SendR SE

Consolidated interim accounts

as of 30th of June 2016

SendR SE
Stresemannstraße 375
22761 Hamburg, Germany

CONSOLIDATED BALANCE SHEET

SendR SE
Hamburg

as of 30 June 2016

ASSETS	30.06.2016 Euro	31.12.2015 Euro	LIABILITIES	30.06.2016 Euro	31.12.2015 Euro
Outstanding contributions to subscribed capital					
A. Fixed assets			**A. Equity**		
I. Intangible assets			I. Capital		
1. Self-created industrial property rights and similar rights and values	330,000.00 €	352,000.00 €	1. Subscribed capital	1,200,000.00 €	1,200,000.00 €
2. Concessions, licenses and other similar rights and values	3,684.00 €	5,687.00 €	2. Outstanding contributions to subscribed capital	- €	- €
3. Goodwill	636,556.63 €	678,993.74 €	Variable capital		
4. Advance payments made on intangible assets	- €	- €	1. Deposits/withdrawals	- €	- €
II. Property			II. Capital reserves	220,309.00 €	220,309.00 €
1. Land, land rights equivalent to real property and buildings	39,068.00 €	43,723.00 €	III. Retained earnings		
2. Technical equipment and machinery	- €	- €	1. Statutory reserves	- €	- €
3. Other fixtures and fittings, tools and equipment	53,374.00 €	55,062.00 €	2. Reserves for own shares	- €	- €
4. Advance payments and assets under construction	- €	- €	3. Statutory reserves	- €	- €
III. Financial assets			4. other retained earnings	- €	- €
1. Shares in affiliated companies, financial assets	- €	- €	IV. Profit / Loss carried forward	- 42,566.56 €	136,691.76 €
2. Loans to affiliated companies	- €	- €	V. Net income/Net loss	- 178,210.16 €	- 179,258.32 €
3. Shares (at equity)	57,485.53 €	51,485.53 €	**B. Special reserves items with an equity portion**		
4. Loans to companies with which a shareholding relationship exists	- €	- €	**C. Other accruals**		
5. Long-term investment securities	- €	- €	1. Accruals for pensions and similar obligations	- €	- €
6. Other loans	- €	- €	2. Accrued taxes	22,149.59 €	13,058.00 €
B. Current assets			3. Other accruals	1,207,324.85 €	1,011,225.00 €
I. Inventories			**D. Payables**		
1. Raw materials and supplies	- €	- €	1. Bonds	- €	- €
2. Work in progress	- €	- €	2. Payables towards financial institutions	394,743.32 €	350,189.20 €
3. Finished goods and merchandise	- €	- €	3. Payments received on orders	296,927.91 €	20,154.42 €
4. Advance payments made on inventories	485,972.44 €	92,130.06 €	4. Payables for goods and services	1,450,746.10 €	1,493,403.38 €
II. Receivables and other assets			5. Payables from bills of exchange accepted and drawn Bill of exchange	- €	- €
1. Receivables for goods and services	2,111,003.11 €	1,706,571.52 €	6. Payables toward affiliated companies	- 0.00 €	0.00 €
2. Receivables from affiliated companies	- €	- €	7. Payables toward Companies with which a shareholding relationship exists	- €	- €
3. Receivables from companies with which a shareholding relationship exists	- €	- €	8. Other payables	121,917.98 €	87,561.53 €
4. Other assets	447,427.33 €	197,612.65 €	**E. Accruals and deferrals**	- €	- €
III. Securities			**F. Deferred tax assets**	122,310.00 €	122,310.00 €
1. Shares in affiliated companies	- €	- €			
2. Other securities	- €	- €			
IV. Cash on hand. Credit at banks Postal giro	643,436.44 €	1,284,733.92 €			
C. Accruals and deferrals	7,644.55 €	7,644.55 €			
D. Active deferred tax assets	- €	- €			
E. Active difference resulting from asset offsetting	- €	- €			
	4,815,652.03 €	4,475,643.97 €		4,815,652.03 €	4,475,643.97 €

