### **assets**

		December 31, 2016
	EUR	EUR
A. Fixed assets		
I. Intangible Assets		
1. Self-developed software	5,661,081.25	3,509,568.00
2. Concessions acquired against payment, industrial property rights and similar rights and values as well as licenses to such rights and values	943,881.00	898,360.58

		December 31, 2016
	EUR	EUR
3. Goodwill	39,717.00	57,369.60
	6,644,679.25	4,465,298.18
II. Tangible assets		
Other equipment, factory and office equipment	143,689.00	253,406.00
III. Financial assets		
1. Shares in affiliated companies	1,162,099.43	1,149,574.43
2. Loans to affiliated companies	638,116.42	335,846.36
3. Holdings	42,500.00	55,000.00
4. Loans to companies with which there is a participation relationship	96,733.74	155,113.33
	1,939,449.59	1,695,534.12
	8,727,817.84	6,414,238.30
B. Current Assets		
I. Receivables and other assets		
1. Accounts receivable from deliveries and services	2,907,861.73	2,341,946.24
2. Claims against companies with which there is a participation relationship	803,353.40	54,004.43
3. Other assets	90,549.25	220,193.91
	3,801,764.38	2,616,144.58
II. Cash in hand and bank balances	165,323.78	1,018,835.15
	3,967,088.16	3,634,979.73
C. Prepaid expenses	1,138,187.65	908,303.11
D. Deficit not covered by equity	1,657,328.52	0.00
	15,490,422.17	10,957,521.14

**liabilities**

		December 31, 2016
	EUR	EUR
A. Equity		
I. Drawn capital	37,773.00	37,773.00
II. Capital reserve	9,393,849.61	9,393,849.61
III. Loss carryforward	-7,673,618.48	-4,231,360.15
IV. Annual deficit	-3,415,332.65	-3,442,258.33
V. Deficit not covered by equity	1,657,328.52	0.00
	0.00	1,758,004.13
B. Provisions		
Other provisions	2,006,363.19	1,593,663.48
C. Liabilities		
1. Liabilities to banks	2,836,643.14	500,000.00
2. Trade accounts payable	3,502,755.93	2,769,666.70
3. Liabilities to affiliated companies	998,595.68	41,402.59
4. Liabilities to companies with which a participation relationship exists	0.00	91,838.25
5. Other Liabilities	944,763.61	901,364.07
of which from taxes EUR 593,462.53 (previous year EUR 721,129.52)		
thereof in the context of social security EUR 8,752.23 (previous year EUR 3,345.87)		
	8,282,758.36	4,304,271.61
D. Prepaid expenses	5,201,300.62	3,301,581.92
	15,490,422.17	10,957,521.14

**Income statement for 2017**

		2016
	EUR	EUR
1. Sales	25,555,889.13	20,300,539.60
2. Other own work capitalized	3,026,024.65	1,963,380.00
3. Other operating income	180,278.77	72,728.94
of which income from currency translation EUR 15,365.18 (previous year EUR 31,194.09)		

	EUR	2016 EUR
	28,762,192.55	22,336,648.54
4. Cost of materials		
Expenses for purchased services	17,344,178.55	14,770,367.65
5. Personnel expenses		
a) Wages and salaries	8,648,645.56	6,842,018.98
b) Social security and pension and support expenses	1,268,751.82	1,053,430.72
of which for pensions EUR 39,454.68 (previous year EUR 26,726.85)		
6. Depreciation of intangible assets and property, plant and equipment	1,610,257.85	787,529.78
7. Other operating expenses	3,184,387.39	2,247,085.41
thereof expenses from currency conversion EUR 46,382.37 (previous year EUR 24,204.01)		
	32,056,221.17	25,700,432.54
8. Other Interest and Similar Income	15,173.57	15,564.07
9. Other interest and similar expenses	136,251.19	93,864.08
of which expenses from discounting EUR 13,317.10 (previous year EUR 13,277.37)		
	-121,077.62	-78,300.01
10. Taxes on income and earnings	8.41	0.32
11. Profit after tax	-3,415,114.65	-3,442,084.33
12. Other taxes	218.00	174.00
13. Annual deficit	-3,415,332.65	-3,442,258.33

## Appendix for the 2017 financial year

### General Information

The present annual financial statements were prepared in accordance with §§ 242 ff. And 264 ff. HGB and the relevant provisions of the GmbHG. The regulations for medium-sized corporations apply.

