



CHANCEN eG

Fair. Effective. Profitable.

Annual Report 2019



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Preamble

Dear members, dear readers and interested parties,

2019 really was a powerful year for us! We financed 267 students for the first time – an increase of 77 percent with which we were able to significantly raise our effect. We enhanced the number of our education partners from 14 to 27 (plus human medicine in the EU) – an increase of almost 100 percent. And, we expanded the portfolio of ISA (Income Share Agreement) from € 5.5 million to € 9.2 million – an increase of almost two thirds. At the same time, we reduced loss to €k 192 according to plan. This is a fantastic growth for which we want to cordially thank all involved parties!

To be honest, we must admit here that this strong growth was accompanied by some "growth pains". There still is potential for optimization – may it be the organizational processes or their implementation in the IT, the speed of our responses, or the publication of the financial statements. We are not only absolutely determined to remedy these issues, but already are on the way.

We also gained additional presence in public with the ISA concept. Not only our efforts towards the media and capital market but also particularly our BildungsCHANCEN bond of € 13 million contributed to this success. We obtained the permission for this bond in July 2019 and this was accompanied by a certain extent of attention in the media, for example by the German broadcasters [ZDF](#) or [Deutsche Welle](#). However, the most important point of the bond is the following: We were only able to refinance our leap in growth with the € 5 million we received 2019 by means of the bond. Insofar, it really was and is a good way which we already envisaged upon commencing with the cooperative but clearly advanced in time.

In addition, we forwarded our internal structure in the past year by activating BildungsCHANCEN I which already had been planned since 2017. And – also – because of this approach we were able to reduce the loss at cooperative level by more than half. Sure, our expenditures increased strongly, but should decrease again in the next year according to plan, in particular the legal and counselling costs. If the pandemic and its consequences for the entire economy – including the demand for high quality education – will not upset our plans, we could come a good step closer to our medium-term target of an annual operative surplus. In this context, it is important to achieve an allocation of our costs to larger volumes or, economically defined, to achieve economies of scale. However this shall be made without losing our aspirations, meaning to offer a socially acceptable educational funding under the fairest conditions – which is equally important to us.

Discuss with us – maybe at our annual meeting for members. Due to the pandemic, we had to postpone it a bit, unfortunately; and, for the first time, it will only take place online this time. On the one hand, this is a pity: We would have liked to welcome you personally. On the other hand, it means less effort and travel expenses. Therefore, we hope to be able to welcome the major part on 30th August of our members on the screen!

Sincerely,



Florian Kollwijn



Olaf Lampson

A. Status Report

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Fundamentals of the Company

CHANCEN eG (short form CHANCEN) is a cooperative for the promotion of its members. Its purpose is the promotion of science and research, education and nurturing, as well as equal opportunities and self-determination in education and further training.

The concrete objective of CHANCEN is the promotion of equal opportunities and self-determination during studies, training, and in career choice: Every person shall get the opportunity for the best possible education without regard to his/ her financial possibilities. To implement this idea, CHANCEN offers the financing model "Income Share Agreement" (ISA) which has been successfully offered since 1995 by StudierendenGesellschaft Witten/Herdecke e. V. at a single university (University of Witten/Herdecke). ISA enables a downstream educational funding depending on the income.

CHANCEN is oriented towards public welfare but not tax-privileged in the meaning of the Tax Code. It strives for a long-term economic viability but no profit maximization. CHANCEN wants to enable more equal opportunities for young people for a broad range of study programmes and training and further education measures and it seeks a fair sharing of chances and risks in educational funding. Therefore, the funded young people contribute a repayment amount depending on their income; therefore the provider of financing receives a market interest rate and CHANCEN receives an adequate remuneration for its work.

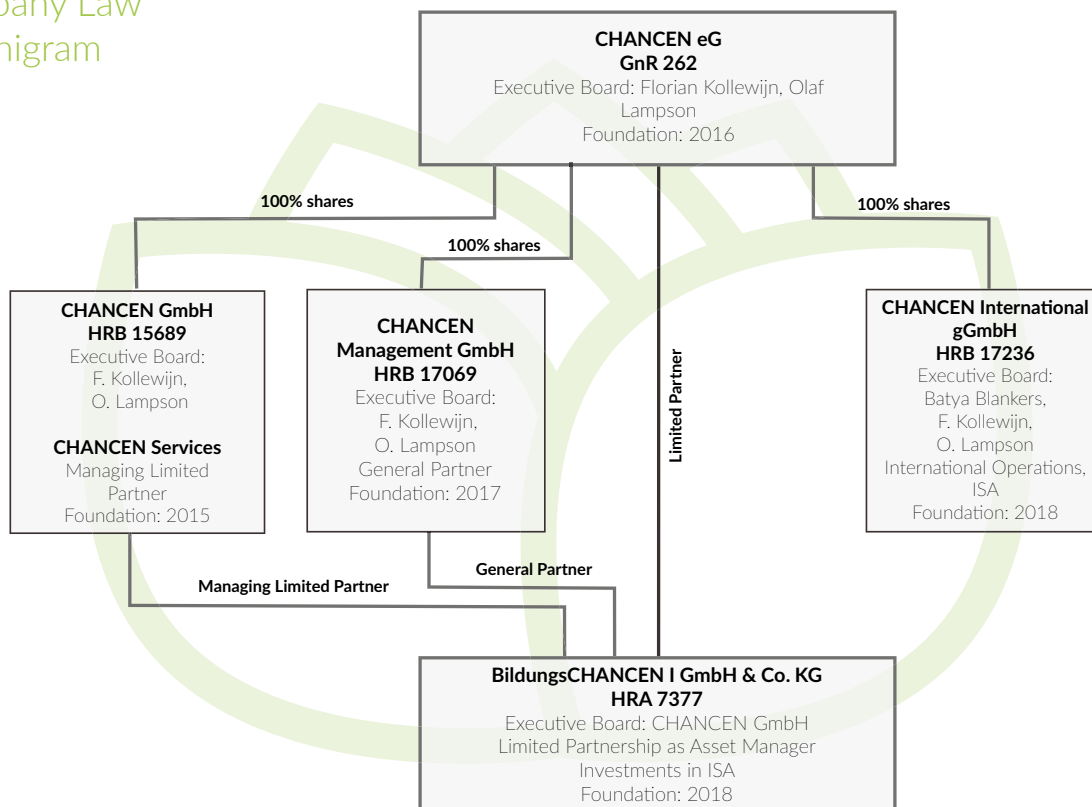
Crucial external factors influencing the activities of CHANCEN are the number of cooperating educational institu-

tions as well as the number of their students, the allocation of the payment variants among the students, and the development of the graduates' income.

CHANCEN was founded in 2016 and thus is a young company. In the starting phase and in particular due to the long-term business model, in the first years mainly long-term lendings are made. Because of start-up costs in the form of operating and staff expenses as well as refinancing costs, the company expects scheduled initial losses of about € 1.1 million which were supposed to pass over to positive annual results due to growth and related economies of scale from the financial year 2020/2021 on. The uncertainty about the further development of economy, the labour market, and the interest for an academic education due to the Covid-19 pandemic, CHANCEN eG cannot assume the projected growth with reasonable assurance today. This would have a negative impact on the planned economies of scale and could result in a delay of one year for the attainment of the profit zone and an increase of the accumulated initial losses to about € 1.2 million Under these circumstances, the statement of the net profits would correspondingly be delayed.

Due to the scheduled loss phase in the financial years 2016 to 2022 owed to the business model, the Supervisory Board of CHANCEN eG continuously deals with the development and continuation of the company. Because of the development of CHANCEN eG the Annual Financial Statements 2019 were set up assuming a continuation of the positive development

Company Law Organigram



The CHANCEN group of companies comprises the parent company, CHANCEN eG, having its headquarter in Witten, CHANCEN GmbH for software-as-a-service offers which was founded in 2015, CHANCEN Management GmbH which was founded in 2017, BildungsCHANCEN I GmbH & Co. KG ("BildungsCHANCEN I") which was founded in 2018, as well as the charitable subsidiary CHANCEN International gGmbH which was also founded in 2018. All companies have their legal registered office in Witten/Ruhr. The general partner of BildungsCHANCEN I GmbH & Co. KG is CHANCEN Management GmbH, the managing limited partner is CHANCEN GmbH.

With effect from 1 January 2019, CHANCEN eG has transferred repayment claims out of ISA contracts in the amount of € 6.35 million to BildungsCHANCEN I and equipped it with the corresponding borrowed capital; furthermore receivables in the amount of €k 517 were transferred to the KG (Limited Partnership) during 2019. Receivables out of ISA contracts arising from 2021 on will then be transferred to a second KG (Limited Partnership) still to be established - BildungsCHANCEN II GmbH & Co KG.

Overall Economic Situation and Sector

Already in 2019, the overall economic situation in Germany was characterized by a slowdown in economic activities. The gross domestic product (GDP) only increased by 0.6 percent while its increase in 2018 was 1.5 percent.

There were 2.87 million students at the beginning of the winter semester 2018/2019. Out of these, about 8.6 percent (in winter semester 2018/2019: 246,700) studied at a private College. The trend of growing number of students at non-public colleges thus continues.

Upon the outbreak of the Covid-19 pandemic and the comprehensive curfew and prohibition of contact with other persons from the middle of March, the economic situation dramatically changed / deteriorated. Meanwhile, the German government assumes a decline in gross domestic product by 6.3 percent (price-adjusted) for 2020. For the following year 2021, an increase of 5.2 percent is expected.

Since March 2020, CHANCEN eG continuously dealt with the forecasts for the economic development and also incorporated them into their own business forecast from

the end of April upon the placement of the third and final tranche of their BildungsCHANCEN bond. Due to the economic decline there is a possibility that the interest of young people in academic education and vocational training could increase to improve their own labour market perspectives; this would have a stimulating effect on the business of CHANCEN. On the other hand, higher unemployment rates and lower income levels in the future could lead to an impairment of the repayment flows out of ISA contracts. As scenarios, CHANCEN has considered three rates of change. The result: Even in the most difficult third scenario – the so-called U-shaped curve in which a deep decline in the economic development in Germany between 2020 and 2025 and a very slow recovery are depicted and in which an initial increase of the unemployment rate to 15 percent and a drop in income of initially 20 percent are assumed – the accumulated repayment flows will decrease in the long run (until 2045) by less than one percent. The reason for this is the long-term construction of the Income Share Agreement making economic crises controllable over the time axis. Insofar, the cooperative is optimistic that the pandemic-related crisis only has a minor effect on its business model.

