Media and Games Invest SE

ANNUAL REPORT

2022

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HIGHLIGHTS 2022

€324M
Revenue FY22

€93M
Adj. EBITDA FY22

29%
Revenue Growth FY22

18%
Organic Revenue Growth FY22

800+ Employees

50%+ Tech Employees

550+ Software Clients

97%+ Customer Retention Rate

670B+ Yearly ad impressions

5,000+ Games

THOUGHTS FROM THE CEO

"2022 was a good year for MGI. We were able to grow our revenues (+29%) as well as our EBITDA (+30%). We navigated a much less favorable environment then in the previous years and, needless to say, without that we could have grown much faster. Our speed of growth suffered from the challenging general economic environment, with the overall advertising market being under pressure due to market uncertainty and budget cuts.

We generated 324 mEUR revenues in 2022 versus 252 mEUR in 2021, our first time surpassing the 300 mEUR level. The 324 mEUR is at the high end of our guidance from November 2022 and substantially above our initial annual guidance. In Q4 2022, we reached 93mEUR revenues, an increase of 16% versus the same quarter in 2021. In 2022, we were able to gain market share by adding a substantial amount of new advertiser and publisher customers to our platform. Our organic revenue growth for 2022 amounted to 18% overall, which was largely driven by the growth of our digital advertising business. Our digital advertising business, which was started four years ago, has now become our core business as well as our primary growth driver. MGI's consolidated adj. EBITDA for the full year 2022 amounted to 93 mEUR, reflecting solid financial performance and profitability. Our adj. EBITDA margin of 29% was also stable versus 2021 (28%).

While we were able to reduce costs as well as realize efficiency gains, these positive effects were mostly offset by margin pressure based on advertising customers cutting budgets. This also resulted in lower prices per ad and, consequently, higher direct technology costs per ad. This year we also extended our team. While reducing manpower in the gaming assets in line with the portfolio optimization, we added manpower on the advertising side in line with the fast growth in the past three years. These new hires serve as a key investment in our competitive advantages and innovation. In line with our positive revenue and EBITDA performance, MGI continued to generate significant cash flows, amounting to 134 mEUR for the full-year 2022. Apart from increased cash flows from operations, which were partly offset by higher interest costs, we also succeeded in further optimizing our receivables management, including a true sale of receivables as an investment grade asset as part of a securitization program with an interest rate of cost of funds similar to the prime rate + 1.55%. Overall, we were able to substantially improve our leverage, from 3.7x as of 30 June 2022 to 2.9x as of 31 December 2022.

Over the years MGI shifted its strategy focus away from premium MMO games and more towards mobile and casual games as the desktop-based premium games offer limited growth potential and synergies with *the advertising business. This is primarily due to fewer players per game and a limited potential for in-game advertising. Based on this strategy, some portfolio clean ups were implemented which included the closure of smaller, less efficient PC games. The shift in strategy and closure of the games resulted in a one-time amortization of these intangible assets in the amount of 23.6 mEUR in Q4 2022. The annual revenue of these games amounted to approximately 10 mEUR. The shift in strategy is expected to have a future positive impact on the Company's organic revenue growth, EBITDA as well as free cash flow. The complete sale of the 8% minority position in the MMO publisher Enad Global 7 in February 2023 concluded the strategy change. The fair value adjustment of the Enad Global 7 and the other games assets is already fully recognized in the equity ratio of 31% as of 31 December 2022.*

Going forward into 2023, we want to further focus and invest our money where we see our strongest growth and that is clearly in digital advertising. However, we have a significant competitive advantage by retaining some games, as this speeds up our test cycles and gives us unique ad-spaces and first-party data.

OUR 2022 GROWTH DRIVERS

In 2022, we added 133 new software clients to our active portfolio, which now consists of 551 software clients. Due to market sentiment, existing customer cohorts remained almost flat which is reflected in our Net Dollar Expansion Rate of 96% in Q4 2022. Supported by strong revenue increases from new software clients, we were able to increase our market share considerably. We have established ourselves as a go-to player in the programmatic landscape, which has resulted in continuously gaining new advertisers and publishers, as well scaling these customers.

OUR COMPETITIVE ADVANTAGE

The fast growth of our digital advertising activities is based on our unique market positioning. With our M&A skills and well over 10 acquisitions, MGI has built a future focused, state-of-the-art, vertically integrated multichannel advertising platform.

Our programmatic ad software platform is a one-stop shop which enables companies (such as large traditional brands, digital companies and SMEs in gaming, but also other sectors) to buy and sell ad spaces on all digital devices (mobile, web, connected TV and digital out-of-home) in a fully automated and AI-powered way. A single integrated platform generates more efficiency for advertisers and, as such, is also more attractive for publishers. Additionally, cutting the middleman and being able to directly connect the advertiser with the publisher leads to more transparency as well as generally higher efficiency.

Combined with establishing the integrated and efficient multichannel platform, MGI is focusing on elements that improve the yields for advertisers and publishers. Data is very important to target advertising spend and creating a better match between advertisers demand and publisher supply. MGI has successfully built strong and differentiating competences in behavioral as well as contextual data and has a substantial amount of first-party data from its own games portfolio. The Company has also introduced unique innovative propositions, such as anonymous targeting on device (ATOM), contextual AI based targeting (moments.ai) and its innovative contextual performance targeting (Dataseat). Quality, low latency, high performance, cost efficiency, leading AI capabilities and continuous platform improvements are also important to helping MGI achieve critical mass.

MGI is one of the global top five open market mobile exchange for programmatic in-app advertising and is recognized as the most trusted exchange in Pixalate's Sellers Trust Index for Mobile SSPs. Additionally, MGI has built a substantial position in the fast-growing CTV segment and is a leading platform in respect to global reach.

THE MARKET FOR DIGITAL PROGRAMMATIC ADVERTISING

While the negative market environment in the past year negatively impacted advertising budgets, the overall market for programmatic advertising is substantial (USD 493bn in 2022) and is expected to continue to grow with a CAGR of 10% until 2026 according to eMarketer Worldwide Ad Spending 2022.

Next to short-term cyclical influences, there are also fundamental structural changes in the advertising industry. Transparency and privacy are becoming more important and deprecation of identifiers forces the market to move further towards contextual targeting. Next to the strong in-app channel, CTV is growing fast, taking budgets away from traditional linear TV.

The overall digital advertising industry is still highly fragmented, with many intermediaries, a significant lack of transparency and, for a technology-powered business, a high degree of inefficiency. It is estimated that of every dollar spend by advertisers, up to 50% or even more is taken as margin for the various partners. With identifiers (such as cookies and Apples IDFA) being deprecated, old structures are being disrupted.

OUR PIVOT FROM GAMES TO DIGITAL ADVERTISING

Celebrating our 10-year anniversary in October 2022, MGI has gone through various phases; starting with (i) a 'cigar butt' strategy of acquiring games companies and gaining more efficiency by streamlining and cost optimizations, (ii) building a 'gaming portfolio company' with a substantial games portfolio and growing via updates and (iii) accretive M&A activity which has now pivoted the Company into 'selling shovels instead of digging for gold' with a very strong position in digital advertising. Four years after we started building our programmatic advertising business, we are among the leading ad software platforms globally.

OUR ESG IMPROVEMENTS

In 2022, we achieved important milestones in the area of ESG. We introduced a new Internal Control System together with KPMG and onboarded an experienced Internal Audit team. We implemented Nomination, Audit and Remuneration Committees and expanded the Board to six people with a strong skill set. We have further improved our Compliance Management System and, among other things, implemented a new Whistleblower Tool as well as various Guidelines. We have completely overhauled the Benefits System and we have optimized our reporting with the introduction of the GR standards and the first audited Governance Report. A big achievement was the successful relocation of our domicile from Malta to Sweden, which also involved the change of auditor to Deloitte Sweden. As a result, our ESG rating with MSCI improved from B to BBB.

Overall, in 2022 we have also further invested a lot into strengthening the foundation for a continued successful future and have not allowed ourselves to be distracted, or even discouraged, by the turbulent environment. I am convinced this work will fully pay off in the years to come."

Remco Westermann

CEO and Member of the Board of MGI - Media and Games Invest SE*

*In the original version of the text, the title of Mr. Remco Westermann was incorrect. This has now been corrected.

MGI'S PRODUCTS AND SERVICES

1. BUSINESS OVERVIEW

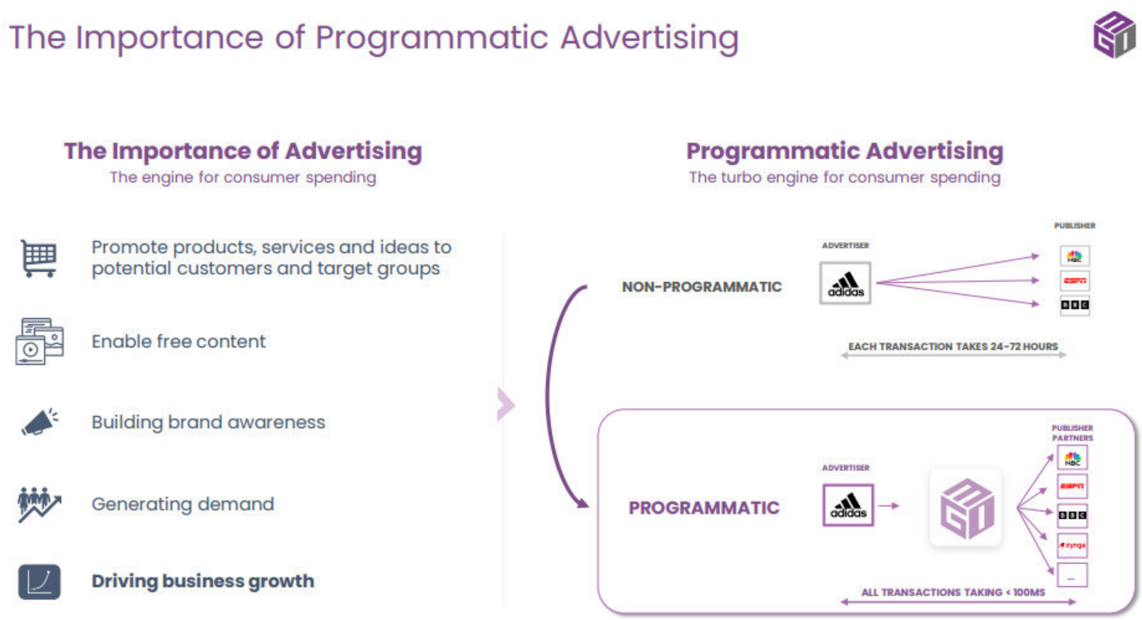
1.1 MGI's advertising software platform

Advertising is indispensable. It enables companies to make their products and services known to potential customers and target groups, strengthen the brand and increase demand. In short, it is an essential factor for successful business growth. It also benefits end users, for example, by informing them about products that are relevant to them or giving them free or discounted access to content.

In 2022, MGI generated 80% of its revenue from its programmatic ad software platform, which it offers through Verve Group. Due to the continued strong growth of the ad software platform, only 20% was generated via subscriptions and in-game item sales through its own games portfolio in 2022. MGI's core business and strategic focus is accordingly on advertising, or more precisely, on programmatic advertising.

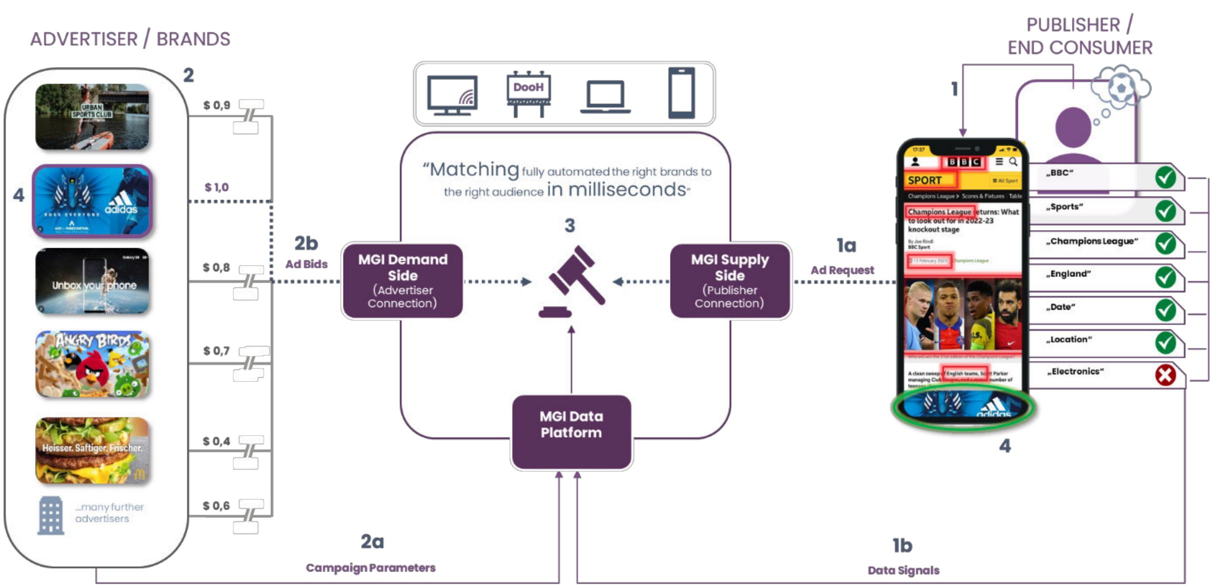
If the purpose of advertising companies is to create and place ads and sell advertising space (ad inventory), then programmatic advertising companies aim to make the process of creating and placing ads and selling advertising space faster, easier, more transparent and more effective by using artificial intelligence, powerful algorithms and billions of data points.

Programmatic advertising companies are intermediaries between advertisers - who try to reach users on their smartphones, computers, connected TV devices or via digital public billboards (DOOH) to attract new customers - and publishers - who provide digital content that is consumed by users and monetized by selling ad space to advertisers. Whereas in traditional advertising an advertiser usually requested ad space directly from the publisher by phone or email - which is very time consuming and inefficient - with programmatic advertisement this process is fully automated and happens in real time, with revenue flowing from advertisers to publishers in an automated way, replacing the phone calls, faxes and paper Insertion Orders (IOs) used to manage and track deals in the past.



1.2 Automating the buying and selling of ads on all digital devices

The following simplified illustration shows an example process of a programmatic contextual transaction executed in usually under 100 milliseconds on the MGI Platform.