SendR SE

Hamburg

CONSOLIDATED PROFIT AND LOSS STATEMENT

for the period of 01 January 2016 to 30 June 2016

		Fiscal year	01/01 - 30/06/2016
	Euro	Euro	Euro
1. Sales revenues		5,027,537.02	4,670,254.94
2. Changes in inventory finished goods/work in progress		0.00	0.00
3. Own work capitalised		0.00	0.00
4. Other operating income		123,681.23	100,612.73
5. Cost of material		-3,861,568.58	-3,573,212.05
6. Personnel expense		-665,999.44	-679,390.74
7. Depreciations			
a) on intangible assets of property, plant and equipment	-95,990.30		
b) on current assets in as far as such exceed the usual depreciations in the corporation	0.00	-95,990.30	-87,731.66
8. Other operating expenses		-565,387.14	-541,367.97
9. Income from investments accounted for using the equity method		0.00	0.00
10. Income from other securities and loans		0.00	0.00
11. Other interest and similar income		550.07	1,713.70
12. Depreciation of financial assets and of securities held as current assets		0.00	0.00
13. Interest and similar expenses		-10,027.30	-4,630.91
14. Results from ordinary business activities		**-47,204.43**	**-113,751.96**
15. Extraordinary income	0.00		0.00
16. Extraordinary expenses	-4,793.00		0.00
17. Extraordinary result		**-4,793.00**	**0.00**
18. Income tax	-125,686.73		-140,848.50
19. Other taxes	-526.00		-240.67
		-126,212.73	**-141,089.17**
20. Consolidated net income or loss		**-178,210.16**	**-254,841.12**
21. Profit carried forward from previous year		0.00	0.00
22. Equity distributions		0.00	0.00
23. Consolidated net profit/loss		**-178,210.16**	**-254,841.12**

SendR SE, Hamburg

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Development of the consolidated fixed assets for the first half of the fiscal year starting 01 January 2016 to 30 June 2016

	Book value 01.01.2016 EUR	Additions EUR	Withdrawals EUR	Reposting EUR	Depreciations EUR	Appreciations EUR	Book value 30.06.2016 EUR
A. Business start-up and expansion expenses	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Fixed assets							
I. Intangible assets							
1. Internally generated commercial property rights and similar rights and values	352,000.00	-	-	-	22,000.00	-	330,000.00
2. Paid concessions, industrial property rights and similar rights and values as well as licenses to such rights and values	5,687.00	-	-	-	2,003.00	-	3,684.00
3. Goodwill	678,993.74	-	-	-	42,437.11	-	636,556.63
4. Advance payments	-	-	-	-	-	-	-
Total intangible assets	**1,036,680.74**	**-**	**-**	**-**	**66,440.11**	**-**	**970,240.63**
II. Property							
1. Land, land rights equivalent to real property and buildings including buildings on third-party land	43,723.00	-	-	-	4,655.00	-	39,068.00
2. Other fixtures and fittings, tools and equipment	55,062.00	23,207.19	-	-	24,895.19	-	53,374.00
Total property	**98,785.00**	**23,207.19**	**-**	**-**	**29,550.19**	**-**	**92,442.00**
III. Financial assets							
1. Shares in affiliated companies	-	-	-	-	-	-	-
2. Loans to affiliated companies	-	-	-	-	-	-	-
3. Shares (at equity)	16,485.53	-	-	-	-	-	16,485.53
4. Participations	35,000.00	6,000.00	-	-	-	-	41,000.00
5. Other loans	-	-	-	-	-	-	-
Total financial assets	**51,485.53**	**6,000.00**	**-**	**-**	**-**	**-**	**57,485.53**
Total fixed assets	**1,186,951.27**	**29,207.19**	**-**	**-**	**95,990.30**	**-**	**1,120,168.16**

SendR SE Hamburg
Annex to the consolidated interim accounts for the

Consolidated notes for the first half of the 2016 fiscal year

General guidance

SendR Group SE, Hamburg - hereinafter referred to as “company” - is the holding company of the SendR Group. Object of the company is the provision of services in the digital sale of music titles, albums, etc. and other products of the entertainment industry over the internet. Thus primarily the digital sale of music rights and licenses as well as the provision of further services within the music scene.