Competition

The financing of study fees on the basis of the Income Share Agreement instead of a loan with fixed repayment rates is only being offered by a small number of providers in Germany. These competitors of CHANCEN put their focus on a small range of subjects, such as Business Administration, Law or Politics. This means that there is an overlap of subjects and universities / colleges – and a real competitive situation as a financing partner of students at private colleges – only to a small extent.

Furthermore, the vision of CHANCEN is to offer the fairest kind of educational funding; therefore it advertises with the slogan: „Fair. Effective. Profitable.“ Here, fairness first of all means: offering such favourable and exclusively income-dependent conditions for students as are sustainably viable. This distinguishes CHANCEN being a company oriented towards public welfare from the purely commercially motivated competitors. For this reason, CHANCEN

expects that the demand for their funding offer will persist in competition, also in case the competitors should expand their offers to further subjects.

For a better presentation of the conditions in comparison with other ISA providers, CHANCEN eG has adjusted its conditions from the beginning of 2020: Since January, the ISA contracts for a Bachelor study programme at an educational partner institution are no longer related to the net income but to the gross income. At the same time, the number of repayment years has been reduced from ten to eight years within the entire and unchanged repayment period of 25 years. This condition adjustment which is calculatorily neutral for the cooperative has primarily been made for competitive reasons as now a direct comparison of the repayment percentage between CHANCEN eG and other providers of ISA contracts is possible.

Important Events

Number of Educational Partners Doubled

We apply the following criteria when choosing our educational partners: Ideally, the educational institution is a non-profit entity (for example: gGmbH). In case of other institutions, the structure and orientation of the owner are particularly relevant for us as we do not see education as a yield-maximizing business model. Moreover, high quality teaching, innovative didactics or innovative study programmes, or the complementation of a deficiency in official university places are important preconditions.

The number of the cooperation partners from universities, colleges and further education schools has almost doubled by 13 to 27 (past year: 14). New partners are EBZ Business School, EDU Medical College, Hamburg School of Business Administration (HSBA), HKS Hochschule für Künste im Sozialen, Lancaster University Leipzig, NBS Northern Business School, and SRH Berlin University of Applied Sciences, as well as the vocational training institutions Helm Sterling Institute (HSI), Ironhack Berlin, Super(Code), ubiqum code academy, Le Wagon Coding Bootcamp, WBS Coding School, and Wild Code School. In addition, the funding of medical studies at a private College approved in the EU has been offered for the first time. The contractual offer was accepted by a total of 614 students in 2019. Of these, 566 students were funded with an amount of € 9.2 million for study fees.

Number of Students Funded by ISA Contracts has Increased

In 2019, also the number of the ISA-bound students increased by 267 from 346 to 614 (students), i.e. about 77 percent. As a result, the lending volume provided to financed students increased by about 65 percent to €k 9,174 as of the balance sheet date compared to the previous year (€k 5,542).

Due to the establishment of business, the income situation could not yet keep up with the growing number of recipients. Nonetheless, the revenues from cooperation fees of the partner universities were increased by about 36 percent to €k 312 (€k 229). However, earnings from the repayment of ISA contracts in an economically relevant size will only incur in some years because of the long-term business model (see diagram "ISA contract in the expenses / income profile").

	Name of the Educational Partner	Headquarter
Universities / Colleges and vocational training institutes with a regular study / training period of more than one year		
1	akkon Hochschule für Humanwissenschaften	Berlin
2	Alanus Hochschule	Alfter
3	CODE University of Applied Science	Berlin
4	EBZ Business School	Bochum
5	Epitech Berlin	Berlin
6	EU FH	Cologne
7	EDU Medical College	Malta
8	Hamburg School of Business Administration (HSBA)	Hamburg
9	Hertie School of Governance	Berlin
10	HKS Hochschule für Künste im Sozialen	Ottersberg
11	International Psychoanalytical University	Berlin
12	Karlsruhochschule International University	Karlsruhe
13	Lancaster University Leipzig	Leipzig
14	Medizinische Hochschule Brandenburg Theodor Fontane	Brandenburg/ Havel
15	Merz Akademie	Stuttgart
16	Northern Business School	Hamburg
17	SRH Berlin University of Applied Science	Berlin
18	Helm Sterlin Institute (HSI)	Heidelberg
Training institutes with a training period of up to one year		
19	Data Science Retreat	Berlin
20	Games Academy	Berlin
21	Ironhack Berlin	Berlin
22	Le Wagon Coding Bootcamp	Berlin, Munich
23	neue fische	Hamburg, Cologne
24	Super(Code)	Düsseldorf
25	ubiqum code academy	Berlin
26	WBS Coding School	Berlin
27	Wild Code School	Berlin
Study programmes being funded at universities / colleges without cooperation contract		
	Humane Medicine	Countries of EU

List of our educational partners as of 31 December 2019

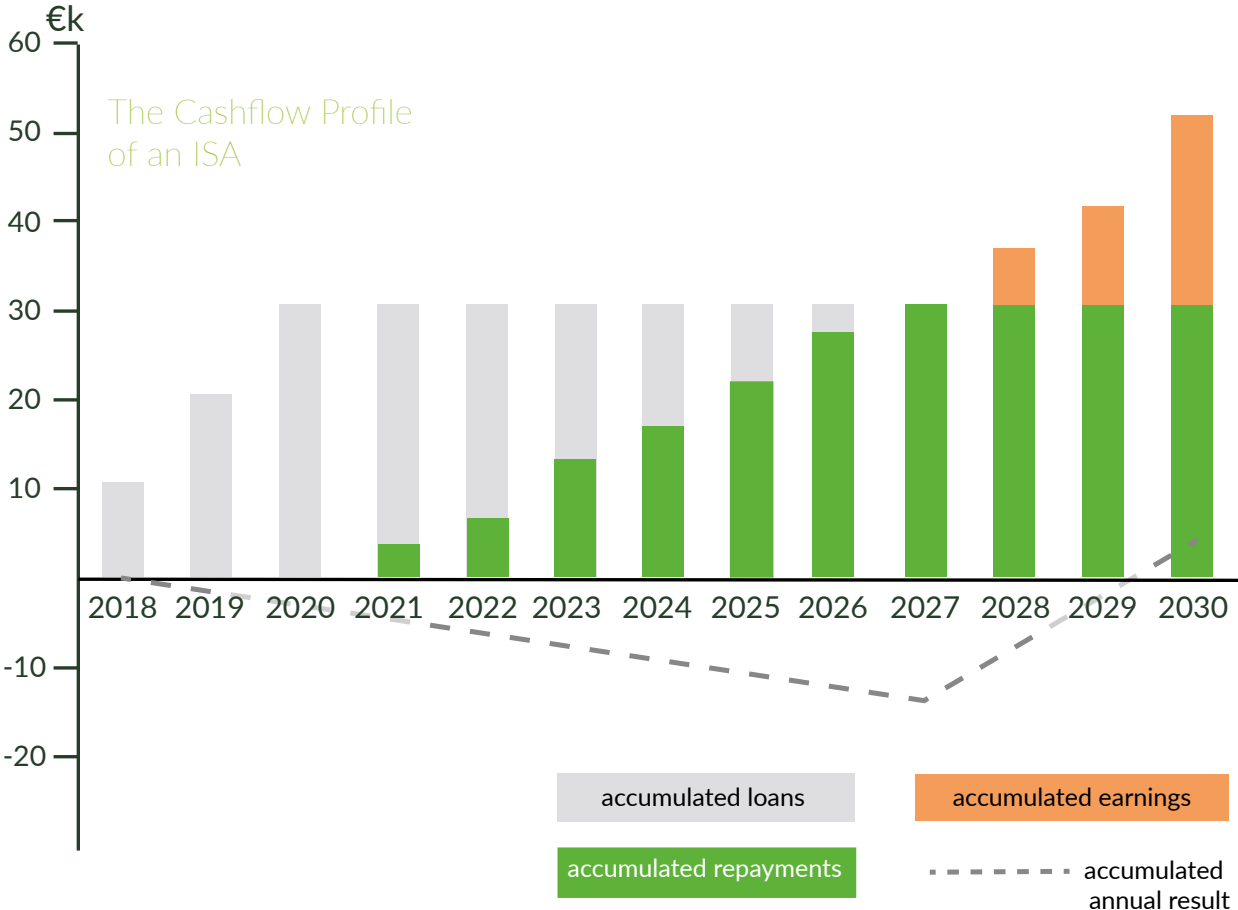
Cycle of Financing & Repayment of Study Loans has Commenced

In 2019, the repayment period started for 40 students (previous year: 13). This phase which takes between five and ten years of regular repayment obligation, depending on the kind of studies, always starts in January of a year after completion of studies or the vocational training. If the income of previously funded students predictably falls below the minimum income limit of currently €k 27¹ – for instance because of Master studies, an internship, or family leaves – the students may apply for an exemption from the monthly ISA repayment rates. In all other cases, the monthly minimum amount according to the ISA contract becomes due. In the subsequent year the final repayment amount for that year will be calculated based on the tax return to be submitted.

29 students out of 53 who were in the repayment phase at the end of 2019 successfully applied for exemption, partially for reasons of Master studies, and 24 students commenced their repayments. From these payments CHANCEN eG received €k 32. However, earnings out of repayments did not yet incur according to plan. This is because the ISA funding model is based on an average financing cycle of about 15 years which on average generates earnings out of repayments only during the last three years – after the full repayment of the lending amount.

The structure of the financing cycle is explained by means of an example in the following diagram ("ISA contract in the expenses / income profile"):

¹ These are the current conditions for UGV contracts concluded from 2020. In former contracts a minimum income limit of € 21,000 after deduction of social security contributions was agreed.