The income statement is structured according to the total cost method.

Insofar as options for disclosures in the balance sheet or in the notes can be exercised, the note in the notes was chosen.

### Register information

The company is registered under the company FACELIFT brand building technologies GmbH with registered office in Hamburg in the commercial register of the Hamburg Local Court under the number HRB 117436.

### Accounting and valuation methods

The following accounting and valuation regulations continue to apply to the preparation of the annual financial statements.

Purchased and internally generated intangible assets are recognized at acquisition or production cost and, if they are subject to wear and tear, reduced by scheduled depreciation over their useful life.

Internally developed software is shown under internally generated intangible assets. The useful life was set at 5 years. The start of use and depreciation is the respective complete commissioning and marketing of the individual software modules.

Property, plant and equipment is valued at acquisition or production cost and, if wear and tear, is reduced by scheduled depreciation.

Depreciation is carried out on a straight-line basis according to the expected useful life of the assets and in accordance with tax regulations.

Low-value assets up to a net individual value of EUR 150.00 are written off in full in the year of acquisition or recorded as an expense; their immediate departure was assumed.

The financial assets are valued at acquisition cost or the lower fair value. Loans are generally recognized at their nominal value.

Receivables and other assets are shown at their nominal value. All risky items are taken into account through the formation of appropriate individual value adjustments; the general credit risk is taken into account through flat-rate discounts.

Liquid funds are valued at their nominal value.

Expenses before the balance sheet date are to be shown in the deferred accounts, insofar as they represent expenses for a certain time after this day.

The other provisions take into account all uncertain liabilities and impending losses from pending transactions. They are stated in the amount of the settlement amount necessary according to a reasonable commercial assessment (ie including future cost and price increases). Provisions with a remaining term of more than one year have been discounted.

For the determination of deferred taxes due to temporary or quasi-permanent differences between the commercial law valuations of assets, debts and deferred income and their tax valuations or due to tax loss carryforwards, these are valued with the company-specific tax rates at the time of the reduction of the differences and the amounts of the resulting amounts Tax and tax relief not discounted. A surplus of deferred taxes is not capitalized by exercising the option to apply for this.

Liabilities are stated at the settlement amount.

In the passive deferred income items, income before the balance sheet date is to be shown insofar as it represents income for a certain time after this day.

Assets and liabilities denominated in foreign currencies were generally converted using the mean spot exchange rate on the reporting date. With a remaining term of more than one year, the realization principle (Section 252, Paragraph 1, No. 4, Clause 2 HGB) and the acquisition cost principle (Section 253, Paragraph 1, Sentence 1, HGB) were observed.

### Notes on the balance sheet

#### Capital assets

The development of the individual items of the fixed assets is shown in the fixed asset schedule, including the depreciation for the financial year.

Development costs for internally generated intangible assets were capitalized in the amount of EUR 3,026 thousand. Research and development costs totaling EUR 3,026 thousand were incurred in the 2017 financial year.

In the year under review, use was made for the first time of the option pursuant to Section 255 (2) sentence 3 of the HGB.

#### Information on shareholdings in EUR thousand

	Participation	Equity *	Annual result *
Shares in affiliated companies			
Social Shaker SAS, Paris, France	100%	15th	-68
upljft GmbH, Hamburg	50.1%	-63	-68
Holdings			
Pixelheimat GmbH, Hamburg	50%	-109	-58

\* Equity as of December 31, 2016 and 2016 annual results

#### Current assets

As in the previous year, trade receivables (EUR 2,908 thousand) have a remaining term of up to one year.

As in the previous year, the receivables from companies with which there is a participation relate exclusively to trade receivables.

The other assets contain receivables from shareholders in the amount of EUR 2 thousand (previous year: EUR 46 thousand).

As in the previous year, all receivables have a term of less than one year.

The deposits shown under other assets are deposits for the offices with a contractual term of less than one year.