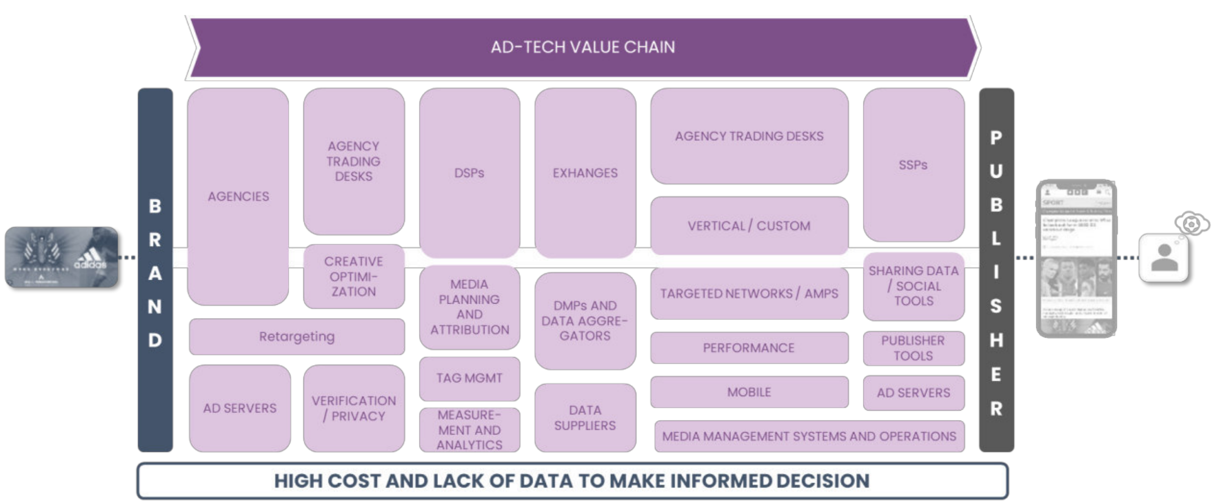
1. Mobile phone user opens a website (BBC Sport) on his cell phone.
    a. The publisher (e.g. BBC Sport), is connected to MGI's Supply Side Platform (SSP) and sends it an ad request while the website is opening.

b. At the same time, MGI collects contextual information. Contextual information is privacy compliant and can be collected without the user's consent, as it does not contain personal data. Contextual information includes the text and images on the website, the location and keyboard language of the device, as well as contextual signals. Based on this information, MGI creates an artificial profile of the user and his / her interests with the help of its Data Management Platform and Artificial Intelligence.

2. Advertisers including most Fortune 500 companies are connected to MGI's Demand Side Platform.
    a. Connected Advertisers send MGI their campaign parameters (e.g. Budget and information about the target group). Based on the campaign parameters and the artificially created user profile, MGI identifies the advertisers suitable for this advertising space and invites them to participate in an auction.
    b. The suitable advertisers send their ad bids to MGI.
3. The advertiser (in this example Adidas) for whom the user is most valuable, based on the artificially created user profile, will submit the highest bid and win the auction for the ad space.
4. The winning advertiser's ad will be displayed on the website after it fully opens.

At the end of the process, the advertiser for whom the user is most valuable has been able to place his ad, which means that the publisher has received the highest possible price. At the same time, the user is shown an ad that is relevant to him / her based on the context in which he / she is currently engaged. The whole process is privacy compliant.

1.3 Highly fragmented market with many players in the value chain



There are advertising companies that support advertisers (so-called Demand Side Platforms), for example in buying ad space or evaluating campaigns, and there are advertising companies that support publishers (so-called Supply-Side Platforms), for example in selling ad space and processing user data to create anonymized audience segments. In addition, there are numerous other layers between these two functions that perform different sub-functions, such as a data management platform. This highly fragmented market leads to the entire process between advertisers and publishers becoming non-transparent and the quality of the data and reporting is decreasing with each additional transfer between the involved parties. This results in high costs and a loss of data to target the right audience.

1.4 The importance of data

Data for better targeting are crucial for the advertising industry. Data privacy has become a very important factor and is having a major impact on the industry. Internationally, stricter standards are being determined by regulators. In parallel, we have also seen major market players such as Apple and Google restrict the use of identifiers (including Apple's IDFA, but also cookies). This has resulted in an important shift from active opt-out towards active opt-in environment, and therefore much less consented identifiable users.

The availability of data is important for advertising as, depending on how good the data are, an advertiser can make an assumption about the profile of a consumer or the location where it shows its ads and, based on that, target this consumer better with as a more positive return on advertising spend (ROAS). The better the data, the higher the probability that the advertisement will lead to a wanted action, such as brand building or the purchase of a product. Accordingly, if more relevant data is provided, the advertiser is willing to pay more for the advertising space. Less data means less advertising efficiency for advertisers and less revenue per ad for publishers.

Until approximately two years ago, data, and the associated targeting, have been almost exclusively based on building profiles and audiences for targeting with the use of identifiers such as cookies, IDFA or GAID. These identifiers enable the advertiser to (re-)identify a user. The identifiers also enable to assign a large portion of data to this user over time and to clearly categorize him and, based on this, to play out targeted advertising.

Based on the IDFA changes by Apple, currently approximately 80% of Apple users do not provide consent. This means that no personalized information is available with regards to these users. Large scattering losses then occur when advertising is played out to users who have not given their consent. This leads to lower ROAS for advertisers, revenue losses for publishers and users are shown completely random ads with little relevance.

Based on the deprecation of identifiers, there is a shift towards contextual advertising. Contextual data does not allow any conclusions to be drawn about the actual person, nor is re-identification possible. Instead, a targeting is based on the context in which a user opens the website or app, which makes it completely privacy compliant. As the number of pages and portals is enormous, AI optimization is a key success factor for contextual targeting.

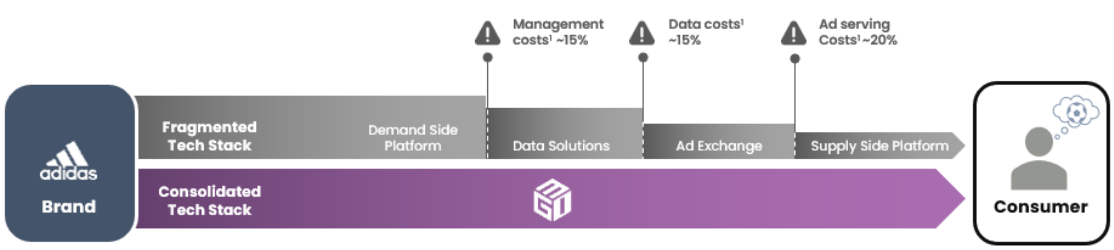
1.5 MGI's Mission

To that end, MGI, has built an integrated multichannel ad software platform that matches global advertiser demand with publisher supply, while improving results with data. Integrated, Global and Data are the cornerstones of MGI's mission to "Make Advertising Better".

1.5.1 Integrated

As outlined before, the advertising market is incredibly fragmented, with many different functions within the value chain between advertisers and publishers and many different advertising channels (devices / formats).

While most companies can be assigned to one of these functions and / or focus only on single devices (such as mobile, desktop, Connected-TV or DOOH (Digital out of Home) or single formats (Banner, Interstitial, Native, Rewarded or In / Out Stream), MGI, as part of its mission to "Make Advertising Better",



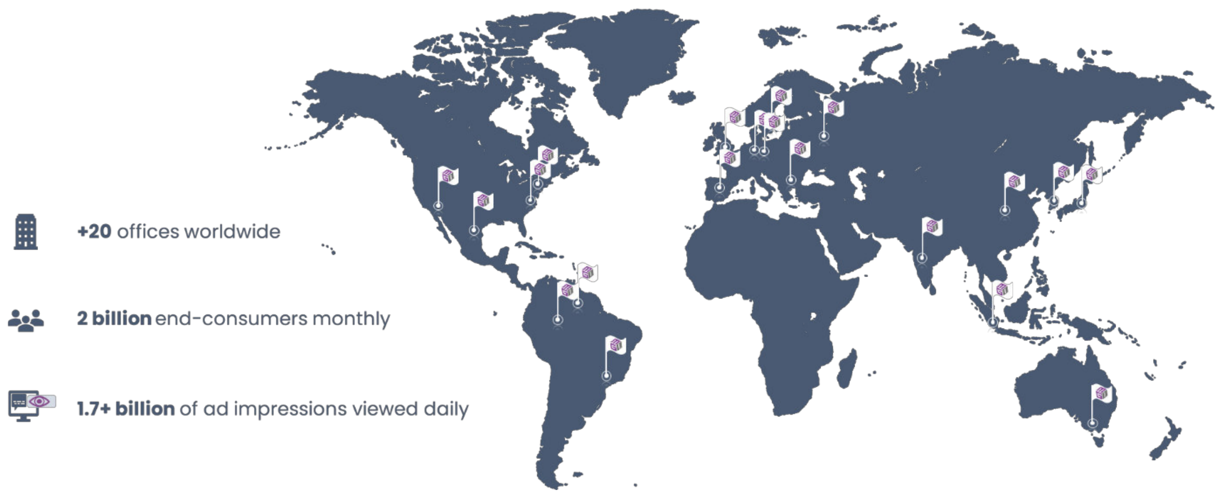
MGI's one-stop-shop to make advertising better

- Vertically integrated: directly linking advertisers via publishers to consumers
- Multichannel: serving in-app, web, mobile web, connected TV and digital out of home
- Optimizing effectiveness with data: first-party (own game studios), third-party and contextual
- With a wide range of capabilities; brand marketing, performance marketing, ...
- Privacy first, brand safe, performance oriented
- Innovative: Atom, Moments.AI, SDKs, Visual Intent, ...

pursues the goal of offering a full-stack platform to serve both advertiser and publisher sides across all devices and formats as demonstrated above.

This offers advantages for both advertisers and publishers, as the flow of information between advertiser and publisher is more direct resulting in higher transparency in targeting, monitoring and evaluation of campaigns, while at the same time eliminating the gateways for fraud that arise due to the multiplicity of market participants. The resulting increase in efficiency and quality leads to a higher ROI (return on investment) for advertisers and a higher ad income (measured by CPMs / cost per mille) for publishers. In addition, as a one-stop shop, MGI reduces the number of external media partners to coordinate cross-device and cross-format campaigns, resulting in a more streamlined campaign management where the individual components of the campaign are precisely orchestrated, resulting in higher ROAs.

1.5.2 Global



Today, large companies, as well as digital companies and large advertising agencies, have their customers spread all over the world. Accordingly, it is important for them to reach customers as efficiently as possible and on a global scale. Therefore, instead of working with numerous different partners, each representing a specific region, it makes sense to work with a single provider that can reach customers all over the world. MGI has built a platform with a global reach and over 20 offices worldwide. MGI's ad software platform reaches approximately two billion end consumers worldwide and today generates more than 1.7 billion ad impressions daily.

1.5.3 Data

MGI has built its ad-platform for the new data reality, where privacy-compliant advertising is at the core. On the one hand, MGI has a dedicated owned and operated games portfolio with consent-based, first-party data. On the other, MGI has developed innovative technologies that enable targeting without relying on identifiers and instead using contextual data.

1.5.3.1 First-Party Opt-In Data

Via its extensive and diverse game’s portfolio, MGI has its own consent based (opt-in) audiences based on its more than 5,000 casual games and more than five large premium massive multiplayer games with a total of more than one billion registered players. Additionally, Verve has integrated its SDK (software developer kit) directly into the apps of more than 5,000 publishers, receiving access to the direct opt-ins of the users of these apps.

Due to its own audience as well as the app integrations, MGI has millions of owned impressions from players of its own games as well as access to proprietary first-party data that is being kept and leveraged in-house.

Based on this data, MGI can deliver targeted advertising in its own games, can use the consented opt-in data and can also use the data to train the algorithms for contextual targeting, each of these leading to better targeting possibilities and results. Last but not least, MGI also uses its own and operated content and the data as a laboratory to test new product innovations, thus shortening innovation cycles, which in the dynamic and competitive advertising market is enormously important to gain market share and remain successful in the long term.

1.5.3.2 Contextual advertising

MGI early on started to focus on addressing the market where there is no consent and or opt-in as this part of the market is notably growing fast. This development opens up the possibility for MGI of gaining significant market share with correspondingly innovative solutions, which are privacy-compliant but still enable efficient targeting of advertising budgets.

MGI’s platform focuses on aggregating, integrating, managing and delivering contextual data. With the help of intelligent deep learning algorithms, information can now be drawn and optimized from and on any media; text, image, audio or video. Additionally, these deep learning mechanisms allow the analysis on inventory sentiment, identifying content with positive connotations, and therefore offering more sophisticated measures for targeting but also ensuring brand safety. Verve’s contextual targeting solution performs these tasks in 100 milliseconds and in real-time the moment a user opens an app or website. During this time, it assigns the user to one or more of the currently more than 700 available user segments. If, for example, information on kids’ games or kids shopping is found on the website that is opened, the user is assigned to the “young mother” segment.

MGI and Verve have developed several innovative products in this area:

- **ATOM**: ATOM or Anonymized Targeting on Mobile, is a pioneering approach to privacy-first targeting built exclusively for in-app advertisers and publishers. It is an innovative extension of MGI’s SDK, generating profiles on mobile devices without any privacy data leaving the device and maximizing targeting outcomes based on our contextual engine without use of identifiers.

- **Moments.AI**: Visual content analysis, keywords, semantics, meta tags and more are all analyzed and assigned a confidence score within 100 milliseconds. With Verve Group's breakthrough data processing technology, advertisers reach consumers in meaningful moments to aligned with brand's values.

  Visual Intent: An exclusive offering for Verve Group clients, Visual Intent allows brands to engage consumers in highly desired cultural, sports and entertainment-focused moments. It combines Getty Images' resources with Verve Group's Moments.AI™, allowing marketers to target relevant, brand-safe content in real-time with advertising placed adjacent to visual content from Getty Images.

1.6 Growth Drivers

An important pillar of MGI's strategy is to anticipate and react fast to the rapidly changing digital advertising market and to gain further market share.

Overall, MGI has defined the following four main growth drivers:

- **Market Opportunity**: Being active in the fast growth markets programmatic advertising and gaming which grow with a combined a CAGR of +10%.
- **Platform Growth**: Growing the customer base and wallet share through innovative solutions while constantly adding more volume to the platform to drive economies of scale resulting in a high profitability.
- **M&A**: Selective M&A in the synergetic fields of digital advertising and mobiles games while keeping the Net Leverage structurally below 3.0x.
- **Platform Synergies**: Leveraging synergies and network effects between the media and games assets in regard to user acquisition, ad-monetization capabilities and data, as well within the ad-market by covering the entire advertising value chain from the advertiser to the publisher across all digital devices (mobile, CTV, desktop, DooH, etc.)

1.7 Selective M&A

MGI has acquired over 35 accretive companies and assets in recent years. Until 2020, the targets were mostly smaller companies which, among other things, did not have sufficient prospects in the market due to their size as a stand-alone company. Through integration and re-focus after the respective acquisition, they were then, based on synergies and economies of scale, able to quickly generate positive cashflows, so that the acquisitions paid off after a short time and contributed to MGI's growth.

Due to the achieved scale, MGI has shifted its focus more towards larger and profitable companies and was able to complete larger acquisitions like KingsIsle and Smaato in 2021 and AxesInMotion in 2022. With LKQD, Beemray, Match2One and Dataseat, four further but smaller and strategically important, acquisitions were completed during the same period, adding essential technologies to MGI's Ad-Software-Platform as well as additional expertise in the form of FTEs.

With the mobile user acquisition DSP Dataseat and the mobile games studio AxesInMotion, in 2022 MGI added two important strategic pieces to the business. At the same time, capital markets deteriorated significantly, leading to higher financing costs. In parallel, earn-out payments for the KingsIsle acquisition led to an increase in Net Leverage above the target range of 2.0 – 3.0x. Valuations in the private M&A market were not yet aligned with capital market developments and, for this reason, MGI decided to de-prioritize M&A and to focus on organic growth. By following this strategy in the second half year of 2022, MGI significantly reduced its leverage while the M&A market started after many years to turn into a buyer's market, offering very attractive acquisitions at low transaction multiples. Therefore, the Company now looks again at value accretive M&A with the target to maintain the Net Leverage between 2.0 – 3.0x.