Issue of a Bearer Bond

In spring 2019, CHANCEN eG started its efforts to issue a bearer bond in accordance with the Securities Prospectus Act (Wertpapierprospektgesetz) with a planned volume of up to € 13 million and a term of 12 years for refinancing further ISA financing. The plan was accompanied by the local bank, a law firm, and a team of structuring experts.

To ensure the security of the bond investors, a trustee, company HmcS Treuhand GmbH, was incorporated in the construction of the bond: The trustee must authorize all payouts from the bond-proceeds account at the payment office; thus a disposal from this account will only be effected for the settlement of the ancillary bond-related expenses (max. €k 650) and for the purchase of receivables out of proven ISA contracts. The bond is exclusively publically offered in Germany.

On 19 July 2019, the responsible authority, the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht), granted the necessary permission for the bond with the securities identification number A2TSCT (ISIN DE000A2TSCT2). On 20 July 2019, the securities prospectus was published on the [website](#) of the cooperative under exclusion of sales in the United States of America, Canada, Japan, and Australia. In August, the bank GLS Gemeinschaftsbank eG (GLS Bank) began placing the bond as a financial service provider; the first tranche of € 5 million was fully placed by the end of October 2019. The issuer placed own issues of about € 2 million in the first quarter of 2020. The third and final tranche has been newly placed by GLS Bank at the end of April 2020; at the date of this status report already further € 6 million have been subscribed. The overall placement will be terminated one year after the permission on 18 July 2020, regardless of the success.

With the maximum possible bond-proceeds of € 13 million about 650 additional students can be financed. By the end of 2019 the cooperative already had completed 267 new ISA contracts (Income Share Agreements).

CHANCEN International

The company CHANCEN International gGmbH, founded in 2018, has set itself the task to offer the ISA contract in African states of the Sub-Saharan zone. There, higher education offered by the state or privately is fee-based for the most part and thus only available to a small number of young people. In partnership with chosen educational institutions and universities, CHANCEN International gGmbH offers the Income Share Agreement.

In 2019, the non-profit company managed to achieve strong growth. In the course of this, the team consisting of three employees, including the management, increased its number to 12 employees. At the end of 2019, CHAN-

CEN International already funded 1,293 students with the Income Share Agreement (ISA), 87 percent of which were female and 45 percent came from the rural areas of Rwanda. The educational partners of CHANCEN International, Kepler University and the Akilah Institute in Kigali, offer Diploma and Bachelor degrees in the subjects Management, Health and Hospital Management, Communication, and IT. Moreover, the participation in courses for financial education held by CHANCEN International gGmbH is mandatory for the students.

Information Technology

A central element of the CHANCEN group's IT landscape is an internationally widespread software for Cloud Computing solutions ('Salesforce') used for data storage and the core processes for the processing of the Income Share Agreement. Furthermore, other software applications are integrated via interfaces (APIs).

In the past year, the database mainly recognized in the balance of CHANCEN GmbH was further developed and expanded by additional features, such as the automated support of graduates in their repayment phase (so-called repayment management). In addition, the ISA contractual conditions adjusted at the beginning of 2020 (repayment rates are related to the gross income instead of the net income) were updated. To do so, personnel resources for the IT department were significantly raised during the year. In total, IT investments in the amount of more than €k 117 were made in 2019.

Annual Meeting

On 4 May 2019, the general assembly of CHANCEN eG took place in Berlin-Moabit on the premises of the cooperating International Psychological University (IPU). The general assembly approved the Financial Statements 2018 and decided on the 2018 profit / loss carried forward, approved the bodies of the cooperative, and resolved an amendment of the Articles of Association (§ 24) for an optional composition of the Supervisory Board with a maximum of seven persons. In addition, capital market expert Dr. Sandra Reich and attorney David Reichwein were elected to the Supervisory Board for the first time. After Joachim Rang's resignation on the same day, the Supervisory Board of CHANCEN consists of five persons.

Apart from this, the composition of the Executive Board and Supervisory Board of CHANCEN eG remained unchanged in 2019.

Income Situation

Earnings

We were able to increase the earnings from cooperation fees from our educational partners by 36 percent from €k 229 to €k 312. This amount mirrors the strong increase of the number of our university partners as well as the number of funded students.

Moreover, CHANCEN eG shows earnings from the collection of management fees in the amount of €k 315 (previous year: €k 0) as well as interest income from affiliated companies in the amount of €k 253 (previous year: €k 0) in 2019 for the first time. By this, the management of the ISA contracts as well as shareholder loans given by CHANCEN eG are rewarded. These earnings face the corresponding expenditures at the subsidiary BildungsCHANCEN I. In total, revenues in the amount of €k 627 (previous year: €k 229) for 2019 result.

Under the position "Other Capitalized Own Services" the amount of €k 71 for self-produced software has to be shown (previous year: €k 0).

Other operating income increased from €k 24 to €k 515. Thereof, the major part comprises group-internal settlement payments for the costs of the bond issue as well as compensation for staff costs for CHANCEN International and continued remuneration in the case of illness / parental leave for small enterprises. This income faces the corresponding costs for staff and for other operational expenses from the issue of the BildungsCHANCEN bond.

Expenditures

Staff Costs

The staff costs amounted to €k 524 (previous year: €k 352) in the financial year. Under consideration of the group-internal settlement payments the net expenditures in the year 2019 amounted to €k 457. This increase of 49 percent mainly is based on the higher number of employees of CHANCEN eG: The average number of full-time employees in the past financial year was 9.8, including the Executive Board at CHANCEN eG. The core team of seven members was supplemented by trainees and working students.

Write-offs

The amortizations for the use of the tangible fixed assets, including self-produced software, increased from €k 13 to €k 24.

Other Operating Expenditures

In the past year, the material costs were €k 827 totally (previous year: €k 208). Under consideration of group-internally set-off costs for the issue of the BildungsCHANCEN bond in the amount €k 392, the adjusted expenditures were €k 435. Compared to the previous year, this is an increase of 209 percent of the other operating expenditures after adjustment.

This significant increase has several causes. The expenditures for the financial statement and audit costs which increased due to the bond and supervisory regulations (€k 128 compared to €k 19) as well as for legal and counselling costs (€k 96 compared to €k 30), travel expenses (€k 21 compared to €k 15), marketing expenses (€k 21 compared to €k 8) and licensing fees (from €k 11 to €k 16), the costs for the Supervisory Board expanded to five members (€k 11 compared to €k 9) and costs for further training measures and events (from €k 4 to €k 11) faced only low cost reductions, such as for office space costs (€k 39 compared to €k 41).

Financial Result

The interest expenditure has more than doubled from €k 106 to €k 276. This mirrors the clearly increased refinancing volume of € 14 million. Besides interest expenditures for qualified subordinated loans, as well as trustee loans and bank loans, also the pro rata temporis net interest expense in the amount of €k 44 for the 5,010 subscribed bearer bonds of the BildungsCHANCEN bond from the issue date (20 August 2019) until the balance sheet date 2019 is included.

In the financial year 2019, write-offs on financial investments still had to be made for €k 18. They result from a lower fair value on the closing date.

Annual Result

The cooperative closes the year 2019 with a loss of €k 192 (previous year: ./ €k 492). For 2019, a loss between €k 190 and €k 233 was scheduled under the condition of the transfer of the ISA portfolio to BildungsCHANCEN I. Because of this transfer and the associated cost coverage for the issue of bond the annual result of the financial year 2019 is better than predicted. Insofar we are fully satisfied with the actual annual loss in the amount of €k 192.

Asset Situation

We were able to more than double the total assets from €k 7,176 to €k 15,837. This development can be traced back to the strong growth of the fixed assets to now €k 10.246 (previous year: €k 5,815), on the one hand. On the other hand, thanks to the issue of the BildungsCHANCEN bond it was possible to build up a financial buffer of liquidity in the amount of €k 4,714 to meet the continuous financing of the commitments entered into with regard to the ISA contracts also in 2020 and subsequently.

Within the fixed assets the intangible assets raised from €k 39 to €k 139 for the further development of the software. There were no advance payments by the balance sheet date 2019 (previous year: €k 15). The business equipment increased slightly to €k 23.

The shares in affiliated companies of a total of €k 71 comprise the complete capital shares in CHANCEN GmbH founded in 2015, CHANCEN Management GmbH founded in 2017, as well as the subsidiaries CHANCEN International gGmbH and BildungsCHANCEN I, both started in the financial year 2018.

On the balance sheet date, 31 December 2019, the necessity arose in connection with the lendings to CHANCEN GmbH to assess the valuation in the balance at a lower value to be attributed to it at the closing date. The unplanned write-offs on financial investments or the lendings to affiliated companies, respectively, are €k 18 (previous year: €k 65) in total for the financial year 2019.

Other lendings as of 31 December 2018 shown in the financial assets included the long-term lendings to the financed students on the basis of the funding model "Income Share Agreement". CHANCEN eG transferred them with effect 1 January 2019 in the form of conditional repayment claims out of ISA contracts to BildungsCHANCEN I GmbH & Co. KG. At the same time, CHANCEN eG equipped BildungsCHANCEN I with corresponding long-term loans in the form of lendings to affiliated companies (asset swap). In the financial year 2019, main investments were made in Income Share Agreements (ISA contracts) which first had been concluded between the borrower and CHANCEN eG, paid and then transferred to BildungsCHANCEN I. The lending volume out of ISA contracts increased from €k 5,542 to €k 9,174 in the financial year 2019.

The current assets increased from €k 1,280 to €k 5,261. First of all this included the increase of liquid funds due to the bond to €k 4,714 (previous year: €k 923), the increase of receivables towards a grown number of cooperating universities in the amount of €k 359 (previous year: €k 244) and of receivables to affiliated companies in the scope of the services rendered for them in the amount of €k 150 (previous year: €k 96).

Financial Situation

Equity Capital

The cooperative shares of the members of CHANCEN eG increased from €k 2,103 to €k 2,468. First of all, this can be traced back to the positive rise in the number of members from 435 to 714, i.e. by 64 percent. There were no cancellations of cooperative shares in the calendar year 2019.