#### Active prepaid expenses

The active delimitation serves to determine the profit for the period. The items mainly contain advance payments for software maintenance and support contracts relating to the 2018 financial year as well as advance commission payments for contractually agreed business deals in accordance with their contract period.

#### Equity

The subscribed capital of EUR 38 thousand has been fully paid up.

#### Balance sheet loss

The development from the annual deficit to the balance sheet loss is as follows:

Item of appropriation of profit	in EUR thousand
- Annual deficit	3,415
- loss carryforward	7,674
= Balance sheet loss	11,089

#### Other provisions

The other provisions were mainly for commission expenses (EUR 691 thousand), anticipated entitlements from employees from a newly implemented employee participation program (EUR 371 thousand), earn-out claims from previous acquisitions (EUR 227 thousand), outstanding bonuses and bonuses (EUR 256 thousand), Repayment obligations for subsidies (EUR 202 thousand), vacation entitlements (EUR 63 thousand) and legal and consulting costs (EUR 32 thousand) formed.

	in EUR thousand
As of January 1, 2017	1,594
- utilization	1,130
- Resolution	27
+ Feed	1,569
As of December 31, 2017	2.006

#### liabilities

The liabilities to banks result from the utilization of working capital loans. As in the previous year, the remaining term is up to one year.

As in the previous year, the trade payables in the amount of EUR 3,502 thousand all have a remaining term of up to one year.

The liabilities to affiliated companies relate to a shareholder loan and trade payables. As in the previous year, the remaining term is up to one year.

The other liabilities include two shareholder loans in the amount of EUR 253 thousand. As in the previous year, the remaining term of the other liabilities is up to one year.

#### Notes on the income statement

**Sales**

The company's sales are mainly attributable to services, licenses, software support and maintenance contracts.

**Other company income**

The other operating income mainly consists of income from currency translation, income from the receipt of receivables that have already been written off, the release of provisions and payments in kind.

**Other operating expenses**

The other operating expenses include expenses for rent, trade fair and travel expenses and legal advice.

The other operating expenses include extraordinary expenses of EUR 342 thousand. These relate to a value adjustment for an advertising customer who has gone bankrupt.

**Other Information****Contingent Liabilities**

Contingent liabilities i. S. d. § 251 HGB did not exist on the balance sheet date

**Other financial obligations**

Other financial obligations consist of annual payment obligations from rental contracts amounting to EUR 581 thousand, some of which have a term of up to 9 years.

	Annual rent in EUR thousand	End of term
rental contract		
Hamburg, Gerhofstr.	466	11/2026
Paris, rue de Provence	56	01/2025
Dubai, Internet City	59	05/2018

The total amount of the other financial obligations is EUR 4,576 thousand.

A letter of comfort was issued to the affiliated company Socialshaker SaS, Paris, France, to secure liquidity for the next 12 months. The expected utilization is valued at EUR 150 thousand.

**Distribution block**

In accordance with Section 268 (8) of the German Commercial Code (HGB), capitalization results in a profit distribution block in the following amounts:

From activation	KEUR
self-created intangible assets of fixed assets	3,026

**Transactions with related companies and persons**

No transactions were carried out with related companies or persons on conditions that were not customary in the market.

**Managing directors**

Benjamin Schroeter, Hamburg

Teja Töpfer, Hamburg

Arist von Harpe, Hamburg (until December 31, 2017)

The company makes use of the safeguard clause in Section 286 (4) of the German Commercial Code (HGB) and does not disclose the remuneration of the executive bodies in accordance with Section 285 (9) of the German Commercial Code.

**Supplementary report**

No special occurrences after the balance sheet date.

**Employee**

The average number of employees during the financial year was 136.

**Proposal for the use of results**

The management proposes that the balance sheet loss of EUR 11,089 thousand be carried forward to a new account.

**Corporate relationships**

FACELIFT brand building technologies GmbH, Hamburg, is included in the consolidated financial statements of DuMont Mediengruppe GmbH & Co. KG, Cologne. This prepares the consolidated financial statements for the smallest and largest group of companies.