2. MGI'S HISTORY

2022

2022 was a good year for MGI. Revenues (+29%) and EBITDA (+30%) increased despite a slowdown in growth in the overall market caused by the war in Ukraine, high inflation, increasing interest rates and recession fears. With revenues of EUR 324 million compared to EUR 252 million in 2021, the EUR 300 million mark was exceeded for the first time. Organic revenue growth for 2022 totalled at 18%, mainly due to the growth of the digital advertising business supported by FX effects. The digital advertising business, which was launched four years ago, has now become the core business and main growth driver for MGI.

Over the last few years, MGI shifted its strategic focus away from premium MMO games (Massively Multiplayer Online games) to mobile and casual games, as desktop-based premium games offer limited growth potential and synergies with the advertising business due to lower player numbers per game and limited potential for in-game advertising. Based on this strategy, the games portfolio was streamlined, which included the closure of smaller, less efficient PC games. With AxesInMotion and Dataseat, two important missing building blocks of MGI's platform were added via M&A. Thereafter, the management has de-prioritized M&A and focused on organic growth and reducing leverage until the end of 2022.

2021

Was the first year in which organic growth was almost as strong as our inorganic growth. We executed more than 350 casual game launches which resulted in ad revenues from own games at a record level. In parallel, we grew our Ad-Software-Platform's customer base to 418 software clients with more than USD 100k revenues per year. This is based on adding 316 additional software clients with over USD 100k revenues per year, which altogether reflects a 410% growth rate in software clients. With Organic Revenue Growth of 38% in 2021, the investments in organic growth from the last years are beginning to show a clearly positive effect. With the acquisition of KingsIsle in the games segment and Smaato in the media segment, two transformative transactions were successfully completed in 2021 that significantly increased the Company's revenue and profitability. With the acquisitions of Beemray and Match2One, two further smaller but strategically important acquisitions were completed in the media sector. On the financing side, a capital increase of EUR 90m was completed, through which international tier-1 and long-only investors were attracted, and the bond volume of the outstanding secured bond was increased to

EUR 350m and placed in several steps. The more expensive EUR 25m unsecured German bond was repaid ahead of schedule in October 2021.

2020

2020 was a year with several M&A transactions, the launch of the Verve Group and an increased focus and investment in organic growth. With more regular and also larger updates in the games portfolio, more focus on user acquisition for the games, which was also strongly supported by (i) the COVID-19 lock-downs, (ii) a focus on onboarding new software clients and (iii) growing the existing client base on the media side. In January 2020, essentially all assets of the programmatic platform Verve Wireless were acquired and in February 2020 the minority shareholders of gamigo were bought out, increasing MGI's stake in gamigo to 99.9 percent. After the takeover of Verve, it was decided that from then on, all media activities would be combined under the umbrella of the Verve Group and all games activities under the umbrella of gamigo Group, which meant that the group structure would henceforth consist of the parent company Media and Games Invest and its two synergetic operating segments Verve Group (media) and gamigo Group (games). During the rest of the year, MGI completed further transactions. At the beginning of the fourth quarter, the Company conducted a private placement of shares raising capital of SEK 300 million. The Company's shares were listed on Nasdaq First North Premier Growth Market on 6 October 2020 in connection with the private placement. In the beginning of November, MGI issued the Initial Bonds and redeemed the outstanding gamigo Bond in full on 10 December.

2019

Next to focus on organic growth via the launch of ArcheAge Unchained, MGI and its subsidiaries executed various acquisitions including WildTangent's Assets and Pubnative GmbH. Gamigo issued a further EUR 18 million in Bonds with a premium. Also, MGI executed a Bond Issue of more than EUR 10 million and a capital increase of EUR 9.2 million.

2018

In 2018, today's Media and Games Invest acquired a majority stake in gamigo AG. With the acquisition, MGI continued implementing gamigo's "BUY. INTEGRATE. BUILD & IMPROVE" strategy in the Media and Games segment and appointed Remco Westermann as Chairman of the Board. While the focus of gamigo has so far been exclusively on inorganic growth to achieve critical mass, MGI decided to increase the focus on organic growth projects with immediate effect which resulted in 5% organic growth in 2018. Furthermore, gamigo issued EUR 32 million in bonds which were listed on Nasdaq Stockholm and FSE.

Other events include the acquisition of the major assets of U.S. publisher and game developer Trion Worlds and signing the Arche-Age License agreement with the Developer XL-Games (which laid the foundation for the Arche Age Unchained launch in 2019).

2017

gamigo AG: repaid its 2013 / 2018 bond issued in 2013 via a term-loan from UniCredit Bank and acquired the video and social media specialist Mediakraft to strengthen user acquisition possibilities.

2016

gamigo AG: Since user acquisition is the second most important factor for success alongside new qualitative content, gamigo has also placed increased emphasis on media and user acquisition. However, as MGI was not satisfied with its media partners and found a very scattered media landscape (similar to games with many companies that are too small to survive on their own), the Company decided to build its own media segment. With the acquisition of Aeria Games from the media company ProSiebenSat1 Media, gamigo acquired its first media company “adspree” in addition to an extensive games portfolio.

2015

gamigo AG: executed various acquisitions, e.g. looki publishing, an independent publisher.

2013-2014

gamigo AG: Restructuring of gamigo, such as lowering costs, ceasing risky development activities and switch to an M&A model with the aim of achieving critical mass by acquiring companies and assets. For the time being, gamigo is thus focusing exclusively on inorganic growth. Gamigo reaches 30 million registered users.

2012

gamigo: Remco Westermann acquired 100% of the shares in gamigo (founded in 2000), from the German media company Axel Springer. After the acquisition of gamigo, the management team changed the strategy towards focusing on reaching critical mass, in order to become successful as a games company. Only with a certain size games company have the strength and, especially also, the user base to drive a diversified and long-term successful portfolio approach, where based on market characteristics several games fail and some games become a success.

3. MARKET OVERVIEW

3.1 Advertising Market

Media and Games Invest is active in digital advertising through its Verve Group, with a focus on programmatic advertising.

3.1.1 Digital Advertising Market

According to the Interactive Advertising Bureau (IAB), digital advertising is characterized by, for example, advertisements and messages delivered via banner or video ads on mobile phones or websites as well as social media sites or online search engine advertising and affiliate programs. The biggest difference between digital and traditional marketing is the medium through which the target audience encounters an advertisement. While traditional marketing uses traditional offline media such as magazines and newspapers, digital marketing uses digital online media such as apps or websites.

In the case of digital advertising, a rough distinction is made between devices and advertising formats. Devices include especially mobile phones / tablets, desktop / laptop, connected TV and digital out of home. All of these devices can be used to display various digital advertising formats that convey the advertiser's message. The formats include e.g. banners, interstitials, native, in-stream / out-stream and rewarded video.

According to the industry analyst eMarketer, the market for digital advertising amounted to approximately USD 567 million in 2022 and grew by approximately 8.6% compared to the previous year.

This means that digital advertising accounts for around 65% of the total advertising market, which only grew by around 5% in 2022. In 2021, growth in digital advertising was still around 30%. The reason for the sharp decline is largely due to the macroeconomic headwinds caused by the Ukraine war, high inflation, rising interest rates and recession fears, which have led advertisers to cut their advertising budgets. Another reason is the changes in the use of identifiers such as Apple's IDFA. With around 80% of Apple users not actively consenting to the use of data for advertising purposes, prices for advertising space are falling as advertisers are no longer willing to pay the old prices as they can no longer achieve the same results with advertising.

In the short-term and looking ahead to 2023, it is correspondingly difficult to predict the development of the market, as it is primarily dependent on macroeconomic conditions. In the medium term, however, a return to significant double-digit growth is expected.[1]

The core market of MGI's media segment is the United States, which has excellent growth prospects. The U.S. market is worldwide by far the largest advertising market, accounting for 40% of global advertising spending. China, which is number two, is around half the size of the U.S. market. In 2023, the U.S. market is expected to grow at around 12%. At the same time, the market share of digital advertising spend in the United States still offers additional growth potential.[2]

3.1.2 Focus on Programmatic

Digital advertising can be manual or programmatic. In manual media buying, ad buyers and publishers manually trade digital ads. Programmatic automates the process through so called real-time bidding (RTB). This allows advertisers to buy ad space almost instantly and across millions of websites. Traditional media buying involves a marketer manually negotiating prices, making the purchase directly from a salesperson. This is a complicated and time-consuming process, which creates higher costs for the advertiser. With programmatic, algorithms collect and evaluate data and make decisions about who will see the ad and where, based on which users are most likely to become customers. The pricing model for traditional media is based on a predetermined price which is negotiated between the advertiser and the publisher. This creates a risk of overpaying for ad placements. Programmatic's use of real-time bidding has eliminated the advertiser's risk of overpayment, with the market price being determined by supply

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[1] eMarketer, Worldwide Digital Ad Spending 2023, January 2023

[2] eMarketer: Worldwide Digital Ad Spending Year-End Update, Nov 23, 2021; URL: https://content-na1.emarketer.com/worldwide-digital-ad-spending-year-end-update

and demand. Reporting in traditional media buying features data scattered across various sources, all of which must be tracked down and collected by the marketer, or an agency, into an understandable report. A key difference that sets programmatic advertising apart is its transparency. Programmatic allows you to see, in real-time, how the campaign is performing, so you can make informed changes as you go. Compared to programmatic, traditional media buying is both more inflexible and slower. The amount of human labour in the process is time-consuming, expensive and leaves a lot of room for error. Programmatic advertising automates the process, with reduced costs and increased ROI (return on investment) as a result. For this reason, MGI has specialized in digital programmatic advertising.

Advertising spending in the U.S. for programmatic advertising was around 11% and is expected to grow by around 16% in 2022.[3] In 2021, programmatic advertising grew by 39%. The reason for the slowdown is the same as for the slowdown of the overall advertising market. Importantly, even in 2022, a challenging year, programmatic advertising still grew much faster than the overall advertising market (5%) as well as the overall digital advertising market (8%), as advertisers are shifting their budgets much more to programmatic advertising as it is much more efficient than other methods.

[3] eMarketer: Prorgammatic Ad Spending Forecast Q1 2023, February 2022;

EU TAXONOMY

1. Background

The EU Taxonomy Regulation is part of the EU's "Sustainable Finance Strategy". It is intended to help steer financial flows on the European capital markets towards sustainable investments, i.e. companies with "green economic activities".

Under the EU Taxonomy Regulation, reporting companies must identify and explain three key performance indicators (KPIs) that provide the addressee with a quantitative picture of the company's environmental sustainable economic activities. This involves the following KPIs:

- **Turnover**: Turnover refers to revenue from the sale of products or the provision of services associated with economic activities classified as environmentally sustainable ("taxonomy-aligned")
- **CapEx and OpEx**: In the share of capital expenditures and operating expenses to be disclosed, the expenses related to assets or processes associated with economic activities classified as environmentally sustainable must also be disclosed.

The basis for determining the KPIs are the taxonomy-eligible economic activities of a company. A taxonomy-eligible activity can be taxonomy aligned if it meets certain technical screening criteria (with regard to the EU environmental objectives of climate change mitigation or climate change adaptation, related to substantial contribution to one of the environmental objectives, do no significant harm on any of the other objectives and that minimum safeguards are in place). Otherwise, the activity is taxonomy-eligible but not taxonomy-aligned.

In the coming years, further environmental objectives will be added. In the Delegated Regulation (EU) 2021/2139, the EU has defined for the two environmental objectives (climate change mitigation and climate change adaptation), the taxonomy-eligible economic activities and the associated technical screening criteria for each of these activities, that must be met in order for them to also be taxonomy-aligned. In order to ensure that the criteria take into account all relevant sectors, the EU classification "Nomenclature européenne des activités économiques" (NACE), serves as a kind of mapping for the classification of the environmentally sound economic activities.

2. MGI Zero Reporting

MGI is an ad software platform with its own games content. MGI's business activities fall into the areas of digital advertising and online games. In the area of digital advertising MGI provides software that enables companies to buy and sell digital advertising space in an automated way. To make this process as efficient as possible, data is collected and processed. In the area of online games, MGI develops, licenses and operates online games for end users. In the NACE's, MGI's economic activities fall into sections J (Information and communication) and M (Provision of scientific and technical services). Within these sections, only group J-63.11 has been defined as an economic activity under the EU Tax. In the taxonomy regulation (EU) 2021/2139, the technical screening criteria for this economic activity are described under the activity number 8.1 (Data processing, hosting and related activities). It is an environmental sustainable economic activity that serves the goal of climate change mitigation and is described as follows:

> *Storage, manipulation, management, movement, control, display, switching, interchange, transmission or processing of data through data centers, including edge computing.*

MGI does not meet the technical screening criteria for this activity. Therefore, it is potentially taxonomy-eligible but not taxonomy-aligned.

However, according to MGI's interpretation of the EU Tax, there is another factor that must be present for an activity to be taxonomy-eligible. To be taxonomy-eligible, an activity must be, or be aimed at, generating external turnover.

Although MGI uses and operates data centers and collects and analyzes data, these activities do not generate external revenue or aim to generate external revenue. Rather, these are supporting activities.

MGI has other supporting activities that it does not classify as taxonomy-eligible for the aforementioned reason, based on its current interpretation of the EU tax. These include, for example, part of MGI's vehicle fleet for administrative staff and the rental of buildings.

- 6.5 Transportation by motorcycles, cars and light commercial vehicles
- 7.7 Acquisition and ownership of buildings

As described above, very few of the economic activities described in the EU Tax apply to MGI, namely 8.1, 6.5, 7.7. And for the reasons described, these activities are not taxonomy eligible for MGI. This reflects the overall relatively low impact of MGI's business activities on the environment. This is also consistent with the weighting in MSCI's ESG rating, for example. In its ESG rating for MGI (and the entire Media industry), MSCI weights the environmental aspect at only 4% of the overall rating, while governance and social aspects make up the rest. However, MGI is actively working to reduce its carbon footprint and to operate in a sustainable manner. As MGI is a fast growing and dynamic company and there are still many uncertainties regarding the interpretation of the EU taxonomy regulation, MGI does not rule out the possibility of different results in the analysis in the following years.

3. Accounting Policies

For the purposes of reporting under Article 8 of the Taxonomy, turnover, capital expenditures ("Capex") and operating expenses ("Opex") are defined as follows.

<u>Turnover</u>

Total turnover corresponds to the net revenue as shown in the consolidated profit and loss in the financial statements 2022.

<u>CapEx</u>

Total CapEx corresponds to additions, including capitalized research and development costs, to balance sheet items property, plant and equipment, intangible assets, before any remeasurement, depreciation, amortization or impairment and excluding any changes in fair value. As specified in Note 6, 7 and 27 of the annual report of FY 2021 to the consolidated balance sheet, completed by additions / changes in IFRS 16 classified right of use assets as specified in Note 7 to the consolidated balance sheet.

<u>OpEx</u>

Total OpEx corresponds to non-capitalized research and development costs, office maintenance costs, short-term leases.

<u>Share of Eligible Turnover, CapEx and OpEx</u>

Turnover in accordance with the above definition and that is associated with eligible activities constitute the basis for calculating the share of eligible turnover. CapEx and OpEx in accordance with the above definitions and that is associated with eligible activities constitute the basis for calculating the share of eligible CapEx and OpEx.