The recognized equity capital is reduced by the accumulated loss in the amount of €k 820 which resulted from the establishment of the cooperative in the years 2016 to 2018, as well as the annual loss 2019 in the amount of €k 192. In total, under consideration of the losses, an increased recognized equity capital of €k 1,456 results (previous year: €k 1,283). However, the equity ratio decreased to about 9 percent (previous year: 18 percent) due to the strong expansion of the total assets.

Debt Capital

On the balance sheet date, the provisions amounted to €k 139 (previous year: €k 25). The greater increase mainly can be traced back to the comprehensive audit of the Financial Statements; in addition other accruals for archiving and for leave not taken in 2019 are included.

The liabilities amounted to €k 14,242 on the balance sheet date (previous year: €k 5,868).

Financial Liabilities

The stronger increase first of all is to be traced back to the expansion of the long-term financial liabilities from €k 5,674 to €k 13,948. On the balance sheet date, they consisted of the 5,010 partial bearer bonds per € 1,000 each of the BildungsCHANCEN bond, bank loans of €k 3,500 (previous year: €k 3,300), and loans with qualified subordination agreement in the amount of €k 5,438 (previous year: €k 2,374). In the position bank loans also the trustee loans provided to us through our contractual partner GLS Bank are included.

With this financing mixture, CHANCEN eG manages to re-finance its lendings to students in the scope of the Income Share Agreement matching maturities to the largest extent. The interest rates for the financial liabilities – mainly with an initial term of ten to 15 years – were between 2 percent and 4 percent per annum in 2019. The financial liabilities in the amount of €k 13,948 as per year's end 2019 generally have a residual term of more than five years; on the balance sheet date no residual term of less than one year did exist in this position (also see Annex, D. I).

Trade payables of €k 33 (previous year: €k 147) contain the study fees to be paid to the university partners on the balance sheet date. Other payables in the amount of €k 5,670 (previous year: €k 2,414) contain interest expenses until year's end 2019 (€k 167) and liabilities for the subordinated loan in the amount of €k 5,438 (previous year: €k 2,374).

Economic Equity

The economic equity of CHANCEN eG consists of the paid-in cooperative shares, the loss carried forward, the annual loss as well as the subordinated loan. At the end of the year, it amounted to €k 6,854 (previous year: €k 3,578). Thus, the economic equity ratio was about 43 percent on the balance sheet date 2019 (previous year: 50 percent). The slight reduction of this ratio is owed to the strong business expansion whereby the BildungsCHANCEN bond contributed the most to its refinancing.

Liquidity

The cash and cash equivalents increased by more than fourfold compared to the previous year from €k 923 to €k 4,714.

The cash flow from ongoing business activities was €k 398 (previous year: €k 263), and the amount of €k 4,460 (previous year: €k 2,826) was used for investment activities. In return, an amount of €k 8,649 from financing activities was flowing to CHANCEN eG (previous year: €k 3,356).

Financial solvency of the CHANCEN group was guaranteed in 2019 at any time.

The credit lines made available were fully drawn down on the balance sheet date 2019. Out of the bond with a maximum issue volume of € 13 million a total of € 5 million was subscribed by the end of 2019.

PRESENTATION OF THE SITUATION

Financial Performance Indicators

As crucial financial performance indicators we use the number of cooperating educational institutions, as well as the number of students funded by ISA contracts.

The number of cooperating educational institutions increased by 13, i.e. from 14 to 27. Furthermore, since 2019 we finance the fees for human medicine studies at universities in the EU with which no cooperation agreement was concluded.

This near duplication of the educational partners contributed to the fact that the number of contractually funded students increased by 267 (77 percent) from 346 (previous year) to 614 on the balance sheet date 31 December 2019. With this result, our expectation of further growth, regarding the number of educational partners as well as the number of students, was fully met.

Non-Financial Performance Indicators

The CHANCEN eG business model is based on the vision to offer a funding which is as fair and as sustainable as possible on the basis of the Income Share Agreement (ISA contract). By this model, equal chances and self-determination of young people during their studies, their training, and career choice shall be promoted. These objectives had been reviewed in 2018 by a research agency for sustainability located in Hannover. The findings were that CHANCEN pursues four of the 17 UN Sustainable Development Goals: The goal of Quality Education (No. 4), the goal of Gender Equality (No. 5), the goal of Decent Work and Economic Growth (No. 8), and the goal of Reduced Inequalities

(No. 10). Therefore, the business model can be considered sustainable.

Being a young company, CHANCEN pursues environmental issues via an efficient organization of their administration: The processes shall be processed as far as possible digitally and paperless; business trips are conducted as environmentally friendly as possible (train and public transport). The employees of CHANCEN – as a team – have extensive co-determination rights as regards the design of work processes and work environment. Because of the small size of the team, each employee can well contribute to this process organization.

Supplementary Report

In terms of the supplementary report, we make reference to our explanations in the Annex to the Financial Statements as of 31 December 2019.

FORECAST, OPPORTUNITIES, AND RISK REPORT

Risks

The following statements about the future course of business of CHANCEN eG and the assumptions about the development on the further training market are based on our estimates which we consider realistic today because of the information available to us. However, they are afflicted with uncertainties and thus hold the unavoidable risk that the predicted developments might not actually occur, neither in their tendency nor in the extent predicted.

Individual Risks

Refinancing Risks

These include the risk of increasing interest at the capital market which might force us to apply higher interest to our financing instruments to be newly agreed. These additional costs would only be bearable to a minor extent. In case of a – currently not foreseeable – higher increase, we would

have to correspondingly adjust the conditions for the ISA contract.

Moreover, here we capture the risk of a too low refinancing volume which could at least slow down a sustainably adequate growth in the business model. We face this risk which, in the worst case, might be life-threatening, by a close collaboration with GLS Bank eG having its headquarter in Bochum with a balanced mixture of financing variants and with active investor relations.

Counterparty Risk

The essential assets of CHANCEN consist of lendings to BildungsCHANCEN I which finances young people's study fees on the basis of the ISA concept. Thus, these assets are subject to the risk that BildungsCHANCEN I might not fulfill its financial obligations at all or only partially. We encounter this risk by broad allocation to many funding

recipients, a multistage selection procedure and a diligent contract design covering a variety of possible scenarios in the course of a career. In the long-term corporate planning, as well as in the scope of the continuation forecast, these counterparty risks were taken into consideration in different scenarios.

Staff-related Risks

With an average of seven full-time employees, including the management, as well as employees with temporary contracts for highly qualified young people – usually students and doctoral students from the subjects Business Administration, Informatics, Statistics, and Psychology – CHANCEN eG operates with a comparatively small permanent workforce. An employee leaving the company or a longer absence of an employee could result in the – temporary – unavailability of important know-how. The management is eager to keep up the motivation as well as the personal qualification of all members of the team by regular further trainings and team building measures. This also includes health-promoting measures, such as common fitness programmes and healthy nutrition.

IT-related Risks

The CHANCEN group digitally displays as many routine processes as possible in order to be and to remain an efficient company acting in the interest of its members - in particular with regard to the strong growth achieved so far. For this reason, it invests to a major extent into the adjustment of a licensed cloud-based software platform of ‚Salesforce‘ to ensure the complete management and support of the students over the perennial phase of the Income Share Agreement (application, selection, contract conclusion, financing of the study fees, repayment management). Delays or errors in this adjustment constitute a risk which CHANCEN eG seeks to minimize by close collaboration with the development agency specialized in Salesforce, an active project management under the supervision of a responsible person in the IT department, as well as regular updates and data quality reviews.

Legal Risks

Contracts on the funding of study fees through the Income Share Agreement might be legally contested by fund providers. The media reported about such incidents at two competitors in 2018 (see [here](#)). CHANCEN eG safeguarded itself against such risks in several ways: 1. It uses ISA contracts which grant a fair distribution of opportunities and risks between the company and the students. 2. The ISA contracts used are regularly evaluated whether they correspond to the trends of new legislation. 3. Its ISA contracts are almost identical of the ones of StudierendenGesellschaft Witten/Herdecke e.V. who can look back on 25 years of practical application of the ISA contract without any major legal disputes.

In response to a request, the Federal Financial Supervisory Authority (BaFin) declared towards the cooperative in 2016 that the funding on the basis of the Income Share Agreement is no credit business subject to approval according to the German Banking Act (KWG). BaFin repeated this assessment in 2019 towards the cooperative on the occasion of the ISA portfolio transfer to BildungsCHANCEN I. However, it cannot be ruled out that the Financial Supervisory Authority could change its opinion with regard to individual parts or the entire business model of the cooperative. Moreover, new requirements for qualified subordinated loans could arise upon the refinancing with mezzanine capital due to further legislation or an amended assessment by the Financial Supervisory Authority. CHANCEN eG repeatedly obtains qualified legal advice to reduce such risk. In addition, nearly all subordinated loan agreements concluded between 2016 and 2019 meanwhile have been adapted to the current requirements by means of an additional agreement (also see Annex, Supplementary report).

Overall, the risk situation of CHANCEN compared to the previous year did not change.

Opportunities for Future Development

CHANCEN eG managed to very well use its growth opportunities in the past financial year 2019.

Until the outbreak of the pandemic in Germany, CHANCEN eG anticipated further stable growth of economy for 2020. By the restrictive measures implemented from mid of March due to the pandemic, the GDP sank, adjusted for price, seasonally and calendar-adjusted, by 2.2 percent in the 1st quarter compared to the 4th quarter 2019; a similar drop is expected for the 2nd quarter 2020. For the year as a whole, leading economic research institutes assume a decline in the Gross Domestic Product of between 5.0 percent (HWWI) up to 9.4 percent (DIW). These forecasts mainly correspond to the scenario which we had taken as a basis for the analysis of the effects of the coronavirus pandemic on our business model, etc. in April.