**Hamburg, March 29, 2018**

**FACELIFT brand building technologies GmbH**  
**The management**  
*Benjamin Schroeter*  
*Teja Potter*

**Development of fixed assets in 2017**

Acquisition and production costs

	1.1.2017 EUR	Accesses EUR	Departures EUR	Rebookings EUR	December 31, 2017 EUR
Acquisition and production costs					
I. Intangible Assets					
1. Self-developed software	4,140,913.77	3,026,024.65	34,783.98	0.00	7,132,154.44
2. Concessions acquired against payment, industrial property rights and similar rights and values as well as licenses to such rights and values	1,152,418.70	539,708.00	191.00	0.00	1,691,935.70
3. Goodwill	64,724.68	0.00	0.00	0.00	64,724.68
	5,358,057.15	3,565,732.65	34,974.98	0.00	8,888,814.82
II. Tangible assets					
Other equipment, factory and office equipment	708,564.32	117,794.34	374,355.89	0.00	452,002.77
III. Financial assets					
1. Shares in affiliated companies	1,149,574.43	25.00	0.00	12,500.00	1,162,099.43
2. Loans to affiliated companies	335,846.36	91,072.98	0.00	211,197.08	638,116.42
3. Holdings	55,000.00	0.00	0.00	-12,500.00	42,500.00
4. Loans to companies with which there is a participation relationship	155,113.33	152,817.49	0.00	-211,197.08	96,733.74
	1,695,534.12	243,915.47	0.00	0.00	1,939,449.59
	7,762,155.59	3,927,442.46	409,330.87	0.00	11,280,267.18
Accumulated depreciation					
	1.1.2017 EUR	Accesses EUR	Departures EUR		December 31, 2017 EUR
I. Intangible Assets					
1. Self-developed software		631,345.77	874,511.40	34,783.98	1,471,073.19
2. Concessions acquired against payment, industrial property rights and similar rights and values as well as licenses to such rights and values		254,058.12	494,187.58	191.00	748,054.70
3. Goodwill		7,355.08	17,652.60	0.00	25,007.68
		892,758.97	1,386,351.58	34,974.98	2,244,135.57
II. Tangible assets					
Other equipment, factory and office equipment		455,158.32	223,906.27	370,750.82	308,313.77
III. Financial assets					
1. Shares in affiliated companies		0.00	0.00	0.00	0.00
2. Loans to affiliated companies		0.00	0.00	0.00	0.00
3. Holdings		0.00	0.00	0.00	0.00
4. Loans to companies with which there is a participation relationship		0.00	0.00	0.00	0.00
		0.00	0.00	0.00	0.00
		1,347,917.29	1,610,257.85	405,725.80	2,552,449.34
Book values					
				December 31, 2017 EUR	December 31, 2016 EUR
I. Intangible Assets					
1. Self-developed software				5,661,081.25	3,509,568.00
2. Concessions acquired against payment, industrial property rights and similar rights and values as well as licenses to such rights and values				943,881.00	898,360.58
3. Goodwill				39,717.00	57,369.60
				6,644,679.25	4,465,298.18
II. Tangible assets					
Other equipment, factory and office equipment				143,689.00	253,406.00
III. Financial assets					
1. Shares in affiliated companies				1,162,099.43	1,149,574.43
2. Loans to affiliated companies				638,116.42	335,846.36
3. Holdings				42,500.00	55,000.00
4. Loans to companies with which there is a participation relationship				96,733.74	155,113.33
				1,939,449.59	1,695,534.12
				8,727,817.84	6,414,238.30

## Management report for 2017

### Basics of society

#### Business model of society

FACELIFT brand building technologies GmbH, Hamburg, is a medium-sized corporation (Section 267 (2) HGB) based in Hamburg, which was founded in 2011. The object of the company is the development of software (more precisely "Software as a Service") and the provision of related services for companies that want to market their own brand (s), products or services on social network platforms. The focus is on the development and operation of our own marketing technology cloud solution ("FACELIFT Cloud"). The main source of income is the sale of multi-year usage rights (subscriptions) to the FACELIFT cloud. In some cases, additional service or setup fees are incurred for the individual customer setup. Until the middle of the year, FACELIFT also offered companies the possibility of having their advertising campaigns managed in the form of a "full service" with "FACELIFT Managed Advertising". Management fees were incurred for this, which were mainly based on the amount of the managed advertising budget. This service has been offered by the affiliated company upljft GmbH since July 2017. Management fees were incurred for this, which were mainly based on the amount of the managed advertising budget. This service has been offered by the affiliated company upljft GmbH since July 2017. Management fees were incurred for this, which were mainly based on the amount of the managed advertising budget. This service has been offered by the affiliated company upljft GmbH since July 2017.