<u>Eligible Economic Activities</u>

Identifying economic activities relevant for the Company has required interpretations of the Taxonomy as well as the Delegated Regulation. MGI's interpretation is that for an economic activity, as defined in the Taxonomy, to be considered eligible, the activity must:

- be, or be aimed at, generating external turnover,
- meet the description of an activity in Annex I or II of the Delegated Regulation, and
- have practically applicable technical screening criteria associated with it.

Based on this interpretation, and as explained above there are no activities that have been identified as relevant for MGI. However, there still remains some uncertainty around how the Taxonomy should be applied, and MGI expects interpretations, as well as reporting practices, to evolve over time.

				Substantial contribution criteria		DNSH criteria (Does Not Significantly Harm)										
Economic activites (1)	**Code(s) (2)**	**Absolute turover (3)**	**Proportion of turnover (4)**	**Climate change mitigation (5)**	**Climate change adaption (6)**	**Climate change mitigation (11)**	**Climate change adaption (12)**	**Water and marine resources (13)**	**Circular economy (14)**	**Pollution (15)**	**Biodiversity and ecosystems (16)**	**Minimum safeguards (17)**	**Taxonomy aligned proportion of turnover, year 2022 (18)**	**Taxonomy aligned proportion of turnover, year 2021 (19)**	**Category (enabling activity or) (20)**	**Category (transitional activity) (21)**
		Currency	%	%	%	Y/N	Y/N	YN/	Y/N	Y/N	Y/N	Y/N	Percent	Percent	E	T
A.TAXONOMY-ELIGIBLE ACTIVITIES																
A.1 Environmental sustainable activities (Taxonomy-aligned)																
Turnover of environmental sustainable activities (Taxonomy-aligned (A.1)		0	**0%**	-	-	-	-	-	-	-	-	-	**0%**	**0%**	-	-
A.2 Taxonomy-Eligible but not environmental sustainable activities (not Taxonomy-aligned activities)																
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	**0%**													
Total (A.1 + A.2)		0	**0%**										**0%**	**0%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																
Turnover of Taxonomy-non-eligible activities (B)		kEUR 324,444	**100%**													
Total (A + B)		kEUR 324,444	**100%**													

				Substantial contribution criteria		DNSH criteria (Does Not Significantly Harm)										
Economic activites (1)	Code(s) (2)	Absolute CapEx (3)	Proportion of CapEx (4)	Climate change mitigation (5)	Climate change adaption (6)	Climate change mitigation (11)	Climate change adaption (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy aligned proportion of CapEx, year 2022 (18)	Taxonomy aligned proportion of Capex, year 2021 (19)	Category (enabling activity or) (20)	Category (transitional activity) (21)
		Currency	%	%	%	Y/N	Y/N	YN/	Y/N	Y/N	Y/N	Y/N	Percent	Percent	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																
A.1 Environmental sustainable activities (Taxonomy-aligned)																
CapEx of environmental sustainable activities (Taxonomy-aligned (A.1)		**kEUR 0**	**0%**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0%**	**0%**	**-**	**-**
A.2 Taxonomy-Eligible but not environmental sustainable activities (not Taxonomy-aligned activities)																
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		kEUR 0	**0%**													
Total (A.1 + A.2)		kEUR 0	**0%**										**0%**	**0%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																
Capex of Taxonomy-non-eligible activities (B)		kEUR 68,689	**100%**													
Total (A + B)		kEUR 68,689	**100%**													

				Substantial contribution criteria		**DNSH criteria** (Does Not Significantly Harm)										
Economic activites (1)	**Code(s) (2)**	**Absolute OpEx (3)**	**Proportion of OpEx (4)**	**Climate change mitigation (5)**	**Climate change adaption (6)**	**Climate change mitigation (11)**	**Climate change adaption (12)**	**Water and marine resources (13)**	**Circular economy (14)**	**Pollution (15)**	**Biodiversity and ecosystems (16)**	**Minimum safeguards (17)**	**Taxonomy aligned proportion of OpEx, year 2022 (18)**	**Taxonomy aligned proportion of OpEx, year 2021(19)**	**Category (enabling activity or) (20)**	**Category (transitional activity) (21)**
		Currency	%	%	%	Y/N	Y/N	YN/	Y/N	Y/N	Y/N	Y/N	Percent	Percent	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																
A.1 Environmental sustainable activities (Taxonomy-aligned)																
OpEx of environmental sustainable activities (Taxonomy-aligned (A.1)		**kEUR 0**	**0%**	**0%**	**0%**	-	-	-	-	-	-	-	**0%**	**0%**		
A.2 Taxonomy-Eligible but not environmental sustainable activities (not Taxonomy-aligned activities)																
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		kEUR 0	**0%**													
Total (A.1 + A.2)		kEUR 0	0%										**0%**	0%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																
Opex of Taxonomy-non-eligible activities (B)		kEUR 569	**100%**													
Total (A + B)		kEUR 569	**100%**													

CORPORATE GOVERNANCE REPORT

MGI - Media and Games Invest SE ("MGI" or "the Company") is a Swedish limited liability company registered in the form of a Societas Europaea with company registration number 517100-0143. The Company's LEI is 391200UIIWMXRLGARB95. The shares of MGI are listed on Nasdaq First North Premier Growth Market in Stockholm, Sweden, and in the Scale Segment of Deutsche Börse (ISIN: SE0018538068). The Company has two secured Nordic bonds outstanding on Nasdaq Stockholm and the Open Market in Frankfurt (ISIN: SE0015194527 and SE0018042277). The Company has its registered office at Stureplan 6, 114 35 Stockholm, Sweden and is the parent holding company of Media and Games Services AG (Switzerland), gamigo Holding GmbH (Germany), Samarion GmbH (Germany), Verve Holding GmbH (Germany), Vajrapani Limited (Malta), Platform 161 Holding BV (Netherlands), ME digital GmbH (Germany).

This Corporate Governance Report is prepared in accordance with the Swedish Corporate Governance Code (the "Code"). It is intended to provide MGI's investor base with a transparent insight into the Company's governance structures and will serve as a basis for the continuous further development of the governance structure.

GOVERNANCE EVENTS AFTER THE REPORTING PERIOD

As communicated by way of press release on 1 November 2022, the extraordinary general meeting of the Company resolved to relocate the Company's registered office from Malta to Sweden. This relocation has successfully been completed on 2 January 2023. Following the relocation, the new address is MGI - Media and Games Invest SE, Stureplan 6, 114 35 Stockholm, the new registration number of MGI is 517100-0143 and the new Swedish ISIN for the MGI shares is SE0018538068. Additionally, as part of the relocation, on 10 January MGI announced the registration of 15,000,000 warrants in the name of MGI in order to secure the delivery of series A shares of the Company pursuant to the ESOP as well as 3,199,990 warrants to the sellers of Dataseat in line with the purchase agreement for purchase of all shares in Dataseat and selected Sweden as the new Home Member State on 30 January 2023.

CORPORATE GOVERNANCE

MGI pursues the goal to create a sustainable organization that has the appropriate procedures and structures in place to create value for its shareholders as well as other stakeholders in the long term.

This is expressed through strict standards and policies, a clear risk management and transparent processes.

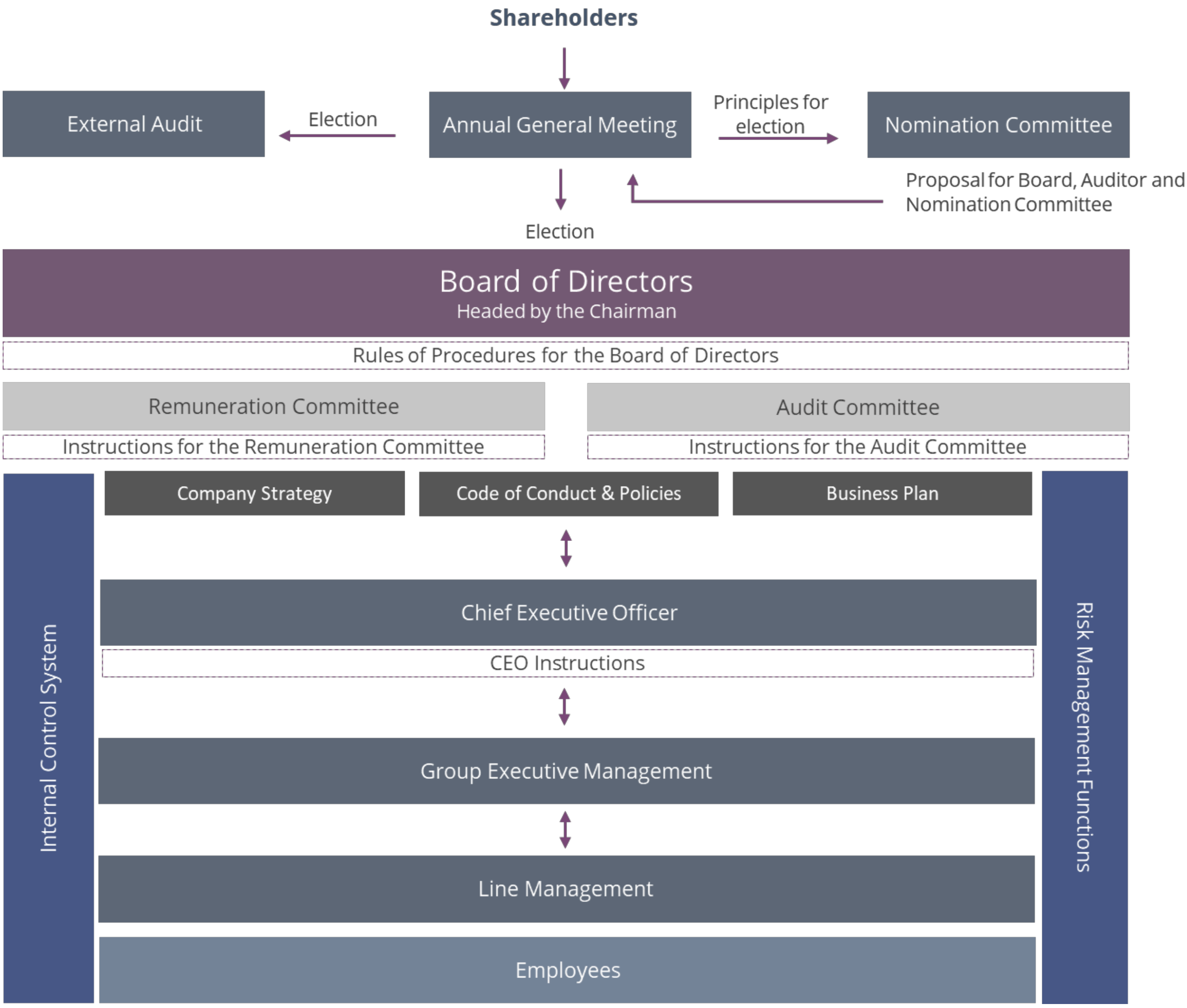
As will be shown in the following, the Company has introduced numerous measures and is optimizing continuously with the purpose of adapting internal processes and structures to the changed framework conditions. This includes among others the expansion of the board, the further optimization of the internal control system in cooperation with KPMG – to apply, evaluate and assess the internal control of business critical processes – the conversion into an SE and moving the domicile to Sweden, away from Malta, as well as the more in depth reporting on ESG topics.

In addition to the Governance Report, MGI has also published a Sustainability Report for 2022, which in addition to governance, includes the four other focus areas related to MGI's sustainability efforts; (1) A Great Team and an Inspiring Workplace, (2) Working towards a Greener Future, (3) Providing Data Protection and Security, (4) Diversity and Fair Play in our Products and Services and is in accordance with the GRI standards. No separate auditor's report on the sustainability report is required under the Maltese regulations. The Directors confirm that they are to their best knowledge fully in compliance with the Swedish Code of Corporate Governance.

Governance, management, and control in MGI are divided between the shareholders, the Board of Directors, the CEO, and the MGI Group Executive Management in accordance with applicable laws, rules, policies and instructions, as shown in illustration 1 below.

Corporate governance at MGI is based on external regulations such as the Swedish Companies Act (In 2022 prior to the relocation: Maltese Companies Act) "Companies Act", the Market Abuse Regulations, the Code, Nasdaq First North Premier Growth Market Rulebook (the "Rulebook") as well as the General Terms and Conditions of Deutsche Börse and the Rules and Regulations for the Scale Segment at Deutsche Börse, Nasdaq Stockholm's Rulebook for bond issuer and on internal regulations such as the Company's Articles of Association, Risk, Compliance, and Internal Control (RCIC) Framework, Code of Conduct, CEO Instructions and further more specific policies, which can be found on the Company's website under the section Key Policies.

Illustration 1



1. SHARES AND SHAREHOLDERS

MGI's shares are listed on the Swedish Nasdaq First North Premier Growth Market since 6 October 2020. Before that MGI's shares were already listed on the Open Market of Deutsche Börse. On 13 July 2020, MGI up listed to the Scale segment of Deutsche Börse, following an actively initiated listing procedure. The Scale segment of Deutsche Börse for small and medium-sized enterprises, so-called SMEs, is a registered SME growth market. The Scale segment sets higher transparency and reporting requirements for issuers than in the Open Market. Since 6 October 2020, MGI's shares are dual listed in Germany and Sweden. The Scale segment as well as Nasdaq First North Premier Growth Market are multilateral trading facilities.

According to the statutes, the share capital of the Company shall be not less than EUR 155,000,000 and not more than EUR 620,000,000. The number of shares shall be not less than 155,000,000 and not more than 620,000,000. The shares may be issued in two share classes: shares of series A and shares of series B. Shares of series A shall entitle to ten (10) votes each, and shares of series B shall entitle to one (1) vote each.

Should the Company resolve to, through a cash issue or a set-off issue, issue new shares of different classes, holders of shares of series A and B shall have pro-rata preferential rights to subscribe for new shares of the same class in relation to the number of shares the holder previously holds (primary preferential right). Shares which are not subscribed for with primary priority shall be offered for subscription to all shareholders (subsidiary preferential right). Unless such offered shares are sufficient for the subscription made with subsidiary preferential right the shares shall be allocated in relation to the aggregated number of shares the shareholder owned in the company prior to the subscription. To the extent this cannot be done regarding certain share(s), the allocation shall be decided by the drawing of lots. Should the company resolve to increase the share capital through a cash issue or a set-off issue by only issuing one share class, the shareholders shall have preferential rights to subscribe for new shares only in relation to the number of shares of the same class they hold in the company prior to the issue. In the event that the company decides to issue new warrants or convertible debt instruments, by a cash issue or a set-off issue, the shareholders shall have preferential rights to the subscription of the new warrants as if the issue related to the shares that may be subscribed for following an exercise of the warrants or, in case of an issue of convertible debt instruments, as if the issue related to the shares that may be subscribed for following a conversion. What is stipulated above shall not restrict the possibilities of resolving on a cash issue, a set-off issue, or an issue of warrants or convertibles that does not take place against payment in kind, with deviation from the shareholders' preferential right.

One share of class A may at the request of holder of such share be converted into one share of class B, provided that an application for listing of class B shares is submitted by the company to a stock exchange. The request for conversion shall be made in writing to the company no later than one month after the application for listing was submitted. The number of shares to which the request refers shall be stated. After the company's shares of class B have been admitted to trading on a stock exchange, a request for conversion may only be submitted during the periods 1-7 January, 1-7 April, 1-7 July and 1-7 October each year. The request for conversion may not refer to less than 100,000 shares. The board of directors may resolve on exemptions from the conditions for conversation regarding the period during which a request for conversion shall be submitted and the minimum number of shares that the request shall refer to. The conversion shall upon a valid request pursuant to this clause without delay be reported to the Swedish Companies Registration Office for registration and will be deemed to have been affected as soon as the registration is completed, and it has been noted in the central securities depository register.