In this scenario, a reduction of salaries for 2020 of about eight percent is expected, as well as an increase of the unemployment rate of five percent which will presumably fully normalize in stages until 2025. Under these assumptions, the expected accumulated repayments out of our ISA portfolio will flow back until 2028 by up to one year later than expected. In the long term – until 2045 – the entire accumulated repayments out of our current ISA portfolio remain under their expected value by less than one percent. This relatively little economic effects on the cash flow of our ISA portfolio can be traced back to the long-term character of our financing model which embraces a repayment period of up to 25 years. We would have to assess the effects as much more impairing particularly in case an economic depression over decades would lie ahead. We do not assume this.

From the side of requests for ISA financing for studies or vocational training, we generally expect a stable or even an increasing demand. Particularly in times of a tight labour market a good vocational education or another vocational qualification is an advantage for an interesting professional activity, as some studies suggest. This prognostically growing demand encounters only few educational partners reporting about greater caution with regard to further education offers.

We assume that the positive reception for private higher education as well as the general trend towards a higher qualified vocational education or further training (keyword: lifelong learning) which has lasted now for a long time will continue. In particular, we expect another increasing demand for subjects with access restriction, such as Human

Medicine and Psychology having a significantly higher number of applications for study places than state universities / colleges are able to offer. Therefore, private universities / colleges which are, among others, financed through study fees have expanded their range of subjects and their capacities for some time now. Besides academic education, the importance of short-term vocational and further training offers in the field of software and web development, as well as in the data science field – which are also financed by fees – is growing.

The state financial support according to the Federal Education and Training Assistance Act (Bundesausbildungsförderungsgesetz - Bafög) mostly is insufficient for financing the living expenses and study fees. Therefore, funding on the basis of ISA is an attractive alternative for prospective students as ISA contracts with their particularly designed repayments obligations address future life situations in a much more flexible manner than this is possible for bank credits. The payment obligation after the completion of studies is no constant with a – under certain circumstances – crushing effect, but a bearable burden which is tailored to the student's individual life and income situation.

Against this background, CHANCEN assumes that the ISA will gain in importance for financing a vocational education.

The lendings on the basis of ISA are, among others, based on the long-standing experience of Studierenden-Gesellschaft Witten/Herdecke e.V. (SG), a founding member of CHANCEN eG. In the calculation, the income expectations of the various training professions, the overall economic situation in Germany, as well as the social data on careers, including family leaves, times of unemployment or part-time activities, are included. In addition, a default rate of five percent is included in the calculation for securing the business model's sustainability. CHANCEN eG presumes that the balance position Other Loans also comprises hidden reserves which may be used later for upcoming generations of students.

From an overall perspective, CHANCEN eG assumes that the demand for the Income Share Agreement's offer will increase during the next years, by institutions as well as by the students and, thus their growth will continue. However, due to the uncertainties caused by the Covid-19 pandemic, growth may be smaller than planned which would impair the economic development of the cooperative.

Forecast for the Business Year 2020

At the end of 2019, our cooperation partners comprised almost 30 educational partners, two thirds of which were universities offering perennial studies and one third IT-oriented further training institutes, so-called Coding Bootcamps, offering digital training and further education in intensive courses of three to six months duration which are oriented towards the labour market. Collaboration with these further training providers is particularly interesting for CHANCEN in its current growth phase as here vocational training programmes of several months instead of several years have to be financed. For these educational programmes, the average funding period of a ISA contract is shortened; the repayment and, as a consequence, the phase of earnings start earlier. For these reasons, CHANCEN is currently driving forward this kind of cooperation.

In 2020, talks with other universities and further training institutions have been initiated and/or deepened. We think that the number of university partners will continue to grow, even if not at the same pace. Therefore, also the number of funded students will increase by 340 to 400. This planned expansion of business also is based on the fact that the cooperative meanwhile enjoys a higher level of awareness than in the previous year, among others, because of the bond and increased efforts for media response.

Under the assumption of continued stable growth, the management of CHANCEN eG supposes a similar development as in the financial year 2019 and, in this context, expects a significantly enhanced, even if still negative, annual result. Due to the restrictions caused by the Covid-19 pandemic a slowdown of growth and just a minor improvement of the annual result compared with 2019 cannot be ruled out with absolute certainty.

Internal Control and Risk Management System

CHANCEN still is a young company. Nonetheless, it implemented an internal control system (IKS) from the scratch to early identify erroneous trends and to be able to initiate measures to remedy them. This system which was rudimentary in the starting year was improved during the two following years and further differentiated in the financial year 2019.

The control system „IKS“ of CHANCEN eG is divided into the areas process risks and portfolio risks.

Process risks are such risks which can occur during usual operating business activities. They are classified in three classes depending on the potential frequency and possible amount of damage and are adequately controlled as expenditures.

The portfolio risks of CHANCEN eG are counteracted on several levels:

- + First, it has to be ensured in the multi-level application and selection process that the funded students suit the cooperative and the solidarity model and that they have an adequate qualification and motivation, as well as sufficient knowledge of the study programme and professional field.
- + The administration of selected, funded students via the credit management system is processed through „DATEV“ and a database structure based on the licensed, cloud-based software platform of ‚Salesforce‘ which was developed for the purposes of CHANCEN eG. This database includes an online portal over which the students, university partners, and repaying persons communicate and which embraces process automations as well as integration by third party service providers for video identifications, e-signature, and direct debiting. The database is fully functional and is continually developed internally and together with an external Salesforce development agency.
- + For the evaluation the portfolio's value, the processes and results for calculating the ISA conditions were differentiated and comprehensively documented. Furthermore, the development of a portfolio tool was started. In future, on the basis of this software, we will be able to display the value of our receivables portfolio and the related payment flows based on individual contracts under different scenarios. This enables us to show and use the so-called 'Value at Risk' (VaR, a key indicator used for the valuation of receivables) as well as the so-called 'Liquidity at Risk' (a key indicator relevant for cash flow planning) for various periods and scenarios. The development of the portfolio tool has proceeded and the remaining works are scheduled for 2020.

Branch Offices

Since 2018, CHANCEN eG has a branch office in Berlin-Kreuzberg as the majority of university cooperation partners is located Berlin or the surrounding region. There also a major part of the operating activities of the cooperative is done. The registered office (headquarter) of CHANCEN still is in Witten/Ruhr in the federal state of North Rhine-Westphalia; the Berlin office is no branch office with the legal requirement for registration in the meaning of law.

Witten, 30 June 2020

The Management
Florian Kollewijn

Olaf Lampson

B. Proposal for the Appropriation of Profit

The Management proposed to the General Assembly to carry forward the annual loss in the amount of € 191,672.44 € to new account.

C. Report of the Supervisory Board

The Supervisory Board has reviewed the Financial Statements, the Status Report, and the Proposal for the appropriation of the annual loss, has found them to be in order and supports the Proposal of the Management.

The Proposal corresponds with the provisions of the Articles of Association.

Witten, 27 July 2020

Caspar-Fridolin Lorenz
Chairman of the Supervisory Board

Financial Statements

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Balance Sheet

Assets

	31/12/2019 €	Total Amount	Previous Year €
A. Outstanding Payments on Members' Shares		39,500.00	77,900.00
B. Fixed Assets			
I. Intangible Assets			
1. Self-created Industrial Property Rights and Similar Rights and Assets – Intangible Assets in Development: € 59,368.73 (previous year: € 0.00)	125,306.73		0.00
2. Acquired Concessions, Industrial Property Rights and Similar Rights and Assets as well as Licenses of such Rights and Assets	13,920.00		23,486.00
3. Advanced Payments	0.00		15,136.80
		139,226.73	38,622.80
II. Tangible Assets			
1. Other Equipment, Factory & Office Equipment	22,838.00		22,727.00
		22,838.00	22,727.00
III. Financial Assets			
1. Shares in Affiliated Companies	71,110.64		25,194.07
2. Lendings to Affiliated Companies	10,285,270.96		169,121.64
3. Shares with Cooperatives	17,500.00		17,500.00
4. Other Loans	0.00		5,542,206.82
		10,373,881.60	5,754,022.53
		10,535,946.33	5,815,372.33
C. Current Assets			
I. Receivables and Other Assets			
1. Trade Receivables	358,542.35		244,160.87
2. Receivables from Affiliated Companies	149,988.87		95,987.02
3. Other Assets	38,490.76		16,268.98
		547,021.98	356,416.87
II. Cash and Cash Equivalents			
		4,713,657.82	923,141.58
		5,260,679.80	1,279,558.45
D. Accrued Items		1,056.71	2,708.73
Total ASSETS		15,837,182.84	7,175,539.51

Equity & Liabilities

	31/12/2019		Previous Year
	€	Total Amount	€
A. Equity			
I. Cooperative Shares			
1. of Remaining Members	2,467,970.68		2,102,770.68
		2,467,970.68	2,102,770.68
II. Profit / Loss carried forward		-819,979.57	-328,328.91
III. Annual Surplus / Annual Loss		-191,672.44	-491,650.66
		1,456,318.67	1,282,791.11
B. Provisions			
1. Other Accruals	139,166.30		24,903.33
		139,166.30	24,903.33
C. Liabilities			
1. Bond	5,010,000.00		0.00
2. Liabilities to Financial Institutions	3,500,085.88		3,300,000.00
3. Trade Payables	32,524.00		147,407.57
4. Payables to Affiliated Companies	21,535.82		150.00
5. Other Payables			
- thereof from Taxes: € 7,194.53 € (previous year: € 4,577.82)	5,677,552.17		2,420,287.50
- thereof for Social Security: € 0.00 (previous year: € 1,225.97)			
		14,241,697.87	5,867,845.07
Total EQUITY & LIABILITIES		15,837,182.84	7,175,539.51

Profit & Loss Account

For the Period from 1 January 2019 until 31 December 2019

	€ Total Amount	Previous Year €
1. Revenues	627,327.99	229,395.57
2. Other Own Work Capitalized	70,573.57	0.00
3. Other Operating Income	515,288.81	23,613.60
Overall Performance	1,213,190.37	253,009.17
4. Staff Costs		
a) Wages and Salaries	-432,331.56	-294,821.35
b) Social Contributions and Expenditures for Pensions and Support	-91,650.00	-57,211.35
	-523,981.56	-352,032.70
5. Depreciation		
a) on Intangible Assets and Tangible Assets	-24,378.91	-13,333.57
	-24,378.91	-13,333.57
6. Other Operating Expenses	-826,630.73	-208,431.60
Subtotal	-161,800.83	-320,788.70
7. Earnings from other Securities and Lendings of the Financial Assets	253,448.50	0.00
- thereof from Affiliated Companies: € 253,448.50 (previous year: € 0.00)		
8. Other Interest and Similar Earnings	10,909.92	0.00
9. Write-offs of Financial Assets and of Securities included in the Current Assets	-18,391.60	-65,286.84
10. Interest and Similar Expenses	-275,838.43	-105,575.12
Financial Result	-29,871.61	-170,861.96
11. Profit after Taxes	-191,672.44	-491,650.66
12. Annual Loss	-191,672.44	-491,650.66

Annex

A. General Information

CHANCEN eG having its headquarter in Witten is registered with the Local Court of Bochum under the register number GnR 262.