The presented consolidated interim accounts of SendR SE for the first half of the fiscal year 2016 were prepared in accordance with the statutory accounting requirements of sections 290 and following of the German Commercial Code.

In order to increase the transparency and clarity of the consolidated annual accounts, we have combined individual items in the consolidated balance sheet and consolidated profit and loss statement. These items are explained separately. The additional details for the individual items - where necessary - have also been included in the Appendix. The consolidated profit and loss statement is prepared in accordance with the nature of expense method.

The following tables (i.e. profit and loss statement, balance) may contain rounding differences for reasons of method.

Disclosures on shareholdings

Company’s name and headquarters			Share in capital in %
Domestic			
1)	finetunes GmbH, Hamburg		100,00
2)	creative talents GmbH, Hamburg		100,00
3)	ROYKIT GmbH, Hamburg		100,00
4)	Cargo Digital Services GmbH, Hamburg	a)	50.00

a) Share held indirectly by finetunes GmbH in the amount of 30 %. Furthermore, XOMOX GmbH and Göttlich GmbH have given a commitment to finetunes GmbH to only use their respective rights to their shares of Cargo Digital Services GmbH (which together amount to 20% of the share capital) because of, and on basis of instructions by finetunes GmbH, and have authorised finetunes GmbH to use the respective rights to the shares, so that finetunes GmbH de facto controls 50% of the voting rights of Cargo Digital Services GmbH. In addition, XOMOX GmbH and Göttlich GmbH have assigned their existing and future payout claims to finetunes GmbH. This shareholding is consolidated at equity.

The annual accounts of Cargo Digital Services GmbH, Hamburg for the first half of the fiscal year 2016 had not been submitted prior to the preparation of the 2016 consolidated annual accounts. After consultation with the general management, we assume that the result is expected to be balanced. Thus, we have maintained the investment value of previous year.

Scope of consolidation

The consolidated annual accounts comprise SendR SE as well as all fully consolidated subsidiaries mentioned under sections 1) to 3) of the above statement on share ownership. The companies listed are included in the scope of consolidation, as SendR SE is entitled to the majority of voting rights in each of these companies.

The scope of consolidation has not changed compared to that of 31 December 2015. finetunes GmbH was founded on 22 December 2003 based in Hamburg and registered with the commercial register of the district court of Hamburg on 21 January 2004. With a capital contribution agreement of 10 February 2014, SendR SE acquired all company shares in finetunes GmbH as part of a capital increase through non-cash contributions. ROYKIT GmbH was founded on 30 December 2011 based in Hamburg and registered with the commercial register of the district court of Hamburg on 16 January 2012. With the contract of 11 September 2014, SendR SE acquired all company shares in this company. Creative talents GmbH was founded on 11 March 2011 based in Hamburg and was registered with the commercial register of the district court of Hamburg on 12 July 2011. With the contract of 11 September 2014, SendR SE also acquired all company shares in creative talents GmbH. Cargo Digital Services GmbH, Hamburg was founded on 23 September 2011 based in Hamburg and registered with the commercial register of the district court of Hamburg on 21 November 2011. In connection with the formation, finetunes GmbH took over 30% of the company shares in Cargo Digital Services GmbH. The remaining company shares are held by XOMOX GmbH (10%), Göttlich GmbH (10%), CARGO-RECORDS Musik-Produktions- und Vertriebsgesellschaft mbH (40%) and Mr. Michael Schuster (10%). With an agreement dated 16 August 2014, XOMOX GmbH and Göttlich GmbH have given a commitment to finetunes GmbH to only use their respective rights to their shares in Cargo Digital Services GmbH because of, and on basis of instructions by finetunes GmbH, and have authorised finetunes GmbH to use the respective rights from the shares in Cargo Digital Services GmbH. In addition, XOMOX GmbH and Göttlich GmbH have assigned their existing and future payout claims to finetunes GmbH.

Consolidation principles

In accordance with section 290 of the Commercial Code, the consolidated financial statements are based on the accounting reference date of the parent company. The consolidated balance sheet contains all assets, liabilities (incl. accruals), accruals and deferrals, and the capital accounts from the balance sheets of the included companies, adjusted for the impact of debt consolidation, capital consolidation and the shares of other shareholders.