As of 31 December 2022, the issued share capital of the Company amounted to EUR 159,249,358.00 divided into 159,249,358 shares of series A with a nominal value of EUR 1.00 and ten voting rights per share. All shares have the same ISIN and are all admitted to trading. Due to the dual listing in Sweden and Germany, a portion of shares are registered via Clearstream Frankfurt (for the German listing), the price of which is quoted in Euro, while another portion are registered via Euroclear Sweden AB ("Euroclear", for the Swedish listing), the price of which is quoted in Swedish Krona. The shares are freely tradable between Germany and Sweden.

Based on the information available to the Company, the Company's largest shareholder as of 31 December 2022 was Bodhivas GmbH ("Bodhivas"), which is a company indirectly majority controlled by Remco Westermann, who is also a member of the Board of Directors and CEO of MGI and held 26.2% of the Company's issued shares. Accordingly, the interest of the CEO is in line with those of all shareholders. Furthermore, based on the information available to the Company, as of 31 December 2022, Oaktree Capital Management held 17.7% of the Company's issued shares. As of 31 December 2022, the Company's ten largest investors (as far as they are known based on the information from Euroclear as well as other sources) held approximately 55.2% of the Company's shares in the aggregate. The entire board and the C-level hold a total of 28.23% of the shares and a total of 7,600,000 phantom stock as of 31 December 2022. Based on the Information available as of

31 December 2022, the Company is aware of a group of shareholders (acting in concert) that held 8.2% and consists of: Trend Finanzanalysen GmbH, Smile Autovermietung GmbH, T.E.L.L. Verwaltungs GmbH and the representative Anthony Gordon, as well as other private shareholders.

To the best of the Company's knowledge, there was no shareholder other than Remco Westermann and Oaktree Capital Management who directly or indirectly held more than 10% of the shares as of 31 December 2022.

In a planned action following the completed relocation of the Company's registered office from the Maltese to the Swedish jurisdiction the Company carried out a directed issue of 18,199,990 warrants to cover existing obligations. This issue was established to fit within the now relevant Swedish legislation and regulations in order to transfer already existing obligations relating to the ongoing Employee Stock Ownership Plan (ESOP), to strengthen employee retention (15,000,000 warrants), as well as to a potential share-based settlement of a Deferred Payment and Earn-out Payment related to the acquisition of Dataseat, in July 2022 (3,199,990 warrants). The issuance of these warrants was based on the authorization of the Board granted by the shareholders at the Extraordinary General Meeting on 1 November 2022 when all major MGI shareholder decisions with regards to the relocation to Sweden were finalized.

The 15,000,000 warrants for the ESOP program replaced the former option which was granted to Bodhivas GmbH to enable the same ESOP for MGI Group employees when MGI was still registered in Malta.

The EGM on 1 November 2022 adopted the following extraordinary resolution authorizing the Board of Directors to issue shares, options, warrants and convertible bonds of the Company: "*Without prejudice to the existing authorisation to the Board of Directors, in terms of article 3 of the Company's articles of association, to issue shares of any class, options which may be convertible into shares, and other rights and/or securities (by whatever name referred to) which may entitle the holder thereof to subscribe to shares in the Company, in each case up to the maximum value of the authorised share capital of the Company, which authorisation shall remain valid and in effect, to authorize the Board of Directors to – at one or several occasions and for the time period until the next annual general meeting of the Company – issue, following the re-domiciliation, new shares, options, warrants and convertibles in the Company, with or without provisions for payment in kind, set-off or other conditions, and with or without deviation from the shareholders' preferential rights (i.e. have the right to restrict or withdraw the right of pre-emption of existing shareholders in respect of any such issue) and in each case within the limits of the company's articles of association. The purpose of the authorisation and the* *possibility to deviate from the shareholders' preferential rights shall be to enable the use of securities as consideration for or as financing of acquisitions of companies or businesses (including for payments of earn-outs and other deferred payments), raise capital to facilitate growth and development of the company or to hedge, facilitate or settle the Company's incentive programs (including the ESOP)."*

Further information about the Company's shares and ownership can be found on MGI's website www.mgi-se.com.

2. GENERAL MEETING

The shareholders in a general meeting (the "Shareholders") can resolve and exercise their influence over the Company.

Subject to the provisions of the Companies Act and in accordance with Article 10 - 12 of the Company's Articles of Association, notices convening a general meeting shall be announced in the Swedish Official Gazette (Sw. Post- och Inrikes Tidningar) and on the Company's website. At the same time, it shall be announced in Dagens Industri that a notice to a general meeting has been made. Notices convening an annual general meeting and notices convening an extraordinary general meeting in which amendment in the articles of association is proposed shall be announced not earlier than six weeks (6) and not later than four (4) weeks before the meeting. Notices to other general meetings shall be announced not earlier than six (6) and not later than two (2) weeks before the meeting.

Right to Attend

A shareholder may only participate at the general meeting if the shareholder notifies the Company on the day specified in the notice to the general meeting, at the latest. The latter day may not be a Saturday, Sunday or a public holiday and may not occur earlier than five business days before the general meeting. Shareholders may be accompanied at a general meeting by a maximum of two assistants, but only if the shareholder notifies the Company of the number of assistants in the manner stated in the preceding paragraph. The board of directors may collect power of attorneys in accordance with chapter 7 section 4 paragraph 2 in the Swedish companies act (2005:551). The Board of Directors may resolve that shareholders shall be able to exercise their voting rights before general meetings in accordance.

Shareholder Initiatives

Shareholders who wish to have a matter added to the agenda of a general meeting must submit a written request to the Board of Directors. The request must have been received by the Board not later than seven weeks before the general shareholder meeting, or in due time for the matter to be included in the notice to attend the general meeting.

2.1 Annual General Meeting 2022

MGI held its Annual General Meeting for the year 2021 on September 15, 2022. In accordance with the proposals of the Board of Directors, the Annual General Meeting resolved on the following agenda topics:

Ordinary Resolutions

The following ordinary resolutions, each as described in detail in the notice for the Annual General Meeting as previously published by the Company, were unanimously approved by the votes present:

- To consider the Auditor's Report and approve the Audited Financial Statements for the financial year ended 31 December 2021
- Not to declare any dividend, as recommended by the Board of Directors on the basis of the Audited Financial Statements for the financial year ended 31 December 2021 (and in accordance with the directors' recommendation as set forth in the Directors' Report).
- To confirm and re-appoint RSM Malta as Auditors of the Company for the year 2022, until the earlier of the Company's registration as a Swedish company or the Company's next annual general meeting in 2023, and to authorize the Board of Directors to fix their remuneration.
- Resolution on the number of members of the Board of Directors.
- Resolution on the remuneration to the Board of Directors

The following ordinary resolution was approved with 99.99% of the votes present**:**

- Resolution on the election of the Board of Directors and Chairman of the Board of Directors.

Extraordinary Resolutions

The following extraordinary resolutions were unanimously approved by the votes present in the meeting. However, since the resolutions were passed by members holding more than 75% in nominal value of the shares represented and entitled to vote at the meeting, but were not passed by at least

51% in nominal value of all the shares entitled to vote at the meeting, the resolutions were not approved in accordance with the Company's articles:

- Extraordinary resolution to approve the change in name of the Company from Media and Games Invest SE to MGI – Media and Games Invest SE and, to approve the new Memorandum and Articles of Association of the Company to effect this change.
- Extraordinary resolution to approve a transfer proposal for the re-domiciliation of the Company from Malta to Sweden and to approve the new statutes of the Company to be adopted following its re-domiciliation and upon registration as a Swedish company.
- Extraordinary resolution to authorize the Board of Directors to issue shares, options, warrants and convertibles in the Company.

In this regard, Article 39 of the old (Maltese) Articles provides that if one of the two required majorities for the passing of an extraordinary resolution, but not both, another meeting shall be called for within thirty (30) days to take a fresh vote on the proposed resolution, at which meeting the resolution may be passed by a member or members holding in the aggregate not less than 75% in nominal value of the shares represented and entitled to vote at the meeting. Alternatively, if more than half in nominal value of all the shares having the right to vote at the meeting are represented at that meeting, a simple majority in nominal value of such shares so represented shall suffice. Accordingly, the extraordinary resolutions will be submitted to the next Extraordinary General Meeting to be held on 1 November 2022, for which the Notice & Agenda will be published shortly.

A total of 75,721,387 shares were present at the Annual General Meeting corresponding to 47.55% of total shares issued.

For more information on the resolution items, please see the minutes of the meeting under the following link: Shareholder meeting | MGI - Media and Games Invest (mgi-se.com).

2.2 Extraordinary General Meeting 2022

MGI held an Extraordinary General Meeting on 1 November 2022.

In accordance with the proposals of the Board of Directors, the Extraordinary General Meeting resolved on the following agenda topics:

Ordinary Resolutions

The following ordinary resolutions, each as described in detail in the notice for the Extraordinary General Meeting as previously published by the Company, were unanimously approved by the votes present:

- Resolution to adopt principles and instructions for the nomination committee.
- Approve the appointment of Deloitte Sweden AB as Auditors of the Company for FY 2023, effective from the date the Company's registration as a Swedish company (pursuant to agenda item 11 below), and to authorize the Board of Directors to fix their remuneration.

The following ordinary resolution was approved with 99.97% of the votes present:

- Resolution on the ESOP.

Extraordinary Resolutions

The following extraordinary resolutions, each as described in detail in the notice for the Extraordinary General Meeting as previously published by the Company, were unanimously approved by the votes present:

- Extraordinary resolution to approve the change in name of the Company from Media and Games Invest SE to MGI – Media and Games Invest SE and, to approve the new Memorandum and Articles of Association of the Company to effect this change.
- Extraordinary resolution to approve a transfer proposal for the re-domiciliation of the Company from Malta to Sweden and to approve the new statutes of the Company to be adopted following its re-domiciliation and upon registration as a Swedish company.

The following extraordinary resolution was approved with 99.54% of the votes present:

- Extraordinary resolution to authorize the Board of Directors to issue shares, options, warrants and convertibles in the Company.

As such all resolutions of the EGM have been approved by the shareholders.

A total of 45,917,167 shares were present at the Extraordinary General Meeting corresponding to 28.83% of total shares issued.

For more information on the resolution items, please see the minutes of the meeting under the following link: Shareholder meeting | MGI - Media and Games Invest (mgi-se.com).

3. NOMINATION COMMITTEE

In accordance with the resolution of the Annual General Meeting on 1 November 2022, the nomination committee shall prior to an annual general meeting be composed of (i) representatives of the three largest shareholders (including any group of shareholders who act in concert in the governance of the Company, and references to shareholders below shall cover such groups of shareholders as applicable) of the Company in terms of voting rights, who are registered in the share register maintained by Euroclear Sweden AB, or when applicable, other central securities depositories or other evidence of such shareholding which is acceptable to the Company, as of the last trading day in August each year and (ii) the chairman of the Board of Directors, who shall also convene the nomination committee to its first meeting. If the chairman of the Board of Directors is the CEO or another member of the Company's management, he or she may not be a part of the nomination committee. In such cases, another director shall replace the chairman of the Board of Directors in the nomination committee.

The Nomination Committee for the 2023 Annual General Meeting consists of the following members:

- Tobias M. Weitzel, Chairman of the Board.
- Hermann Dambach, appointed by Oaktree Capital Management.
- Dr. Gabriel Recnik, appointed by Bodhivas GmbH.
- Anthony Gordon, appointed by and representing a group of shareholders (acting in concert) consisting of: Trend Finanzanalysen GmbH, Smile Autovermietung GmbH, T.E.L.L. Verwaltungs GmbH and the representative Anthony Gordon, as well as other private shareholders.

The members of the nomination committee are to promote the common interests of all the shareholders of the Company and are not to reveal the content or details of any discussion held during the nomination committee meetings unduly. Each member of the nomination committee is to consider carefully whether there are any conflicts of interest or other circumstances that make their service on the nomination committee inappropriate before accepting the assignment to form part of the nomination committee.

The nomination committee shall fulfil the tasks set out in the Code and shall, when applicable, present proposals to an upcoming general meeting for:

- the election of the chairman of the meeting;
- the number of directors elected by the general meeting;
- the election of the chairman and members of the Board of Directors;

- the fees and other remuneration of elected members of the Board of Directors and of the members of the committees of the Board of Directors;
- the election of the auditor(s);
- the remuneration of the auditor(s); and
- principles for the composition of the nomination committee including any changes to the instructions to the nomination committee.

The composition of the Nomination Committee meets the Code's requirements for independent members.

4. BOARD OF DIRECTORS

The directors shall exercise their powers subject to the regulations of Company's articles of association and applicable rules and regulations (including the Swedish Companies Act, the Swedish Annual Accounts Act, the Company's articles of association, the Swedish Corporate Governance Code, Nasdaq First North Growth Market – Rulebook 1 September 2019 (the "Nasdaq Rulebook") and the Scale segment of the Frankfurt Stock Exchange (the "Frankfurt Scale Rulebook"), as well as the rules of procedure for the board of directors of Media and Games Invest SE.

The Board is to manage the Company's affairs in the best interest of the Company and all shareholders. The Board is to ensure that the Company's organization is structured in such a manner that the accounting, management and the Company's finances in general are controlled in a satisfactory manner. The Board appoints the CEO. Remuneration to the board of directors is proposed by the nomination committee and resolved by the AGM. Information on remuneration for the board of directors and the committee members is shown in the table below.

Remuneration in 2022 (kEUR)	Basic compensation	Variable remuneration	Other benefits	Pension expenses	Total
Board of Directors	131	0	0	0	131
MGI C-Level incl. CEO	1,384	998	96	0	2,479
Chief Executive Officer	350	250	32	0	632

4.1 Composition of the Board

In accordance with the Company's Articles of Association, the Board of Directors shall, in addition to any directors who may lawfully be appointed by another body than the general meeting, comprise 3–6 directors. A Board member may be elected for a period until the end of the first, second, third or fourth annual general meeting occurring the year after the election of the Board member.

The Board of Directors is appointed by the General Meeting. The Nomination Committee of MGI has the task of submitting appropriate proposals regarding the Board of Directors to the General Meeting.

The nomination committee shall apply item 4.1 in the Code regarding the diversity policy, whereby the nomination committee shall take into account that the Board of Directors, with regard to the Company's operations, development stage and other conditions, shall have an appropriate composition, characterized by versatility in respect to the competence, experience, geographic coverage and background of the members elected a general meeting. Furthermore, the nomination committee shall work with the goal of achieving an even gender distribution on the Board of Directors.

The AGM on 15 September 2022 re-elected Remco Westermann, Elizabeth Para and Tobias M. Weitzel, Franca Ruhwedel, Johan Roslund and Mary Ann Halford were newly elected. The number of Board Members was increased from 4 to 6. All Board Members are elected for the period until the next Annual General Meeting, which complies with the Code under point 4.7, that provides that "Members of the board are to be appointed for a period extending no longer than to the end of the next annual general meeting." For more information on the individual board member, please consider the Appendix of this governance report. Tobias M. Weitzel was appointed Chairman of the Board of Directors. According to point 6.3 of the code, the chair is to ensure that the work of the board is conducted efficiently and that the board fulfils its obligations. In particular, the chair is to (i) organize and lead the work of the board to create the best possible conditions for the board's activities,(ii) ensure that new board members receive the necessary introductory training, as well as any other training that the chair and member agree is appropriate, (iii) ensure that the board regularly updates and develops its knowledge of the company, (iv) be responsible for contacts with the shareholders regarding ownership issues and communicate shareholders' views to the board, (v) ensure that the board receives sufficient information and documentation to enable it to conduct its work, (vi) in consultation with the chief executive officer, draw up proposed agendas for the board's meetings, (vii) verify that the board's decisions are implemented, and (viii) ensure that the work of the board is evaluated annually.