In the Annual Financial Statements, the commercial calculation rules were observed when displaying rounded amounts (full Euros). Corresponding sums were calculated without rounding and thereafter the respective result was rounded.

The CHANCEN Cooperative stands for equal opportunities and self-determination during studies, vocational training, and career choice: Everybody shall have the opportunity to obtain the best possible education, regardless of his/her financial possibilities. After completion of studies, vocational training or further training, graduates shall be able to freely make their career choice and design their working life without the pressure of interest and repayment.

Under this objective, CHANCEN eG offers the financing model "Income Share Agreement" (ISA) which has been successfully offered since 1995 by Studierenden-Gesellschaft Witten/Herdecke e.V. at the University of Witten/Herdecke. The Income Share Agreement enables a downstream, income-dependent educational funding.

The cooperative is oriented towards public welfare but not tax-privileged in the meaning of the section 'tax-advantaged purposes' of the Tax Code. As CHANCEN eG primarily concludes VAT-exempt output transactions, CHANCEN eG basically is not entitled to deduction of input tax. It strives for a long-term economic sustainability of its activities and no profit maximization. It perceives itself as a social enterprise and acts correspondingly. It wants to support a broad range of study programmes, vocational trainings, and further trainings and strives for a fair sharing of opportunities and risks in educational funding. To the end, the funded persons (,Recipients') render an appropriate repayment amount, the fund providers receive adequate interest payment, and CHANCEN eG obtains an appropriate remuneration for its work.

Besides, the educational funding, CHANCEN eG intends to offer a content-related and promoting supervision of the students, trainees, and participants of further training measures. For this purpose, a network consisting of past students, sponsors, institutions, and other partners shall be created.

CHANCEN eG was founded on 6 February 2016.

By the closing date, the cooperative possesses the size characteristics of a small cooperative ("Kleinstgenossen-

schaft") according to § 267a HGB [German Commercial Code] in conjunction with § 336 (2) HGB.

The Financial Statements of CHANCEN eG as of 31 December 2019 have been prepared in accordance with the German Accounting Regulations of §§ 242 et seq. and 264 et seq. HGB and the supplementary provisions for registered cooperatives according to §§ 336 et seq. HGB.

The Profit and Loss Account has been prepared according to the total cost method in accordance with § 275 (2) HGB. The financial year of CHANCEN eG commences the 1st January of each year and ends on the 31st December of the respective year.

B. Explanations on the Balancing and Assessment Methods

For preparing the Balance Sheet and the Profit and Loss Account, the following balancing and assessment methods were applied:

The balancing and assessment were made under the assumption of continuation of the business activity (§ 252 (1) No. 2 HGB). The economic development of CHANCEN eG is proceeding according to plan. Also in the next years, negative results will be achieved according to plan which is owed to the long-term business model. According to our current business planning, we expect that the accumulated loss generated in the financial years 2016 to 2020 or 2021 will amount to about €k 1,100.0. From the financial year 2021 or 2022 on, the cooperative plans to have positive annual results. In these planned accounts, potential negative effects by the Covid-19 pandemic are not taken into consideration as these are currently not obvious for CHANCEN eG and its subsidiaries. Nevertheless, CHANCEN eG has developed planning scenarios considering possible negative impairments by the Covid-19 pandemic with the result that in the worst case the achievement of the profit zone ("break-even point") would postpone by one financial year.

Self-created Industrial Property Rights and Similar Rights are assessed with Acquisition Costs or Manufacturing Costs (AC / MC). The voting right for activating Self-created Intangible Assets according to § 248 (2) Sentence 1 HGB [German Commercial Code] was exercised.

The assessment is made at Manufacturing Costs, i.e. with the expenditures incurring during development (§ 255 (2a) HGB); these correspond to the Manufacturing Costs

according to § 255 (2) S. 1 and 2 HGB. The Manufacturing Costs contain the production costs directly allocatable. Costs for general administration pursuant to § 255 (2) S. 3 HGB were not considered. The write-offs of the Self-created Intangible Assets were carried out over the normal useful operating life.

On the balance sheet date 31 December 2019, the balance sheet time Self-created Industrial Property Rights and Similar Rights and Assets included Completed Intangible Assets in the amount of €k 65.9 as well as Intangible Assets in Development in the amount of €k 59.4 for which no write-off has been carried out so far for lack of completion. Acquired Intangible Assets were assessed with the Acquisition Costs minus scheduled linear depreciations. The scheduled depreciations are based on the depreciation rates corresponding to the estimated operating life. Tangible Assets were assessed with the Acquisition Costs. The scheduled depreciations are based on the depreciation rates corresponding to the estimated operating life. Low-value fixed assets with a purchase price of up to € 250.00 plus statutory VAT were fully written-off in the financial year 2019.

Low-value fixed assets with a purchase price between € 250.00 and € 1,000.00 plus statutory VAT were summarized in a compound item in the financial year 2019 and are written-off over five years.

Financial Assets were assessed with the Acquisition Costs. Under the assumption of a permanent reduction in value, a value adjustment to the fair value was made. Receivables and Other Assets were assessed at nominal value. For doubtfully recoverable receivables, individual value adjustments were deducted.

Under the assumption of a permanent reduction in value, extraordinary write-offs were applied to Fixed Assets in accordance with § 253 (3) Sentence 5 or Sentence 6 HGB. If the reasons for a lower valuation have ceased, write-ups according to § 253 (5) HGB were applied.

For Current Assets write-offs were carried out according to § 253 (4) HGB in order to carry them at a lower value based on a stock exchange or market price on the closing date. If the reasons for a lower valuation have ceased, write-ups according to § 253 (5) HGB were applied.

Liquid funds were stated at their nominal value in all cases. Other Accruals correspond to the projected expenditures. They were recognized at the settlement amount necessary according to prudent commercial judgment.

Provisions with a residual term of more than one year were discounted with the average market interest rate of the past seven years corresponding to their residual term. The initial recognition of Provisions with a term of more than one year in the balance sheet took place with the discounted amount (net method).

The voting right to discount Provisions with a residual term of one year or less was not exercised.

With the amendment of the discount factor the entry of the change was adopted for the end of the reporting period.

Liabilities were recognized with the settlement value. Accrued items only were formed for major items in the balance sheet.



EXCURSION

Meet One of Our Students

"I noticed very late that I have a talent for it and that I could turn my hobby into a profession."

Shiraz Khan, neue fische

I have been programming since my school days, but back then it was only a hobby. I noticed very late that I have a talent for it and that I could turn my hobby into a profession. Before this realization, right after I finished high school, I first studied something more "traditional": Law. At first I was really good at it. However, I then fell ill for a long time and was no longer able to continue my studies after my recovery. Then I finally had the idea to further my education in computer science. The catch: Another three years of studies seemed too long to me, especially since I had financial difficulties at the time. The three-month training in the bootcamp was a welcome life-changing opportunity for me. The bootcamp was particularly helpful in jump-starting my professional career. After the bootcamp, I conducted three interviews with partner companies; in the end I chose CHECK24. I have been working there as a full-stack developer since the beginning of 2020 and I am very satisfied with my work.

C. Movement of the Fixed Assets

All Amounts in €

	AC/ MC as of 01/01/2019	Additions	Write-ups	Reclassifications	Disposals	AC/MC 31/12/2019
Intangible Assets						
Self-created Industrial Property Rights and Similar Rights and Assets	0.00	117,499.74	0.00	15,136.80	0.00	132,636.54
Acquired Concessions, Industrial Property Rights and Similar Rights and Assets as well as Licenses of such Rights and Assets	31,839.08	0.00	0.00	0.00	0.00	31,839.08
Advance Payments	15,136.80	0.00	0.00	-15,136.80	0.00	0.00
Subtotal	46,975.88	117,499.74	0.00	0.00	0.00	164,475.62
Tangible Assets						
Other Equipment, Factory & Office Equipment	33,381.44	7,240.10	0.00	0.00	2.00	40,619.54
Subtotal	33,381.44	7,240.10	0.00	0.00	2.00	40,619.54
Financial Assets						
Shares in Affiliated Companies	82,840.74	7,402.92	0.00	0.00	0.00	90,243.66
Lendings to Affiliated Companies	250,000.00	4,592,334.10	0.00	5,542,206.82	0.00	10,384,540.92
Shares with Cooperatives	17,500.00	0.00	0.00	0.00	0.00	17,500.00
Other Loans	5,542,206.82	0.00	0.00	-5,542,206.82	0.00	0.00
Subtotal	5,892,547.56	4,599,737.02	0.00	0.00	0.00	10,492,284.58
TOTAL	5,972,904.88	4,724,476.86	0.00	0.00	2.00	10,697,379.74

Write-offs as of 01/01/2019 (total)	Write-offs for the Financial Year	Changes of all write-offs in connection with Disposals	Write-ups in the Financial Year	Write-offs as of 31/12/2019 (total)	Carrying amount 31/12/2019	Carrying amount 31/12/2018
0.00	7,329.81	0.00	0.00	7,329.81	125,306.73	0.00
8,353.08	9,922.00	356.00	0.00	17,919.08	13,920.00	23,486.00
0.00	0.00	0.00	0.00	0.00	0.00	15,136.80
8,353.08	17,251.81	356.00	0.00	25,248.89	139,226.73	38,622.80
10,654.44	7,127.10	0.00	0.00	17,781.54	22,838.00	22,727.00
10,654.44	7,127.10	0.00	0.00	17,781.54	22,838.00	22,727.00
57,646.67	0.00	0.00	38,513.65	19,133.02	71,110.64	25,194.07
80,878.36	18,391.60	0.00	0.00	99,269.96	10,285,270.96	169,121.64
0.00	0.00	0.00	0.00	0.00	17,500.00	17,500.00
0.00	0.00	0.00	0.00	0.00	0.00	5,542,206.82
138,525.03	18,391.60	0.00	38,513.65	118,402.98	10,373,881.60	5,754,022.53
157,532.55	42,770.51	356.00	38,513.65	161,433.41	10,535,946.33	5,815,372.33

D. Explanations on the Balance and Profit & Loss Account

I. Balance

Other Loans as of 31 December 2018 shown in the Financial Assets included the long-term lendings to the funded students on the basis of the financing model "Income Share Agreement" (short form: ISA).