The consolidated profit and loss statement includes all income and expenses from the profit and loss statements of the companies included, with the exception of the financial effects of the expense and income consolidation, and the effects of consolidating postings.

For capital consolidation of companies or for newly acquired capital shares that were (fully) consolidated, the revaluation method was used at the time of acquisition. As far as possible, the amounts to be capitalized were allocated to the related asset items. The remainder was disclosed as goodwill. Passive residual balances from the capital consolidation do not exist.

All of the receivables and liabilities, sales as well as expenses and income, and all significant interim results among the companies included were eliminated.

Accounting and valuation policies

The financial statements of companies included in the consolidated annual accounts of SendR SE are prepared in accordance with standard accounting and valuation principles.

Fixed assets:

Purchased intangible assets are recognised at acquisition cost and, if subject to wear and tear, are reduced by regular depreciations (following the straight-line method of depreciation) in accordance with their useful life. Section 248 A 2 of the Commercial Code provides an option to capitalise internally generated intangible fixed assets. In compliance with section 255 (2a) page 1 of the Commercial Code, only the production cost related to the development phase may be recognised. The production cost related to the research phase remains excluded from capitalisation according to section 255 (2) page 4 of the Commercial Code.

Acquired goodwill is depreciated by the straight-line method over an individual useful life of 10 years. Goodwill is depreciated over a period of more than 5 years, as the companies have long-term publishing rights and licenses.

The Group's fixed assets such as property, plant and equipment assets are measured at acquisition or construction costs. Movable fixed assets are generally depreciated by the straight-line method. Low-value items were depreciated in the year of acquisition.

Scheduled depreciation is based on the following useful lives:

1) Intangible assets:	3-5	years
2) Buildings on third-party land:	10-33	years
3) Technical equipment and machinery:	5-20	years
4) Fixtures and fittings, tools and equipment	3-10	years

Low-value fixed assets with acquisition costs of up to EUR 150.00 per item are depreciated completely in the year of acquisition. Movable assets with acquisition costs of EUR 150.00 up to EUR 1,000.00 are entered in an annual collective item. A new collective item is created for each fiscal year and depreciated by the straight-line method over a period of 5 years.

Financial assets - if applicable - are recorded at their acquisition cost - at a lower fair value, if necessary.
Current assets:

Inventories are valued at acquisition or manufacturing cost, or at a lower current market value.

Receivables and other assets are recognised at acquisition cost. Risks in the receivables were recognised by specific valuation allowances and an adequate flat-rate value adjustment.

Securities held as current assets - if applicable - were valued at acquisition cost, or at a lower current market value.

Receivables and bank credit in foreign currencies are measured at the exchange rate prevailing on the day when the transaction occurred or at the lower exchange rate on the reporting day. Liquid assets in euros are shown at their nominal value.

Accruals and deferrals were created for expenses prior to the balance sheet date, which represent expenditure for a certain time after this day.

Deferred tax assets contain deferred taxes calculated on temporary differences between balance sheet items in the commercial accounts and those prepared for tax purposes, as well as for tax losses carried forward and - if applicable - based on a expected future income tax relief of about 30 % for domestic taxes. Deferred tax assets - if applicable - are offset by deferred tax assets.

Accruals:

The provisions cover all identifiable risks and uncertain obligations. They are included in the balance sheet with the amount of the probable claim.

Liabilities:

Payables are valued at the amounts repayable.

Deferred tax payables contain deferred taxes calculated on temporary differences between balance sheet items in the commercial accounts and those prepared for tax purposes, as well as for tax losses carried forward and - if applicable - based on an expected future income tax relief of about 30 % for domestic taxes. Deferred tax assets - if applicable - are offset by deferred tax assets.

Other details regarding the 2016 consolidated interim accounts

Fixed assets:

For the development of the fixed assets, compare with the consolidated annual accounts.

All accounts receivable and other assets declared by 30 June 2016 have, as in the previous year, a remaining term of less than a year.