In the composition and size of MGI's board of directors, the need for diversity and breadth as well as skills and background has been considered, as well as the ability to manage the Company's affairs efficiently and with integrity.

Remco Westermann is CEO and Board member of MGI and is the only board member who is also part of the executive management, thus MGI complies with the requirements of the Code regarding the separation of board and executive management.

4.2 Independence

According to the Code, the majority of directors elected by the shareholders' meeting are to be independent of the Company and its executive management and at least two of the members of the Board who are independent of the Company and its executive management are also to be independent in relation to the Company's major shareholders.

According to the definition in the Code, all board members except for Remco Westermann are independent to the Company and the executive management as well as in relation to major shareholders.

4.3 Board Work

The Board of Directors adopts written rules of procedure for its work as well as instructions for the Chairman of the Board of Directors and for the Committees, financial reporting guidelines for the CEO and CFO, internal control framework and other instructions, guidelines and policies that are adopted annually at the constituent meeting after the Annual General Meeting. The Rules of Procedure define how work is divided between the Board of Directors, its Committees, and the CEO. In 2022, the Board of Directors held 25 board meetings, of which 15 were by written resolutions. All meetings held followed an agenda provided to the board members prior to the meeting, along with relevant documentation for each agenda item. The CEO, and in most meetings also the CFO, also attended the board meetings. The CEO reports on operational performance at each regular board meeting and the CFO reports on financial performance at regular intervals. In addition, the CFO, senior executives and, if necessary, the Company's auditors make presentations on various specialized topics. Among other things, board meetings were held in advance of M&A and capital market transactions, before the publication of quarterly as well as annual financial statements, before shutting down games and before general meetings.

The work of the board of directors is evaluated annually with the aim of both developing the board's activities as well as its composition considering the development of the Company. In conjunction with the board evaluation, an evaluation of the CEO is also conducted. The latest evaluation took place in February 2023, by the members completing a questionnaire drawn up by the chairman of the board. An anonymized compilation of the questionnaires was presented to the board of directors in connection with an ordinary board meeting.

4.4 Attendance Board Meetings

Name	**Meetings 2022** **Attendance Board**
Remco Westermann	25/25
Tobias M. Weitzel	25/25
Elizabeth Para	24/25
Antonius Fromme	15/16
Franca Ruhwedel	9/9
Mary Ann Halford	9/9
Johan Roslund	9/9

4.5 Board Committees

Remuneration Committee

The Remuneration Committee consists of Mary Ann Halford (Chair), Johan Roslund and Tobias M. Weitzel. The Remuneration Committee has the responsibilities and authority that follows from the Swedish Companies Act and the Code.

The Duties of the Remuneration Committee are defined in annually adopted instructions and include amongst others, (a) prepare the board of directors' decisions on issues concerning principles for remuneration, remunerations and other terms of employment for the executive management,

(b) monitor and evaluate programs for variable remuneration, or (c) monitor and evaluate the current remuneration structures and levels in the Company.

The Remuneration Committee was convened at the Constituent Board Meeting in September 2022. No meeting of the Remuneration Committee was held during the reporting period. Two meetings have been held so far in 2023. All members of the Remuneration Committee attended.

Audit Committee

The Audit Committee consists of Franca Ruhwedel (Chairman), Tobias M. Weitzel and Elizabeth Para. The Audit Committee has the responsibilities and authority that follows from the Swedish Companies Act and the Code.

The Duties of the Audit Committee are defined in annually adopted instructions and include amongst others, (a) monitor the Company's financial reporting and provide recommendations and proposals to ensure the reliability of the reporting, (b) in respect of the financial reporting, monitor the efficiency of the Company's internal controls, internal audits, and risk management, or (c) review the Company's accounting principles and its process for financial reporting as well as make recommendations on appropriate changes in order to ensure the reliability of the financial reporting.

The Audit Committee was convened at the Constituent Board Meeting in September 2022. One meeting of the Audit Committee was held during the reporting period. Two meeting has been held so far in 2023. All members of the Audit Committee as well as the CFO attended. The CEO attended two meetings and the Company's auditor also took part in one meeting.

5. AUDITOR

The Annual General Meeting 2022 confirmed and re-appointed RSM Malta as Auditors of the Company for the year 2022, until the earlier of the Company's registration as a Swedish company (pursuant to agenda item 18 below) or the Company's next annual general meeting in 2023, and to authorize the Board of Directors to fix their remuneration. The principal in charge is Roberta West Falzon.

The extraordinary general meeting 2022 approved the appointment of Deloitte Sweden AB as Auditors of the Company for FY 2023, effective from the date the Company's registration as a Swedish company (pursuant to agenda item 11 below), and to authorize the Board of Directors to fix their remuneration. The principal in charge is Christian Lundin.

The auditor has the task of auditing MGI's annual report and reporting to the shareholders on whether the financial statements provide a true and fair view, according to IFRS as adopted by the EU and the requirements according to the Companies Act (Cap. 386). Remuneration to the auditors shall, in accordance with a resolution passed at the 2022 AGM & EGM, be fixed by the board of directors. In addition, all M&A-related purchase price allocations and the impairment tests for all intangible assets are performed by Ernst & Young.

6. CEO AND GROUP EXECUTIVE MANAGEMENT

MGI's CEO and Group Executive Management is responsible for the management of the entire MGI Group and reports to the board of directors. MGI's CEO and Group Executive Management includes Remco Westermann (CEO), Paul Echt (CFO), Jens Knauber (COO) and from 1 April 2022 Sonja Lilienthal (CIO) as well as from 29 August 2022 Sameer Sondhi (CRO) and Ionut Ciobotaru (CPO).

7. INTERNAL CONTROL AND RISK MANAGEMENT

The Board of Directors is responsible for ensuring that the Company has sufficient and effective internal control systems in place to protect the Company's assets as well as the shareholders' investment. The Executive Management is responsible for establishing a risk management and internal control system to achieve strategic and operational objectives and protect the Company's assets and shareholders' investment. MGI operates under a Risk, Compliance and Internal Control (RCIC) Framework, which is describing the approach and the responsibilities of MGI employees, Management, and the Board of Directors together with actions related to risk management, compliance, and internal controls to protect the Company's assets as well as shareholders' investment. The RCIC Framework enables MGI to successfully grow the business by helping identify potential events that may affect the Company, manage the associated risks and opportunities, and helps support the achievement of the Company's vision. The Compliance Management System (CoMS), the Internal Control System (ICS) over financial reporting, and the Strategic and Operational Risk Management (SORM) are established to support in fulfilling this responsibility. In addition, activities are undertaken to ensure Environmental, Social and Governance (ESG) expectations and targets are being met.

MGI follows the COSO framework for internal control and complies with the rules for companies listed on Nasdaq First North Premier Growth Market, Nasdaq Stockholm (for bonds) and the Scale Segment of Deutsche Börse, as well as the Act and the Code. In 2022, MGI has further optimized the Internal Control Systems using a state-of-the-art internal control and framework as well as process technology so that the Company has sufficient and effective internal controls in place taking future growth and size into account. The main purpose of the Internal Control System (ICS) is to provide reasonable assurance over the reliability of financial statements and of controls related to financial reporting and disclosures, as required by regulators and the Company's policies. The ICS mandates MGI to put in place procedures and policies to record transactions fairly and accurately, and to prevent or detect material misstatements and unauthorized use of MGI's assets.

7.1 Control Environment

Management is responsible to set the tone at the top and to establish standards of conduct for all employees of the Company. The MGI Code of Conduct describes the set of behaviors and shared values that all managers, employees, and contract workers are expected to follow at all times. Guided by the MGI vision and the MGI Code of Conduct, Executive Management ("C-level") establishes overarching strategic goals and sets financial targets. These goals are cascaded to our business segments world-wide to ensure alignment across the Company. Designated senior management is accountable for meeting these goals and objectives.

Policies and procedures are in place that require incidents of non-compliance, adverse events, control failures or critical unmitigated risks to be escalated to Management and, if appropriate, to the proper authorities in a timely manner. A Whistleblowing Tool is available to any person to report information that might represent an actual or potential violation of law or MGI's Code of Conduct, including questionable accounting and disclosure practices, with outmost confidentiality and without fear of retaliation.

7.2 Risk Assessment and Control Activities

MGI's operations are subject to numerous risks that are regularly reviewed and evaluated by the board of directors. These risk factors can be found in the risk factor section of the 2022 Directors' Report.

In analyzing and assessing risks, the Company divides risks into categories (Finance, Legal Compliance, Operational and Strategic) and business areas (Corporate, Game, Media) and assigns an owner from Group Executive Management to each risk. The current risk exposure is evaluated on the basis of probability of occurrence and impact and compared with the target risk exposure to be achieved. In a further step, mitigation measures are defined. The risk analysis is repeated at regular intervals.
The most significant risk factors include, amongst others, errors in the processes that could affect the financial assets and instruments in the profit and loss statement and the balance sheet, as well as the investment process. MGI has established documented work routines and implemented state of the art accounting and consolidation tools that meet the requirements of a buy-and-build growth company

and continually evaluates how well controls and systems are operating with respect to these items and processes.

Requirements and changes in the legal framework, particularly in the areas of data protection and the protection of children and young people, as well as the upcoming European regulation for tracking working hours, represent a further significant risk. MGI monitors these framework conditions intensively and is also involved in industry associations that proactively participate in the development of these framework conditions. In addition, MGI works with external advisors who monitor and evaluate MGI's compliance with applicable regulations and on whose analysis the board can make an evaluation of the respective risk assessment.

In addition to the year-end report, interim reports and annual report, the Board of Directors reviews and evaluates extensive financial data regarding MGI. The Board of Directors also processes information on risk assessments, disputes and any irregularities that may have an impact on MGI's financial position. The Board of Directors also review the most significant accounting principles applied in the group regarding financial reporting and material changes in accounting principles as well as reports on internal control and the processes for financial reporting.

7.3 Information & Communication

Internal Information and communication channels are in place so that management and employees are aware of their responsibility for risks, compliance activities and internal controls in their teams. All employees have access to the MGI's RCIC Portal to read relevant documents such as the Code of Conduct, Company policies, procedures and guidelines, ICS, RCM - risk and control matrices, process flowcharts, CoMS articles, ESG targets, etc. In addition, news, information, projects, and activities related to risk, compliance and internal controls are shared through Company newsletters, All-Hands Meetings and Townhalls.

Formal and informal training are conducted with relevant employees. For specific risk areas, mandatory training is conducted regularly. Information is provided to new hires and employees transferring to other functions on key processes, risks, and controls relevant to their role.

The Whistleblowing Tool offers all employees, suppliers, and others a mechanism for anonymously reporting, where local law permits, potential violations of laws, regulations, or policies, or to raise concerns about ethical behavior, safety, or security.

Risk management functions meet regularly with the Board of Directors and Executive Management to ensure risk visibility, ownership, and status of action plans, controls, and mitigation.

The Company's external information is provided in accordance with the Information and Insider Policy established by the board of directors and in line with market standards. This policy specifies what is to be communicated by whom and in what way to ensure that both external and internal information is accurate, compliant, and complete. The Head of IR is responsible for implementing the Group's policy on internal information and communication. Investor Relations is managed and supervised by the CFO and the Head of IR who is reporting to the CFO. Another task of the Head of IR is to support the CEO and senior executives in terms of communication with the capital markets. The Head of IR also works together with the CEO and CFO on the preparation of the annual financial statements, annual general meetings, capital market presentations and capital market days, and other regular reports on IR activities. An Ad-Hoc committee has been established, consisting of the chairman, the CEO, the CFO and the Head of IR, which meets on a regular basis, as well as at very short notice if an insider-relevant event occurs.

7.4 Internal Audit

The Company regularly evaluates the need for internal auditing based on company-specific factors such as the scale, structure, diversity and complexity of the Company's operations, the number of employees, the Company's culture, and cost-benefit considerations as well as further ESG relevant topics. No formal internal audit was conducted during the reporting period, but the Company has established the RCIC Framework, which describes our approach and the responsibilities of MGI employees, Management, and the Board of Directors together in implementing actions related to risk management, compliance, and internal controls. Furthermore, the Company hired an Internal Control Team, who is given the mandate to further optimize and harmonize the ICS over financial reporting, support creation and implementation of Company policies and procedures, and perform monitoring activities to validate compliance with the ICS in the business units in scope.

DIRECTORS REPORT

1. GENERAL INFORMATION AND PRINCIPAL ACTIVITY

MGI - Media and Games Invest SE, ("MGI" or "the Company"), is a Swedish company initially incorporated in Malta on 21 March 2011 as a Public Limited Liability Company which was converted into a Societas Europaea on 25 May 2021. On 2 January 2023 the registered office was transferred from Malta to Sweden. The Company is the parent company of the entities disclosed in Note 2.4.2 to these consolidated financial statements (to be referred collectively as “the MGI Group” or “the Group”). As of 31 December 2022, Bodhivas GmbH, Düsseldorf, owns 26.2% of the Group.

The Company’s shares are dual listed in the Scale segment of Frankfurt Stock Exchange in Germany and on the NASDAQ First North Premier Growth Market in Stockholm, Sweden. The Company has two senior secured bonds outstanding in the amount of EUR 410m which are listed on NASDAQ Stockholm and on the Open Market of the Frankfurt Stock Exchange.

The Company is registered with the Swedish Companies Registration Office with registration number 517100-0143 and registered office at Stureplan 6, 114 35 Stockholm, Sweden.

MGI operates a fast-growing, profitable ad-software platform that matches global advertiser demand with publisher ad-supply while improving results through first-party data from own games. MGI’s main operational presence is in North America and Europe. Through investments in organic growth and innovation, as well as targeted M&A, MGI has built a one-stop shop for programmatic advertising, enabling companies to buy and sell ad space across all digital devices (mobile apps, web, connected TV and digital out of home).

2. PERFORMANCE REVIEW, RESULT AND DIVIDENDS

During the year, net revenues amounted to EUR 324.4 million (2021: EUR 252.2 million), which is an increase of 29%. The initial 2022 guidance was for revenues of between EUR 290-310 million (FY22: EUR 324.4 million, top end beaten by 5%), with an adjusted EBITDA of EUR 80-90m (FY22: EUR 93.2 million, top end overachieved by 4%). The Company reached the upper end of its Updated 2022 Guidance that took the AxesInMotion and Dataseat acquisition into account and were published on 15 November 2022.

The adjusted EBITDA amounted to EUR 93.2 million (2021: EUR 71.1 million), which is an increase of 31%. The increase in EBITDA is attributable to revenue growth and efficiency gains, which also led to a one percentage point increase in the margin for the full year 2022, to 29% (versus 28% in 2021).

In 2022, MGI was able to gain market share by adding numerous new advertisers and publishers to its platform. Organic revenue growth for 2022 totalled 18%, mainly due to the growth of the digital advertising business. The digital advertising business, which MGI started four years ago, has now become the majority of its business and the main growth driver.