FACELIFT brand building technologies GmbH, Hamburg, is internationally oriented and has international offices in Paris and Dubai. FACELIFT holds 100% in Socialshaker SaS, based in Paris, France, as well as a 50.1% stake in upljft GmbH and 50% of the shares in Pixelheimat Hamburg GmbH, both based in Hamburg.

### Economic report

#### Macroeconomic and industry-specific framework conditions

The general economic conditions are good. The gross domestic product in the euro area rose by a total of 2.5% <sup>1</sup> in 2017 (previous year: 1.7%). In most cases, the driving forces behind this development have been job creation and rising real incomes; accordingly, there was a strong increase in the consumption rate with low interest rates.

Thanks to robust domestic demand and a stable economic situation, Germany will probably be in the middle of the field in 2017 with average annual growth of + 2.2% <sup>2</sup> in a European comparison.

The sector-specific framework conditions are excellent, and massive growth rates have been recorded in all digital areas, as in recent years. In 2017, for the first time, more than 4 billion people (4.02 billion people) used the Internet, which corresponds to an increase of 6.7%. The number of users of social media rose by as much as 13%, to 3.20 billion. Of these, 2.96 billion people use social media with the help of a mobile device. <sup>3</sup>

In Germany, 74.81 million people use the Internet. This corresponds to 91% of the population, with social media users in particular increasing by 15% compared to the previous year. With 38.00 million users, more than 50% of Internet users in Germany also use social media for the first time. On average, a user in Germany spends a day

<sup>1</sup> "Press release Euro indicators", Eurostat 2018

<sup>2</sup> Federal Statistical Office (Destatis), Wiesbaden 2018 <sup>3</sup> Digital in 2018 in Western Europe, We are social GmbH Germany

1.22 hours on social platforms. The most actively used social media platform in Germany alongside YouTube is Facebook with 38 million active users per month. Here, Facebook is also increasingly used by older users. The users in Germany are balanced with up to 53% male and 47% female. <sup>4th</sup>

Social media platforms are becoming more and more important across all target groups, for example when it comes to news coverage <sup>5</sup> and purchasing behavior. Every 4th online purchase decision is now made on the basis of social media advertising, and for 14-19 year olds even every 2nd purchase decision. <sup>6th</sup>

Accordingly, especially in the area of social media advertising, global average growth rates (CAGR) of sales of 10.5 percent per year are expected from 2018 to 2022. This corresponds to forecast sales of EUR 69,326 million for 2022. <sup>7</sup> Average growth rates of 9.3% per year are forecast for Germany until 2022, which means an increase in advertising revenue on social channels from EUR 808 million in 2017 to EUR 1,328 million in 2022. In particular, the share of social media advertising on mobile devices is increasing, which already generated 76% of advertising sales in 2017. <sup>8th</sup>

Facebook is the most popular social media channel for companies to place advertisements. 85% of businesses use or plan to use paid advertising on Facebook. <sup>9</sup>

Within the "digital online advertising" market, the "social media marketing" segment will therefore continue to develop at an above-average rate. On the one hand, this involves advertising volumes, but also a variety of other investments such as B. Dedicated human resources and tools to improve productivity. If this market barely existed a few years ago, almost all nationally known companies now have at least one social media presence, e.g. B. on Facebook or Instagram. The result: The market for tool providers in this area (such as FACELIFT) continues to grow rapidly and offers great commercial opportunities in the coming years.

### Earnings situation

In the fourth year of an enormous growth phase, the turning point in the operating profit situation has now been reached. After consciously accepting falling earnings in favor of rapid growth, EBITDA before special items improved significantly in 2017. Due to the existing and growing number of subscription contracts in the FACELIFT Cloud, the earnings situation improves with every additional month. Further workforce expansion is reflected in increased personnel expenses.