For the development of the Group’s equity, we refer to the consolidated statement of changes in equity. A par value of its own shares held (no treasury shares are currently held with a pro-rata amount of nominal capita of EUR 1.00 per share) must be openly deducted from the subscribed capital of

EUR 1.200.000,00. Therefore, the remaining balance of the issued capital was EUR 1,200,000.00 on the balance sheet day. Capital reserves and retained earnings - if applicable - correspond to the balance sheet items disclosed by the parent company.

<u>Other accruals:</u>

Other accruals cover all identifiable risks and have been determined according to reasonable commercial principles. They were primarily accrued for licences, copyright fees, customer bonuses, holiday entitlements, special allowances and for outstanding supplier invoices.

<u>Liabilities:</u>

All payables have a remaining term of less than one year. <u>Contingent payables:</u>

There are no contingent payables and/or are unknown to the company or the Group.

<u>Other financial liabilities:</u>

In general, other financial liabilities mainly comprise rent and/or ground rent as well as leasing obligations - if applicable. Either these obligations are not applicable, or they are so minor that a separate disclosure is unnecessary.

<u>Derivative financial instruments:</u>

Derivative financial instruments used as hedging instruments to hedge against currency exchange or interest rate risks have currently not been realised by the Group.

<u>Other details:</u>

During the reported year the managing directors were:

- Claas Henning Thieß, Hamburg
- Finn Oke Göttlich, Hamburg

The managing directors are granted the right of sole representation and are exempted from the restrictions laid down
in section 181 of the German Common Law. The disclosure of the emoluments of the directorate is waived according to section 286 paragraph 4 of the Commercial Code.

The emoluments of the Board of Directors amounted to TEUR 0.00.

Hamburg, 29 September 2016

SendR SE

managing

director

Claas Henning Thieß

Note: According to section 315 paragraph 3 in connection with section 298 paragraph 3 of the German Commercial Code, SendR SE, Hamburg, has prepared a summarised Group management report.

Summarised Group management report for the first half of the 2016 fiscal year

In the 2016 fiscal year, the consolidated annual accounts of SendR SE were prepared in accordance with the regulations in the Commercial Code.

Business activities and market conditions

SendR SE is a holding company that comprises various shares in the sector of digital evaluation and marketing of licensing rights. All in all, the company is well positioned with its current shareholding structure with ROYKIT GmbH (copyrights), creative talents GmbH ("label rights") and finetunes GmbH (ancillary copyright).

The range of services of the SendR Group continues to comprise far more than just the music business which brought the company great success. The expansion of operations into other entertainment media sectors such as audio books has become a key component of the company strategy. The digital sale of music titles, however, will remain the main focus, as according to the major market forecasts - a further decline in physical products and continuing replacement with digital operations is to be expected.

Overall, the Group has been able to write profitable business with organic growth and therefore has a stable financial and liquidity position, thus providing its ability to respond quickly and flexibly to changes in market conditions and thus adapt to the consequent change.

The media world has changed drastically in recent years. This involves risks, but also provides opportunities for new markets and products to develop. This is where SendR SE takes advantage of its long years of experience and market access and the pioneering work that is being carried out in Germany.

The medium-term expectations for the music sector are quite positive - primarily in the business sector addressed by SendR SE, digital sales. In the field of digital sales, SendR Group has established itself as a leading provider in Europe and with a system that is entirely its own to process the digital operations.

MUSIC MARKET (physical and digital)[1]

After three consecutive years of growth, the business success continued for the first half of the 2016 fiscal year and increased by 3.6 percent compared with the same time period of the previous year.

The main reason for this growth was again the streaming sector which alone increased by 88 percent. With a total market share of 24.4 percent, sales in this sector are for the first time significantly higher than in the downloads sector representing 14.0 of the overall sales.

In addition to streaming, the nostalgic vinyl again showed considerable growth and could take up 4.3 percent (1st half year of 2015: 3.1%) of the overall market with a sensational increase of 46.2 percent compared with the same time period of the previous year.

The sale of physical recordings “CD” still dominates by accounting for about 52.3 percent of the total turnover, however, it experienced another decrease of 9.6 percent.