The result for the period from 1 January to 31 December 2022 is shown in the consolidated statement of comprehensive income. In the past years, MGI did not pay a dividend, as the Company's proceeds were reinvested in the further growth of the Company. The financial year 2022 was closed with a loss due to a one-time, non-cash amortization of non-strategic games assets.

3. POST BALANCE SHEET EVENTS AND LIKELY FUTURE BUSINESS DEVELOPMENTS

After 31 December 2022 the following events occurred:

Relocation

As communicated by way of press release on 1 November 2022, the extraordinary general meeting of the Company resolved to relocate the Company's registered office from Malta to Sweden. This relocation has successfully been completed on 2 January 2023. Following the relocation, the new address is MGI - Media and Games Invest SE, Stureplan 6, 114 35 Stockholm, the new registration number of MGI is 517100-0143 and the new Swedish ISIN for the MGI shares is SE0018538068. Also, as part of the relocation, on 10 January, MGI announced the registration of 15,000,000 warrants in the name of MGI in order to secure the delivery of series A shares of the Company pursuant to the ESOP as well as 3,199,990 warrants to the sellers of Dataseat in line with the purchase agreement for purchase of all shares in Dataseat and selected Sweden as the new Home Member State on 30 January. Following the Relocation to Sweden the Company needs to fulfil new requirements in financial reporting and among other things need to file its standalone and consolidated financial statements in Swedish.

Refinancing of Bonds and Additional Interest Rate Hedges

On 9 March 2023 MGI - Media and Games Invest SE, following a book building process, successfully placed new senior secured floating rate callable bonds (ISIN SE0019892241) in an amount of

EUR 225,000,000. The Bonds will have a tenor of 4 years and carry a floating rate coupon of three months EURIBOR plus 7.25% per annum. The transaction was well received by the market and generated demand from primarily institutional investors based in the Nordics and continental Europe. The Company intends to apply for admission to trading of the Bonds on the Open Market of the Frankfurt Stock Exchange and the corporate bond list of Nasdaq Stockholm. The Company offered a partial roll-over to the holders of the Company's outstanding senior secured floating rate bonds maturing on 27 November 2024 with ISIN SE0015194527 in connection with the Bond Issue. Including the roll-over in the amount of EUR 115,000,000 in June 2022 the Company repurchased approx. EUR 314,000,000 in the 2024 Bond and had as of 24 March 2023 EUR 35,600,000 in the 2024 Bond outstanding.

Following the successful placing of floating rate Bonds in the amount of EUR 225,000,000 the Company implemented EUR 150,000,000 in Interest Rate Swaps. Considering the implementation of EUR 100,000,000 in Interest Rate Swaps in 2022 for the 2026 Bond the Company has achieved its desired balance between fixed and floating rate debt.

4. DIRECTORS

The directors who served during the period under review until the approval of the financial statements were as follows:

Remco Westermann (since 31 May 2018)
Tobias M. Weitzel (since 31 May 2018)
Elizabeth Para (since 31 January 2020)
Antonius Fromme (since 15 April 2021 until 15 September 2022)
Franca Ruhwedel (since 15 September 2022)
Johan Roslund (since 15 September 2022)
Mary Ann Halford (since 15 September 2022)

5. FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks such as:

credit risks,
liquidity risks,
market risks,
currency risks,
translation risks, and
Interest risks.

The Group's risk management is disclosed in Note 18 to the financial statements.

6. RISK FACTORS

RISKS RELATED TO THE GROUP'S BUSINESS AND TECHNOLOGY

Fraud software, hacking and / or other unfair activities

Customers as well as non-customers of the games subsidiaries of the Company, being the subsidiaries of the Company providing online, console and mobile games and platform services (the "Games Subsidiaries"), could attempt to prevent or negatively influence the use of the online, console and mobile games and media / online advertising services offered by the Games Subsidiaries by using fraud software, hacking and / or other unfair activities such as distributed denial of service attacks (DDOS) and / or to provide participants with advantages over other users within the scope of the games as well as related media / online advertising services. Furthermore, user data might be stolen and used without permission as a result of a hacking attack. In addition, service lines might fail, and the corresponding services may no longer be made available or may be interrupted up to a loss of control over the infrastructure of the Games Subsidiaries.

Customers or third parties of the Games Subsidiaries may try to lure users to other websites with fake offers. If more virtual goods are offered in the context of such transactions, this could lead to users no longer or to a lesser extent acquiring their virtual goods via the platforms of the Games Subsidiaries. This would have a negative impact on business activity. Furthermore, the Games Subsidiaries are only in a limited position able to monitor the trading of virtual goods outside its own platforms. Users could also be harmed in such transactions and such intrusions could happen at payment or distribution partners of the Games Subsidiaries, which might also harm the Games Subsidiaries.

As a provider of online, console and mobile games and platform services, the Games Subsidiaries are also exposed to the risk that games distributed on their respective platforms may be illegally copied and offered on other platforms. If games are played on platforms other than those operated by the Games Subsidiaries or are played in counterfeit games, the Games Subsidiaries cannot give any assurance that this can be switched off or prevented with the result that income will be lost.

Substantial program bugs could negatively affect the game experience and therefore lead to a loss of (paying) users or to a loss of payments for the Games Subsidiaries. Program bugs may also trigger negative game experiences by the users and lead to reputation damage. Substantial program bugs could also negatively affect media / online advertising services. These risks apply to both external and internal game development as well as media / online advertising services and can have a negative influence on the net assets, financial position and results of operations of the Games Subsidiaries.

The dissemination of counterfeit offers and the illegal copying of the Games Subsidiaries' offerings may also result in the reputation of the Games Subsidiaries' own platforms as well as the games offered suffering and the interest of users in the Games Subsidiaries' offers dwindling. As a result, the games offered by the Games Subsidiaries could become less attractive to users and lose overall interest in the online, console and mobile games and platform services offered by the Games Subsidiaries. All of the risks described above could negatively affect the business activities and reputation and consequently the revenues and the results of operations of the Group.

The Company assesses the risk to be medium.

Changing Technologies and Customer Requirements

The markets for online, console and mobile games and the market for media and mobile advertising are rapidly changing business areas. They are characterised by rapidly changing technologies, new technologies (e.g. virtual reality, augmented reality, block chain and streaming), new hardware or network or software compatibility requirements, frequent introductions of improved or new online, console and mobile games and platform services as well as constantly changing and new customer requirements. The success of the Group (including the Games Subsidiaries) therefore depends crucially on, in ample time, identifying new trends and developments, constantly improving existing mobile advertising services and online, console and mobile games as well as platform services, including new games and platform services in the product range, the ability to extend the lifetime of its existing games, adapting to rapidly changing customer requirements and, in particular, attracting and retaining large numbers of paying users, publishers and developers for the platform services. In particular, the

Group must be in a position to recognise changing customer wishes and requirements in good time and adapt the games and platform services offered accordingly at short notice and constantly improve, expand and update them with new features in such a way that both paying and non-paying users as well as publishers and developers find it attractive. The Group also depends on the availability of development partners and software developers, their quality and their willingness to further optimise games and platform services in the long term. As the Games Subsidiaries currently focuses on licensing new games to be launched and also a substantial part of the portfolio is licensed, the Group thus depends heavily on the availability and quality of external developer resources. As the Group also does the further development of games that already generate revenues in-house; it also depends on the availability of skilled developers.

If the Group is not able to successfully introduce new technologies and / or games and platform services to the market in time or to further optimise the technologies, games and / or platform services already offered and publish successful updates, the competitive position and growth opportunities of the Group would be adversely affected. Moreover, the Group might not sufficiently meet the demands and/or expectations of the Group's customers in the different markets in which the Group operates. The consideration of regional or target group specific characteristics including the different languages represents an additional challenge with regard to the identification and implementation of trends. This requires the use of technical, human and financial resources.

Any delay or prevention of the introduction of improved or new technologies, games and / or platform services into the product offering or their lack or delayed market acceptance as well as any incorrect introduction of technologies could have a negative effect on the business activities, financial position and results of operations of the Group.

The Company assesses the risk to be medium.

The Group Might Not Scale Up Quickly Enough

The Group must be able to continue to increase the capacity of its technology platform in order to support substantial increases in the number of advertisers and device users, to support an increasing variety of advertising formats and to maintain a stable service infrastructure and reliable service delivery for the Group's mobile advertising services. The Group also needs to grow significantly to develop the market reach and scale necessary to compete effectively with large competitors. Scalability of the Group's technology is of increasing importance, as advertisers will migrate to intermediaries with the largest inventory and inventory of the best quality and publishers will migrate to intermediaries with largest and best ad demand. Currently, the industry experiences important economies of scale effects as fixed cost in technology and organisation are spread over larger volumes of ad impressions. Larger users could utilise their cost advantage to drive down pricing (revenue share) and take share from smaller users, such as the Group. This may be the case for owned and operated users, but also for independent users that scale up quickly. Large owned and operated users could in general make use of their financial resource, relationships and capacities to outcompete smaller users, e.g. through pricing, bundled deals and a broader offering. The Group must gain scale quickly through organic growth and potentially also several further acquisitions and to also integrate acquired businesses successfully and reap synergies, and as such strengthen as well as maintain its competitive positions.

If the Group is unable to increase the scale of its mobile advertising platform to support and manage a substantial increase in the number of advertisers and mobile device users, while also maintaining a high level of performance, the quality of the Group's services may decline, and its reputation and business could be seriously harmed. In addition, if the Group is not able to support emerging mobile advertising formats or services preferred by advertisers, it may be unable to obtain new advertising clients or may lose existing advertising clients, and in either case, the Group revenue could decline. The Group expects to continue to invest in its platform in order to meet increasing demand. Such investment may negatively affect the profitability and results of operations of the Group.

The Company assesses the risk to be medium.

Risks Relating to the Integration of Newly Acquired Companies or Part of Companies

The Company is, as part of its business strategy, constantly evaluating potential acquisition targets to supplement the Company's current offering. During its history, the Group has acquired several companies and assets of various sizes. Following the acquisition of a company or part of a company, it may become apparent that the competence of the management of the acquired company has been misjudged or the integration into the Group is not successful and does not meet the expectations of the Group or that the Group has misjudged the market position, expected synergies, games quality, earnings potential, profitability, customer loyalty to the company, the growth opportunities of the company, time and costs for integration or other significant factors. Such misjudgements may also relate to the feasibility of the strategy underlying the respective acquisition. In such a case, not only would the achievement of the targets targeted by the Group with the acquisition be significantly jeopardised, but also the value of the investment as a whole. Furthermore, there is a risk that key persons of acquired companies will leave the acquired company as a result of the acquisition by the

Group. All of the risks described above could negatively affect the business activities and the net assets, costs and results of operations of the Group.

The Company assesses the risk to be low.

The Possibility of Using Domains Could be Adversely Affected

The Group (including the Games Subsidiaries) markets its products online, via consoles and via mobile while using its own domains. The marketing of the games via the Internet and other channels requires that the domains function smoothly and that their use is neither legally nor in fact adversely affected. Any disruption, interruption or significant impairment of the availability of the Group's domains would have a direct adverse effect on business activities and have a negative effect on the cash flow and results of operations of the Group.

The Company assesses the risk to be low.

Dependency on Functioning Settlement Partners

The Games Subsidiaries operate and market online, console and mobile games. A main source of income of Games Subsidiaries is the sale of virtual goods. With regard to the acquisition of these virtual goods, the Games Subsidiaries depend on cost-effective and functioning billing partners (so-called payment providers). The costs and risks of settlement via these settlement partners are sometimes comparatively high. In addition, the Games Subsidiaries offer payment services in the area of platform services in cooperation with payment providers. Payment providers are also at risk with regard to technical malfunctions, the temporary or structural failure of technical platforms, systems, data stocks and billing systems as well as the risk of the solvency of the billing partner. There are also risks with regard to liability due to e.g. system failures, fraud attempts and hacker attacks on the billing partner. Also, advertising income is an important source of revenues for the Games Subsidiaries, for which the Games Subsidiaries also are dependent on internal as well as external partners. On the media sector side, with SaaS, media or advertising partners (advertising partners can be direct customers or intermediaries such as media agencies and can also be partners in such capacity) could experience financial difficulties. Should the settlement partners the Group cooperates with, not be able to offer their services as agreed or should such services be delayed or interrupted, it would adversely affect the processing of the services offered by the Group and thus the business activities until a new settlement partner is found or until such settlement partner is able to again offer its services as agreed, leading to that the Group cannot fulfil its services or could only fulfil them with considerable delays.

Furthermore, the Group could be forced to accept less favourable conditions from another billing partner.

All of the risks described above could negatively affect the business activities and cash-flow of the Group.

The Company assesses the risk to be low.

Technology in the Media Sector May Not Be Scalable Enough

The Group's technology must be able to scale to process all of the advertising impressions from the collection of all of the visitors of all of the websites and applications offered on the Group's platform combined. Within milliseconds of a user visiting a website or clicking on an application containing the Group's technology, this technology must affect a transaction for a publisher and conduct an auction, in which hundreds of advertisers and tens of thousands of advertiser brands can participate. The Group's technology must be able to send bid requests to all of the appropriate and available advertisers on its platform per ad impression shown. It must perform these transactions end-to-end at speeds often faster than the page or application loads for the user. The Group's technology must surmount the challenge of processing the combined volume of every website and application and all of the constantly evolving advertisers' bidding technologies, at speeds that are often faster than their capabilities. It is key for the Group's success that its platform achieves network effects. For this, its technology platform must be able to handle significant increases in the numbers of advertisers and publishers active on the platform as well as to support additional ad formats without jeopardising the stability of the IT infrastructure and reliability of its service delivery.

If the Group fails to cost- effectively increase the scale of its platform, to support and manage a substantial increase in the number of transactions, as well as a substantial increase in the amount of data the Group processes, whilst also maintaining a high level of performance, the quality of its services could decline, and its reputation and business could be seriously harmed. In addition, if the Group is not able to continue processing these transactions at fast enough speeds or if the Group is unable to support emerging advertising formats or services preferred by publishers and advertisers, the Group may be unable to obtain new advertisers or publishers, the Group may lose existing advertisers or publishers or it could lose revenue from its failure to process transactions in a timely manner, any of which could cause the Group's revenue to decline and therefore also negatively affect the profitability and results of operations of the Group.

The Company assesses the risk to be medium.

Malfunctions and / or the Failure of IT Systems and / or Networks

The core of the Group's daily operations is partly its IT systems. The Group uses complex IT systems and data center services throughout its business operations and relies on functioning IT systems, hardware and networks to provide its services. The implementation of business activities via the internet and electronic data processing is essentially based on stable data availability, fast transmission of data and a technically stable Internet connection as well as well-functioning hardware and cloud infrastructure. The functionality of the servers used by the Group and the associated hardware, cloud and software infrastructure is of considerable importance for business activities and their attractiveness to customers. Errors and weaknesses of existing hardware, software and cloud infrastructure though, cannot be excluded.

The business activities of the Group may also be significantly impaired by breakdowns or disruptions to IT systems and networks as a result of hardware destruction, system crashes, software problems, virus attacks, intrusion of unauthorised persons into the system, failures of third-party partners systems, or comparable malfunctions. The Group may not be able to guarantee its services due to the lack of reliability, security and availability of its IT infrastructure.

The Group depends on the services of internet carriers, data centres and cloud providers as well as many other technical and data partners. The possible disruption of any of these services could lead to the services offered by the Group no longer being available to the Group's customers. Even if the Group is not responsible for these failures, the result could be damage to the Group.