Special effects such as setting up an employee participation program (EUR -371 thousand) and the insolvency of a large advertising customer (EUR -342 thousand) weighed on the overall result.

Digital in 2018 in Western Europe, We are social GmbH Germany

<sup>5</sup> Digital News Report 2016, Reuters Institute for the Study of Journalism, Oxford University

<sup>6</sup> "Social Media Atlas 2017", consulting company Faktenkontor with IMWF - Institute for Management and Economic Research <sup>7</sup> "Social Media



Advertising Worldwide", Statista <sup>8</sup> "Social Media Advertising in Germany ", Statista <sup>9</sup> " Social Media Management Solutions ", The Forrester Wave, 2017

### Earnings situation

in EUR thousand	2017	2016	2015	2014
BOOKINGS	37.901	22,964	16.052	9,549
REVENUE	25,556	20,301	12,863	7,010
BIG PROFIT	8,257	5,530	3,364	2,856
STAFF COSTS	9,917	7,895	5,950	4,266
EBITDA	-1,684	-2,248	-2,041	-2,233

The sharp increase in the gross profit margin of 49% compared to the previous year is mainly due to the continuous growth in recurring sales (subscriptions). The gross profit has achieved an average growth (CAGR) of 35% over the last 3 years. EBITDA has improved significantly despite the special effects from the establishment of an employee program (EUR 371 thousand) and the insolvency of a customer (EUR 342 thousand).

### Financial position / liquidity

The company's financial position is secured by the strategic partner and sufficient bank credit lines.

Looking at the year as a whole, the rising earnings situation means that no further external financial resources are expected. Rather, financial resources are built up through the expected positive operating cash flow. In addition to the existing equity base, further financial resources can be called up from the existing shareholders at any time.

### Cash flow

in EUR thousand	2017	2016	2015	2014
Cash flow operational	-275	-137	-237	-1,226
Cash flow investment	-3,927	-2,705	--3,760	-2,592
Cash flow financing	1,509	2,747	3,604	3,606

The liquidity-effective investment volume in the reporting year was EUR 3,927 thousand, of which EUR 3,026 thousand on the activation of self-developed software, EUR 540 thousand on the purchase of naming rights for a fee, EUR 118 thousand on the acquisition of property, plant and equipment and EUR 244 thousand on the addition of financial assets by granting loans to subsidiaries. and holding companies were omitted.

### Asset and capital structure

in EUR thousand	2017	2016	2015	2014
Capital assets	8,728	6,414	4,268	834
Current assets	3,967	3,635	3,866	7,564
Total assets	15,490	10,958	8,676	8,458
Equity	-1,657	1,758	2,912	5,308
Liabilities of credit institutions	2,837	500	0	0

The investments described resulted in an increase in fixed assets. The balance sheet total has essentially changed as a result. Equity is temporarily negative. The positive continuation forecast as well as the integration into the media group Du-Mont ensure a healthy equity base in the long term.

### Financial and non-financial performance indicators

Due to the continuous increase in recurring SaaS sales (+ 38% compared to the previous year), the EBITDA ratio improves annually. The prepayment period for the FACELIFT cloud contracts has increased slightly to 10 months, which will have a positive effect on the operating cash flow.

The most important non-financial performance indicator is the satisfaction and low fluctuation of our employees. The employees of FACELIFT brand building technologies GmbH form the basis of the company. With their identification for the company and their commitment, they make a decisive contribution to the company's success. In addition to targeted training and further education measures, the potential of employees is promoted, among other things, through a high degree of personal responsibility. Internal HR programs and annual employee development interviews support this process. Last but not least, the shareholders set up an employee participation program,

### Forecast, opportunities and risk report

#### Opportunities and risks of future development

Every entrepreneurial activity is inextricably linked with opportunities and risks. FACELIFT brand building technologies GmbH is also exposed to a variety of risks in its operative business, which have a negative impact on corporate development and in extreme cases can endanger the continued existence of the company. At present, there are no identifiable risks that could jeopardize the continued existence of the company and that are largely likely to occur. The management therefore assumes that the company will continue as a going concern.