Altogether, this produced a market allocation of 60.4 percent from physical and 39.6 percent digital music sales.

Regarding further information in connection with the economic approach of the company, we would generally like to refer you to the consolidated notes.

MANAGEMENT

Claas Henning Thieß and Finn Oke Göttlich still preside over SendR SE as managing directors. Alexander P. Sator (commercial manager, Hamburg), as chairman of the Board of Directors, Jan Müller-Wiefel (commercial manager, Hamburg) and Helmuth C.R. Thiess (lawyer, Hamburg) are members of the Board of Directors.

SUPPLEMENTARY REPORT

The shares of SendR SE have been included on the unofficial regulated market of the Berlin stock exchange as well as Marché Libre of Euronext Paris since 2015. Neither the unofficial regulated market of the Berlin stock exchange nor the Marché Libre of Euronext Paris are regulated markets in the sense of section 2 paragraph 5 of the German Securities Trading Act (WpHG). Since 2016, the shares of SendR SE have been included on the Frankfurt stock exchange in the unofficial regulated market of “Entry Standard” tradeable via XETRA.

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1 The following market data are taken from publications of the respective inter-branch associations, in particular the Federal Music Industry Association (music market).

RISK DISCLOSURE STATEMENT

- **Market climate**

The SendR Group expects the business environment to remain positive, as the predicted growth rates - particularly in the streaming sector - will entail a significant growth spurt in turnover for the years to come.

In that context, it should be noted that fluctuations may occur in any fiscal year due to a variety of factors that cannot be directly influenced by the companies. Delays in new releases, price development on the entertainment market as well as approval of the artists and their publications for the consumers may have a considerable impact on the turnover and income situation. The company considers itself hedged against this risk with its optimised contractual relationships with a large number of licensors.

- **Currency risks**

Investments outside the euro monetary area result in receivables and liabilities from deliveries and services in the GBP, SEK and USD currencies in particular. This is why the managing directors continuously monitor the development of current exchange rates of relevant currencies and run simulation calculations in case of fluctuations in the exchange rates in order to analyse the potential income effects. For this purpose, different scenario techniques are implemented taking into account typical characteristics of individual currencies.

- **Interest-change risk, credit and default risks**

The risk of changes in interest-rates is not significant for the Group, as refinancing lines do only exist to a very limited extent, and for the most part are not used. There is currently no significant concentration of default, credit or other default risks within the Group of companies.

- **Risk management**

It is the duty of general management to identify business risks and control them actively. Within the SendR Group, this is carried out by implementing systematic planning and control. All opportunities and, of course, all risks associated with the respective business activities are analysed within the scope of continuous monitoring processes and according to its importance. The statutory risk management system is regularly updated and adjusted; the general management stays informed at all times.

FORECAST REPORT

The SendR Group’s strategic orientation remains focused on the (in-) organic growth in the digital music business sector. Therefore, the most important goal for the 2016 fiscal year remains to extend the business areas in the service sector, and to gain new customers and shareholdings, as well as to further strengthen the business operations of the subsidiaries.

In addition, the general management continuously promotes to not only further profit from the market growth, but also carry out optimisation measures within the company Group in order to design a cost structure that is as flexible as possible.

Besides organic growth, the Group will continue to look for opportunities to generate additional inorganic growth. In accordance with these goals, the Group already publicly announced in January 2016 that they are planning on effectively taking over Phonofile AS, the biggest digital service company in Northern Europe by the middle of 2016. This constitutes a major merger in the young history of the independent digital music distribution sector. Under SendR SE the Phonofile AS will join finetunes GmbH, the German digital service pioneer in the distribution of digital music rights. As a result of the merger and in efforts to consolidate, the Group cannot only directly double their turnover, but also extend the global reach for music licensors. Based on this, general management expects business to remain successful for years to come. For 2016, a turnover of more than 16 million euros is planned (assumption: Phonofile AS consolidated starting 1 July 2016), and for 2017, a turnover exceeding the 20 million line for the first time is planned. At the end of July 2016, the acquisition of Phonofile AS was approved by the General Meeting with 100% of all shareholders' votes.