With effect of 1 January 2019, CHANCEN eG transferred these lendings in the form of conditional repayment claims from ISA contracts to BildungsCHANCEN I GmbH & Co. KG.

At the same time, CHANCEN eG equipped BildungsCHANCEN I GmbH & Co. KG with corresponding long-term loans in the form of lendings to affiliated companies (asset swap). Apart from this, Lendings to Affiliated Companies also include receivables in connection with the administration of repayment claims according to the principle of the Income Share Agreement, interest receivables as well as passed-on costs which are made available to BildungsCHANCEN I GmbH & Co. KG on the basis of a loan agreement for the long term.

From these lendings the usual counterparty risks related to the award of lendings. CHANCEN eG encounters this risk by a respective risk distribution in the portfolio. In the long-term corporate planning as well as in the scope of the continuation prognosis these counterparty risks were taken into consideration in different scenarios. On the balance sheet date 31 December 2019, the value of Other Loans was appraised according to the individual evaluation principle. As of 31 December 2019, CHANCEN eG assesses the evaluation criteria for a partial quantity of Other Loans at a total of € 62,246.00 as in need for observation. Due to the long-term repayment modalities, the basic and in particular prospective future income expectations of the debtors, as well as the different security mechanisms, the resulting residual risk is assessed as very low on 31 December 2019 so that no value adjustments were needed.

The subsequently listed assets / liability items fall under several items of the balance sheet: Receivables and Liabilities to Affiliated Companies also include Trade Receivables or Liabilities, respectively.

Information on companies, as far as these are participations on the meaning of § 271 (1) HGB or such a share is held by a person for the account of the cooperative:

Name and HQ	Share of Company Capital %	Equity capital of Company		Result of past Financial Year	
		Financial Year	€k	Financial Year	€k
Chancen GmbH, Witten	100.0	2019	-99.3	2019	-17.9
Chancen Management GmbH, Witten	100.0	2019	25.9	2019	1.3
Chancen International gGmbH, Witten	100.0	2019	247.6	2019	255.3
Bildungschancen I GmbH & Co. KG, Witten	100.0	2019	-967.8	2019	-963.7

Receivables with a residual term of more than one year:

Receivables All amounts in €	Financial Year	Previous Year
- Other Assets	15,541.34	15,541.34

In the item "Other Assets" the following major accrued amounts are included: Turnover tax demand of €k 20.3.

the end of the preceding financial year. The minimum capital as of 31 December 2019 is € 1,892,493.61.

Indication of the minimum capital laid down in the Articles of Association (§ 337 (1) Sentence 6 –HGB): Pursuant to § 38 (5) of the Articles of Association of CHANCEN eG the minimum capital of the cooperative is 90.0 % of the total amount of the cooperative shares by

Other Accruals particularly include: Other Accruals in the Financial Statements as of 31 December 2019 mainly include audit and counselling expenses.

The Liabilities have a residual term of:

Liabilities All Amounts in €	Up to one year		One to five years	
	Financial Year	Previous Year	Financial Year	Previous Year
to Financial Institutions	85.88	0.00	214,285.64	31,428.56
Trade Payables	32,524.00	147,407.57	0.00	0.00
Payables to Affiliated Companies	21,535.82	150.00	0.00	0.00
Other Payables	239,552.17	46,287.50	0.00	0.00

From the liabilities, a total of € 13,733,714.36 (previous year € 5,642,571.44) has a residual term of more than five years.

students (Other Loans) in the amount of 120.0 % of the loan were assigned to the bank GLS Gemeinschaftsbank eG. The risk of recourse to the collateral security has been assessed as very low on the balance sheet date 31 December 2019.

To secure the long-term liabilities to Financial Institutions in the amount of € 3,500,000.00 as of 31 December 2019 repayment claims out of the funding contracts with

On the balance sheet date the following contingent liabilities according to § 251 HGB existed:

All amounts in €	Financial Year	Previous Year	thereof to Affiliated or Associated Companies		thereof Obligations for Pension Payments	
			Financial Year	Previous Year	Financial Year	Previous Year
Liabilities from guarantees, bills of exchange and check guarantees	10,000.00	10,000.00	10,000.00	10,000.00	0.00	0.00

In the financial year 2018, CHANCEN eG gave a guarantee over the above amount in favour of an affiliated company. This company is an indirectly or directly wholly owned

subsidiary of CHANCEN eG. On the balance sheet date 31 December 2019, the risk for call on guarantee was assessed as very low.

II. Profit and Loss Account

The Revenues of the financial years 2019 and 2018 mainly consist of:

All amounts in €	Financial Year	Previous Year
Revenues from cooperation fees which have been contractually agreed upon with the partner universities in the scope of the pre-financed study fees.	312,327.99	229,395.57
Management remuneration Bildungschancen I GmbH & Co. KG	315,000.00	0.00

In connection with the Self-created Intangible Assets as of the balance sheet date 31 December 2019 an amount of totally €k 70.6 (= Other Capitalized Own Services) for development costs incurred in the financial year 2019; this amount flowed into the recognized Intangible Assets. No expenses for research incurred in the financial year 2019 (§ 285 No. 22 HGB).

The total amount according to § 268 (8) and § 285 No. 28 HGB which is subject to a payout block, is €k 125.3 as of the balance sheet date 31 December 2019 and fully results from the Self-created Intangible Assets capitalized in the financial year 2019.

Other Operating Income of the financial years 2019 and 2018 mainly consists of:

All amounts in €	Financial Year	Previous Year
Transfer of costs to subsidiaries	458,724.11	19,000.00
Write-ups on financial assets which also constitute out-of-period income	38,513.65	0.00
Release of provisions which also constitute out-of-period income	0.00	4,500.00

Other Operating Expenses of the financial years 2019 and 2018 mainly consist of:

All amounts in €	Financial Year	Previous Year
Cost of premises, Offices Witten/Berlin	38,913.25	39,038.40
Marketing	21,171.94	7,860.00
IT, Communication and Postage	19,766.70	14,130.47
Levies, Fees, and Contributions	4,789.82	4,837.82
Other Staff Costs	40,411.24	23,590.76
Legal and Counselling Expenses	96,407.94	29,837.89
Other Administration Costs	142,099.88	36,889.05
Other Financing Costs	391,939.95	5,140.80
Supervisory Board	10,900.00	9,400.00
Costs for Representation	2,040.38	10,039.81
Receivables Valuation	58,189.63	8,666.60
Costs for Recharging to Subsidiaries	0.00	19,000.00

Amount and type of the individual expenditures items of extraordinary importance or size, as well as indication of each item in the Profit and Loss Account for the Financial Year 2019 under which it was recognized:

	Amount €	Profit & Loss item
Earnings from Recharging to Subsidiaries	458,724.11	Other Operating Income
Write-ups of Financial Assets	38,513.65	Other Operating Income
Other Financing Costs	391,939.95	Other Operating Expenses
Unscheduled depreciation on Financial Assets	18,391.60	Write-offs of Financial Assets and of Securities included in the Current Assets

In the following items of the Profit and Loss Account income and expenses from / to affiliated companies are included:

	Financial Year €	Previous Year €
Revenues	315,000.00	0.00
Other Operating Income	497,237.76	19,000.00
Other Operating Expenses	36,842.01	8,666.60
Earnings from other Securities and Lendings of the Financial Assets	253,448.50	0.00
Write-offs of Financial Assets and of Securities included in the Current Assets	18,391.60	65,286.84

E. Other Information

For the profit appropriation the following proposal is made: The annual loss of the financial year 2019 in the amount of € 191,672.44 shall be carried forward to new account.

In connection with the bearer bonds issued in the financial year 2019 or the collateralization of the interest and repayment entitlements of the bondholders agreed upon in the securities prospectus of 19 July 2019 (International securities identification number: DE000A2TSCT2), CHANCEN eG (Issuer) and BildungsCHANCEN I GmbH & Co. KG concluded an Agreement to Monitor the Application of Funds with a trustee (External Controller of Funds). The External Controller of Funds holds the issue proceeds as a security for the bondholders and only releases payments out of the proceeds to the Issuer under fulfillment of certain requirements of the Agreement to Monitor the Application of Funds. Consequently, a partial amount of the item "Cash and Cash Equivalents" of €k 4,281.0 pledged.

To secure the long-term Liabilities to Financial Institutions in the amount of € 3,500,000.00 as of 31 December 2019, repayment claims out of the funding contracts with students (Other Loans) in the amount of 120.0 % of the loan were assigned to the bank GLS Gemeinschaftsbank eG. The risk of recourse to the collateral security has been assessed as very low on the balance sheet date 31 December 2019.

From the contracts on the funding of studies (the so-called Income Share Agreement) concluded with students by the balance sheet date 31 December 2019 - which first are concluded between the borrower and CHANCEN eG, paid, and then transferred to BildungsCHANCEN I GmbH & Co. KG - not yet paid-out study fees in the amount of €k 5,048.2 (previous year: €k 3,122.0) result as per 31 December 2019. Consequently, these constitute liabilities for the financial year 2022 and the following years which are not yet recognized in the balance.