#### Risks

The market for technology-based marketing solutions as well as online advertising on social networks is growing continuously. Nevertheless, customers could decide not to take out any subscriptions for our cloud solutions or not to extend them when the contract expires or to switch to competing products. This could lead to higher customer acquisition costs and, in the long term, to consolidation

in the market. As one of the European market leaders in the area of all-in-one marketing cloud and against the background of a very young market, we consider this risk to be low.

Due to our global business activity and that of our customers, we are subject to different, sometimes conflicting legal and regulatory requirements. In order to meet the regulations on data protection and IT security especially in Germany, we obtained certification according to "ISO 27001 information security" at an early stage. Our cloud servers are operated exclusively in Germany and our cloud software complies with German data protection standards. We therefore see regulatory risks. Even after the Basic Data Protection Regulation (EU-GDPR) came into force in May 2018.

In the technical area, due to the rapid development of and the emergence of new social networks, there is a risk that our product will no longer be compatible, contain malfunctions and possibly not keep up with technical progress. The company counters these risks with continuous updates, extensive tests and adaptations of our product to the variety and innovations of the social networks and digital media in general.

There is a risk of fluctuation and thus a loss of know-how. However, this is counteracted with a sustainable personnel strategy in the form of a personal approach by the founders, incentives and other staff retention measures. Due to its market position and excellent reputation, it can be assumed that the company will be able to continue to attract highly qualified and well-trained staff through innovative software development, among other things.

The company is subject to the risk of default on trade accounts receivable in the amount of the book value. After a major loss in the advertising customer segment in 2017, the management will cover this risk in the future with credit default insurance. In addition, all managed advertising activities were transferred to upljft GmbH, which specializes in social media services. The default risk will therefore continue to be assessed as low in the future. Outstanding debts are continuously monitored in the operational area and professionally tracked by a group-wide collection company. Possible defaults are taken into account through individual value adjustments.

### **opportunities**

Due to the expansive sales and order development to date, it can be assumed that demand will remain the same or will continue to rise in the future. With the entry of the strategic shareholder and its appeal to major customers and new customer segments, additional increases in sales can still be expected. Furthermore, the markets in the UK and the rest of (Eastern) Europe offer us enormous potential for increasing sales.

The aim of our strategy - to grow significantly in the coming years - is to increase customer value as part of a continuous increase in SaaS sales and profitability ("Customer Life Time Value").

To this end, we want to grow in the international market in particular by expanding marketing activities and collaborating with new sales partners. In 2017, we also consistently pushed ahead with expanding the product portfolio.

Forrester Research Inc., USA, one of the leading international research and analyst firms, included FACELIFT in its "The Forrester WaveTM: Social Media Management Solutions, 2017" study for the first time and qualified it as a "Strong Performer". It is "best suited for all brands based in Europe who are looking for operational efficiency" <sup>10</sup>. This study underlines our claim to further penetrate the market for social media management tools and to maintain our market leadership, especially in Europe.

The growing market for advertising marketing on social networks and the concentration on this segment favor the assumption that again strong sales growth can be expected here in 2018.

<sup>10</sup> The Forrester Wave "": Social Media Management Solutions, Q2 2017; June 12, 2017

### **forecast**

The past financial year 2017 partially met the management's expectations. The operational development of the company is extremely positive. According to the plan, the objectives of the management, the recurring Umsatz were <sup>11</sup> to grow by EUR 4 million net at least in the financial year 2017 can be achieved. The forecast of the increase in EBITDA, however, was not fully achieved due to the described special effects from employee participation programs, the insolvency of an advertising customer and the revenue recognition from SaaS contracts that began later in the 2017 financial year.

With a view to the sales increases in the 2016 and 2017 financial years, the economic development of FACELIFT brand building technologies GmbH is also promising for 2018.

For 2018, the management expects significant growth in the area of recurring sales, as well as a significant improvement in EBITDA. This is already evident from the significant increase in recurring sales achieved in the first month as well as from the conclusion of contracts with major international customers.

In accordance with the planning of the financial performance indicators, the management plans to further increase the number of highly qualified and experienced employees.

**Hamburg, March 29, 2018**

**FACELIFT brand building technologies GmbH**  
**The management**  
***Benjamin Schroeter***  
***Teja Potter***

<sup>11</sup> consolidated view including affiliated companies