For the offices of CHANCEN eG annual rental expenses in the amount of about €k 36.0 incur.

The number of employees employed on average in the financial year was:

	Employed full-time	Employed part-time
Commercial employees	5.00	3.00
	5.00	3.00

Supplementary Report

Adjustment of the Subordinated Loans

In the scope of obtaining a permission to issue a bearer bond, CHANCEN eG contacted the Federal Financial Supervisory Authority (BaFin) in Spring 2019 to make sure that written assessment of the Income Share Agreement by the BaFin of May 2016 as a conditionally repayable loan according to § 506 BGB [German Civil Code] and, thus a credit not subject to the German Banking Act (KWG), would also apply to BildungsCHANCEN I. Within this proactive coordination, the BaFin criticized in the 4th quarter 2019 that the subordinated loan granted by the members of the cooperative would not correspond with the criteria of a qualified subordination. Furthermore, a risk notice - as the Federal Supreme Court considers material for the compliance with the law on General Terms and Conditions according to its judgment (file reference no. VI ZR 156/18) - would be missing in the subordinated loan agreements during the years 2016 until 2019.

Because of these two deviations, all creditors concerned were contacted from the beginning of 2020 after the arrangement of an additional agreement for the loan contracts with the authority and the creditors were informed about the necessary amendments or, otherwise, about the necessary cancelation of the loan contracts. Fortunately, all 26 creditors concerned gave their consent so that all subordinated loans have a qualified subordination by the date of preparation of the Financial Statements 2019.

Impact of the pandemic

Due to the general regulatory notices, the management of the cooperative decided on 13 March 2020 that all employees shall work from home ("Home Office") from 16 March 2020 until further notice in order to reduce the danger of infections as far as possible. The digital structures and processes needed for this change already had been created in the scope of the comprehensive digitalization of all administrative tasks. This regulation was effective until 10 May 2020; since then employees may work again in the company's offices observing all safety requirements. During the 'Shutdown' phase from March to May, there was one member of the management who daily came to the office ensuring timely reception and acceptance of mail. Currently, no possible negative effects by the Covid-19 pandemic are obvious for CHANCEN eG and its subsidiaries. Nevertheless, CHANCEN eG has developed planning scenarios considering possible negative impairments by the Covid-19 pandemic with the result that in the worst case the achievement of the profit zone ("break-even point") would postpone by one financial year.

There were no other events of specific importance for the asset, financial, and income situation after the balance sheet date.

Development of Memberships

	Number of Members	Number of Shares	Liability sums €	The shares of the remaining members have increase in the financial year by	€	
Initial number	435	21,038	0.00			365,200.00
Entries	279	3,652	0.00			
Final number	714	24,690	0.00	Amount per share	€	100.00

Name and address of the competent auditing association:

Genossenschaftsverband - Verband der Regionen e.V.

Peter-Müller-Straße 26
40468 Düsseldorf, Germany

Members of the Management

(first and last name)

Member of corporate body since

Florian Kollewijn

06/02/2016

Olaf Lampson

06/02/2016

Members of the Supervisory Board

(first and last name)

Board member

since until

Caspar-Fridolin Lorenz – Chairperson since 17/11/2018

06/02/2016

Katharina Beck – Deputy Chairperson

10/06/2017

Other members:

Niklas Becker

06/02/2016

Dr. Sandra Reich

04/05/2019

David Reichwein

04/05/2019

Joachim Rang

06/02/2016 04/05/2019

Amounts of receivables on the balance sheet date towards:

Members of the Management € 0.00

Members of the Supervisory Board € 0.00

Witten, 30 June 2020

CHANCEN eG

The Management
Olaf Lampson

Florian Kollewijn

These Financial Statements have been approved according to § 48 GenG [German Cooperatives Act] in the General Assembly/ Representative Assembly on _____ and the appropriation of profit has been resolved as proposed.

Cash Flow Statement

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Cash Flow Statement

Indirect Method

		2019 €k	2018 €k
1.	Result of the Period	-191.7	-491.7
2.	+/- Amortizations/Reversals of Fixed Assets	4.3	78.6
3.	+/- Increase/Decrease in Provisions	134.3	7.1
4.	+/- Other Non-cash relevant Expenses/Income	21.3	0.0
5.	+/- Increase/Decrease in Inventories, in Trade Receivables, as well as in Other Assets which are not Attributable to Investing or Financing Activities	-210.3	-131.8
6.	+/- Increase/Decrease in Trade Payables and Other Obligations which are not Attributable to Investing or Financing Activities	-167.0	169.5
7.	+/- Profit/Loss from the disposal of Fixed Assets	-0.4	0.0
8.	+/- Interest Expenses/Interest Income	11.5	105.6
9.	= Cash Flow from Operating Activities	-398.0	-262.7
10.	- Payments for Investments in Intangible Assets	-117.5	-38.1
11.	- Payments for Investments in Tangible Assets	-7.2	-27.7
12.	- Payments for Investments in Financial Assets	-4,599.7	-2,760.5
13.	+ Interest received	264.4	0.0
14.	= Cash Flow from Investment Activities	-4,460.0	-2,826.3
15.	+ Proceeds from Members due to their Cooperative Shares	403.6	124.1
16.	+ Proceeds from the Issue of Bonds	5,010.0	0.0
17.	+ Proceeds from Loans by Financial Institutions	200.1	2,425.0
18.	+ Proceeds from Subordinated Loans by Members of the Cooperative	3,143.6	879.7
19.	- Interest paid out	-108.8	-72.8
20.	= Cash Flow from Financing Activities	8,648.5	3,356.0
21.	Changes in the Financial Funds (No. 9., 14., 20.)	3,790.5	267.0
22.	+ Cash and Cash Equivalents at the Start of the Period	923.1	656.1
23.	= Cash and Cash Equivalents at the End of the Period	4,713.6	923.1
	thereof: current liabilities due to banks and other short-term borrowing which are part of disposition of liquid funds (DRS 21.34):	0.1	0.0

Independent Auditor's Report

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Independent Auditor's Report

To Chancen eG, Witten

Audit Opinions

We have audited the annual financial statements of Chancen eG (hereinafter the "Cooperative") which comprise the balance sheet as at 31 December 2019 and the statement of profit and loss for the financial year from 1 January to 31 December 2019, and the Annex to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of Chancen eG for the financial year from 1 January to 31 December 2019.

In our opinion, on the basis of the knowledge obtained in the audit,

- + the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Cooperative as at 31 December 2019 and of its financial performance for the financial year from 1 January to 31 December 2019 in compliance with German Legally Required Accounting Principles, and
- + the accompanying management report, as a whole, provides an appropriate view of the Cooperative's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to § 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with § 53 (2) GenG [Cooperatives Act] in connection with § 317 HGB

observing the German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Cooperative in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our [audit] opinions on the annual financial statements and on the management report.

Material Uncertainties in Connection with the Continuation of Business Activities

We refer to the information in the paragraph "Explanations on the Balancing and Assessment Methods" in the Annex as well as on the information in the paragraph "Fundamentals of the Company" in the management report (status report) in which the executive directors describe that Chancen eG assumed the continuation of their business activities when preparing the annual financial statements as at 31 December 2019. Furthermore, the cooperative's executive board described therein that the economic development of Chancen eG is according to plan and that Chancen eG prospectively will also achieve scheduled negative results in the financial years 2020 and 2021 which are owed to the long-term business model. According to the current corporate planning, Chancen eG assumes that during the financial years from 2016 until 2020 or 2021 an accumulated loss in the amount of about EURk 1,100.00 will be generated. From the financial year 2021 or 2022 on, the cooperative plans to operate with positive annual results. However, possible negative effects by the Covid-19 pandemic are not taken into consideration in these planning calculations as the cooperative's executive board currently does not see such negative effects for

Chancen eG and its subsidiaries. Nonetheless, Chancen eG has developed planning scenarios considering possible negative effects by the Covid-19 pandemic which come to the result that, in the worst case, the achievement of the winning zone ("break-even point") would be postponed by one financial year.

As presented in the Annex and the management report of Chancen eG, these events and circumstances point to the existence of a material uncertainty which might give rise to doubts with regard to the cooperative's ability to continue their business activities and thus constitutes an existential risk in the meaning of § 322 (2) Sentence 3 HGB.

Our audit opinions are not modified in respect of this fact.

Other Information

The executive directors are responsible for the other information.

The other information comprises the other parts of the annual report – without references to external information –, except for the audited annual financial statements and management report, as well as the reproduction of our Auditor's Report.

Our [audit] opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an [audit] opinion or any other form of assurance conclusion thereon. In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- + is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or
- + otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Annual Financial Statements and the Management Report

The executive directors of the cooperative are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and for the fact that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Cooperative in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from – intentional or unintentional - material misstatement.

In preparing the annual financial statements, the executive

directors are responsible for assessing the Cooperative's ability to continue its activities as a going concern. They also have the responsibility for disclosing, as applicable, matters related to the continuation as a going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that, as a whole, provides an appropriate view of the Cooperative's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for supervising the Cooperative's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements, as a whole, are free from – intentional or unintentional - material misstatement, and whether the management report, as a whole, provides an appropriate view of the Cooperative's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our [audit] opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 53 (2) GenG [Cooperatives Act] in connection with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- + Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our [audit] opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- + Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an [audit] opinion on the effectiveness of these systems of the Cooperative.
- + Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- + Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Cooperative's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective [audit] opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Cooperative to cease to be able to continue as a going concern.
- + Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Cooperative in compliance with German Legally Required Accounting Principles.
- + Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the Cooperative's position it provides.
- + Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particu-

lar, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate [audit] opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with the Supervisory Board about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Düsseldorf, 27 July 2020

Genossenschaftsverband – Verband der Regionen e.V.

Guido Platten
German Public Auditor

Jörg Hesse
German Public Auditor

Supplementary Information

These Financial Statements have been approved according to § 48 GenG [German Cooperatives Act] in the General Assembly/ Representative Assembly on _____ and the appropriation of profit has been resolved as proposed.

These Financial Statements have been published on _____ in the electronic Federal Gazette.

Imprint

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