The third-party software used by the Group could become incompatible with regard to new and necessary updates due to their no longer being supported by the developer in question or due to potential architectural issues that prevent the expansion of the software, for example. In addition, the third-party software in use may violate the licence or intellectual property rights of other entities. The Group's failure to discover existing security or data vulnerabilities at an early stage could lead to a lack of security for the shared resources that are offered. This means that one customer might be able to access data for another customer. All of the above potential risks, if realised, could negatively affect the net assets, financial position and results of operations of the Group.

The Company assesses the risk to be low.

RISKS RELATED TO THE GROUP'S BUSINESS IN THE GAMES INDUSTRY

Dependency on Successful Marketing Activities in the Games Subsidiaries

The success of the Group depends among others on the success of the online, console and mobile games offered by the Games Subsidiaries. New users are attracted in particular by online marketing measures, but also by means of TV campaigns and social media channels, whose success thus plays a key role. During 2022, the Group’s marketing expenditures for its B2C portfolio amounted to approximately EUR 3.4 million. The Company believes the marketing environment for the Games Subsidiaries is difficult. There is increasing competition for advertising space. There are also more and more forms of advertising/platforms, increasing regulations and technical requirements, fraud by marketing partners and the associated quality reductions and cost increases. Business Intelligence systems are very important for optimization but are always challenged by the changes in the portfolio as well as technical changes. With its own media specialists, the Group has a big competitive advantage versus peers, but also these companies face the challenges of the market. If the online, TV or social media marketing measures do not have the desired success with the consequence that fewer users are won through such marketing channels or customer acquisition becomes more expensive or inefficient, this would have an adverse effect on the business activities of the Games Subsidiaries and thus negatively affect the Group’s net assets, financial position and results of operations.

The Company assesses the risk to be low.

Competition in the Games Business

The publishing market for online, console and mobile games in Europe and North America in which the Games Subsidiaries operate, mainly via the Games Subsidiaries; gamigo group, the WildTangent, KingsIsle and Axes in Motion, is subject to intense competition and is characterised by constant change. The market is also highly fragmented. The main market of the Games Subsidiaries is North America, but also most other jurisdictions where the Games Subsidiaries are active, includes a large number of small and medium-sized providers of online, console and mobile games. The Games Subsidiaries compete with large companies but also with medium-sized and small companies that offer online, console and mobile games. In addition, internationally active providers of online, console and mobile games are increasingly trying to gain market shares in the Group’s business segments.

Some existing competitors have had a comparatively longer period of business activity, and have a comparatively higher level of awareness, a broader customer base and/or significantly larger financial and technical resources. Competitors might be able to react faster to new or developing technologies or standards and to changes in customer requirements, or spend more resources on the development, marketing, acquisition of game licenses and distribution of online, console and mobile games, and/or offer competitive online, console and mobile games at a lower price or in other business models.

Other providers that have so far been active exclusively in other, possibly adjacent markets and in some cases have considerably higher technical and financial resources may decide to enter the market for online, console and mobile games. Furthermore, new competitors may enter the market or new alliances may form between competitors that could gain significant market share in a short period of time. Also, large industry players such as Amazon and Netflix have entered the games market with substantial budgets. Increased competition could lead to price pressure, reduced margins and a loss of market share of the Games Subsidiaries. In addition, consolidation of the market has accelerated in recent years as a result of takeovers of game providers of various sizes. If this process continues, the existing price and competitive, for example in the fields of acquisition of companies, assets, intellectual property rights as well as launches and user acquisition, pressure is likely to intensify further. All of the risks described above could negatively affect the net assets, financial position, market share, acquisition opportunities and results of operations of the Group.

The Company assesses the risk to be medium.

Consumer Behavior in the Games Business

The Games Subsidiaries offer more than 5,000 games belonging to a variety of different genres. Several of Games Subsidiaries' games are free-to-play. The game selection includes fantasy role-playing games ("RPGs"), building-strategy games, mobile and casual games. The sales of the Games Subsidiaries' products depend upon the buying power, purchase patterns and user behaviour of its end consumers. Changes in customers' preference or purchasing patterns may adversely affect the Games Subsidiaries' net sales. The willingness of consumers to purchase the Games Subsidiaries' products and use its services may decrease due to external factors, such as a general downturn in the economy resulting from inter alia the ongoing war and geopolitical turmoil in Eastern Europe, which affect the consumers buying power or purchase patterns. If the willingness of end consumers to buy the Games Subsidiaries' products decreases, it will have an adverse effect on the Games Subsidiaries' sales, earnings and financial position. The Games Subsidiaries' ability to maintain existing, and attract new, customers depend upon the Games Subsidiaries' ability to identify and anticipate future market changes, changes in customer behaviour and trends early on and to rapidly react on existing and future markets. If the Group fails to identify, anticipate and react to market changes or trends, this could have an adverse effect on the Group's business, earnings or financial position.

The Company assesses the risk to be low.

Competition in Portals Specializing in Casual Games

The Games Subsidiaries offer so-called casual games on specialised portals, which are generally not exclusively licensed from game developers. The revenue model for casual games on specialised portals is based on the free-of-charge availability of such games for a limited period of time (usually for one hour), following which the users may continue using the full version of the game for a flat fee. As an alternative, also subscription models are being used.

These or comparable portals or games may be offered on the market free of charge by other publishers, for example based on revenue models based on the use of advertisements instead of flat fees or subscriptions. If this risk was to materialise, it could force the Games Subsidiaries to change their revenue model for such portals or to stop offering these portals to the market due to decreasing revenues or margins. Casual games offered on specialised portals might also become less attractive to users. If any of these risks were to materialise, it could have an adverse effect on the net assets, financial position and/or results of operations of the Group.

The Company assesses the risk to be low.

Dependency on Certain Games in the Games Subsidiaries

The success of the Games Subsidiaries depends crucially on the success of the major revenue generating top five games being, as of 31 December 2022, Wizard101, Trove, the WildTangent Games Portfolio, Fiesta and the Extreme Car Driving Simulator. The success of the Games Subsidiaries therefore depends on the success of these games. Any failure or absence of success or technical problems could lead to a loss of sales for one or more of the aforementioned games. All of the risks described above could negatively affect the revenue, profitability and cash-flow of the Group.

The Company assesses the risk to be medium.

Dependency on the Number of Paying Users for the Games Subsidiaries

The online, console and mobile games offered by the Games Subsidiaries are to a substantial extent free to play. The Games Subsidiaries only generate revenues from these games if the users purchase virtual goods that improve or enhance the playing possibilities for the users or the characters they play or accelerate the progress of the game using a previously purchased virtual currency. The Games Subsidiaries' success therefore depends on a substantial proportion of users being prepared to purchase virtual currency and thus virtual goods with real money. Should it not be possible to attract a sufficient number of users who are prepared to purchase virtual currency and thus virtual goods or should a lack of attractiveness of the virtual goods offered result in fewer users being prepared to purchase virtual currency and thus virtual goods, this would have an adverse effect on the Group's earnings, financial position and cash-flows.

The Company assesses the risk to be medium.

Dependency on Leading Game Platforms for the Games Subsidiaries

The Games Subsidiaries depend on the leading platforms in western markets, such as Steam, Sony PlayStation and Microsoft X-Box, as well as the Google Play Store and the Apple App Store for the download and sale of games. The cost, quality and availability of using these platforms are not under the control of the Games Subsidiaries. Also, the approval process for these platforms can be negative or more protracted than expected, meaning that the business activity of the Games Subsidiaries may be delayed or even hindered. Any changes to and related to the platforms that are being used by the Games Subsidiaries therefore have the potential of a negative effect on the net assets, financial position and results of operations of the Group.

The Company assesses the risk to be low.

Ability to Maintain a Successful Games Portfolio Within the Games Subsidiaries

The diverse portfolio of the Games Subsidiaries has been build-up through company acquisitions, purchasing of game licenses as well as worldwide publishing rights as well as game launches. The Games Subsidiaries mainly licenses online, console and mobile games that were developed by third parties, but also selectively develops new games (mostly mobile) in house. The availability of new games for the Games Subsidiaries therefore depends on access to good licenses to (potentially) successful online, console and mobile games. If new licenses are not available to the Games Subsidiaries or if these newly licensable games are not technically flawless or experience programming errors or similar malfunctions, this would have a negative effect on business activity of the Games Subsidiaries. Furthermore, new games licensed by the Games Subsidiaries could still be in development whereas game concepts might turn out to be not feasible or not marketable in early stages of the development or at all, which could lead to that new game projects being cancelled. The unavailability of licenses to successful online, console and mobile games, or delays in the start of a new game as well as increases of related cost for the Games Subsidiaries can negatively affect the business activities, revenues and results of operations of the Group.

The Company assesses the risk to be low.

RISKS RELATED TO THE GROUP'S BUSINESS IN THE MEDIA INDUSTRY

Risks Related to International Operations and Expansion in the Media Business

The Group has offices in several countries and its products and services are available in multiple languages and territories. The Group expects that its future success is predicated on its ability to continue to expand its existing international operations and on opening or acquiring companies with offices in new jurisdictions and expanding the offerings in new languages. The Group has limited operating history and the ability to manage its business and conduct the operations internationally requires considerable management attention and resources and is subject to the particular challenges of supporting a rapidly growing business in an environment of multiple languages, cultures, customs, legal, fiscal and regulatory systems, alternative dispute systems and commercial markets. Further expansion of the Group’s products and services may prove to be unsuccessful due to regional differences in consumer behaviour, business model, competitive landscape and regulation. For instance, in some countries, app developers have strongly developed their own ad monetisation platforms, which may prevent the Group from successfully and profitably entering such markets. International expansion has required and will continue to require the Group to invest significant funds and other resources.

In addition, the customer base may expand more rapidly in international regions where the Group is less successful in monetising its products and services. As the Group’s user base continues to expand internationally, it will need to increase revenue from the activity generated by the international users in order to grow its business. The Group’s further growth is predicated on a more international footprint. The Group may never achieve this. The Group's inability to successfully expand internationally could adversely affect the business, financial condition and operating results.

Finally, the Company’s Media business in Asia is increasingly growing in importance. This growth in business activities in the Asian markets increases the likelihood to be subject to the ongoing regulatory activities in Asian markets and specifically in China. All of the risks described above could negatively affect the business activities, financial position and results of operations of the Group.

The Company assesses the risk to be medium.

Risk Related to Advertising Fraud

The Group is of risk of being exposed to fraud, especially in the area of online advertising. Because of the high level of fraud in internet advertising, there is a substantial risk that the Company’s operations are negatively affected even though various anti-fraud tools are being used. Detection of fraud is often very difficult especially as there is normally no possibility of access to customer data and systems in order to better detect fraud. Fraud can have a significant negative impact on the Groups customer acquisition as well as on media volumes of the business and therefore also negatively affect the business activities and the net assets, financial position and results of operations of the Group.

The Company assesses the risk to be high.

Overall Demand for Advertising in the Group's Media Business

The Group's business highly depends on the overall demand for advertising and on the economic success of the Group's current and potential publishers and advertisers. If advertisers reduce their spending on advertising, the Group's revenue and results of operations are affected. Many advertisers spend a higher amount of their advertising budgets in the fourth quarter of the calendar year due to increased holiday purchasing or for budget reasons. If advertisers reduce the amount of their advertising spending during the fourth quarter (or an earlier quarter), or if the amount of inventory available to advertisers during that period is reduced, this could have an adverse effect on the Group's revenue and operating results for that fiscal year. Economic downturns or instability in political or market conditions may cause advertisers to reduce their advertising budgets. Reductions in inventory would make the Group's solution less attractive to advertisers. Moreover, any negative changes in the treatment of advertising expenses and the deductibility of such expenses for tax purposes would likely cause a reduction in advertising demand. In addition, concerns over the sovereign debt situation in certain countries in the European Union, question marks over the speed of recovery of the US economy and concerns over China and Russia among others, as well as continued geopolitical turmoil in several parts of the world have and may continue to put pressure on global economic conditions, which could lead to reduced spending on advertising.

The Company assesses the risk to be high.

Leading Global Technology Companies May Undermine the Company's Revenue Model in the Media Business

In many cases, the parties that control the development of mobile connected devices and operating systems include the Group's most significant competitors in the mobile advertising industry. For example, Apple controls two of the most popular mobile devices, the iPhone and the iPad, as well as the iOS operating system that runs on them. Apple controls the app store for downloading apps that run on Apple's mobile devices and Google controls the Android operating system and Google Play. The Group depends on the interoperability of its products and services with popular devices, desktop and mobile operating systems and web browsers that it does not control, such as Android, iOS, Chrome, Internet Explorer and Firefox. Any changes in such systems, devices or web browsers that degrade the functionality of the Group's products and services or give preferential treatment to competitive products or services could adversely affect usage of the Group's products and services. If the Group's mobile advertising platform were unable to work on these devices or operating systems, either because of technological constraints or because the maker of these devices or publisher of these operating systems wish to impair their competitors' ability to compete with them or such competitors' ability to fulfil advertising space, or inventory from developers whose apps are distributed through their control channels, the Group's ability to generate revenue could be significantly affected. Also, the Group's ad formats and/or revenue models (e.g., rewarded formats) might be affected, as for example Apple and Google could bar certain apps or clients from their apps store which are important to the Group and could give preference to their own products and services. Consequently, leading global technology companies such as Apple and Google have the power to undermine the revenue model of the Group.

Further, if the number of platforms for which the Group develops its product expands, this can result in an increase in the Group's operating expenses. In order to deliver high-quality products and services, it is important that the Group's products and services work well with a range of operating systems, networks, devices, web browsers and standards that it does not control. In addition, because a majority of its users access the products and services through mobile devices, the Group depends on the interoperability of its products and services with mobile devices and operating systems. The Group may not be successful in developing relationships with key participants in the mobile industry or in developing products or services that operate effectively with these operating systems, networks, devices, web browsers and standards. In the event that it is difficult for the Group's users to access and use the products and services, particularly on their mobile devices, the user growth and engagement could be harmed, and the business and operating results could be adversely affected.

The Company assesses the risk to be medium.

Lack of Long-Term Agreements with Advertisers and Publishers in the Media Business

The Group's contracts with advertisers and publishers generally do not provide for any minimum volumes or may be terminated on relatively short or no notice and without penalty. Advertisers' and publishers' needs and plans can change quickly, and advertisers or publishers may reduce volumes or terminate their arrangements with the Group for a variety of reasons, including financial issues or other changes in circumstances, new offerings by or strategic relationships with the Group's competitors, change in control, or declining general economic conditions. Technical issues could also cause a decline in spending. As a result, the Group has limited visibility as to its future advertising revenue streams. There is a risk that the Group's advertiser and publisher clients will not continue to use its services or that the Group will not be able to replace, in a timely or effective manner, departing clients with new clients that generate comparable revenue. In addition, the Group's agreements typically do not restrict the publishers from entering into agreements with other companies, including the Group's competitors. There is a risk that the partners with which the Group entered into an agreement will not continue to obtain services of the Group on commercially acceptable terms, or at all, after the term of the current agreement expires, or that they will terminate the existing services on short notice, which could lead to a slow down or a drop in revenue and harm the Group's reputation.

The Company assesses the risk to be medium.

Risk of Recession and Inflation Due to Significantly Changed Macroeconomic Environment Which Could Impact the Media Business

The outbreak and global spread of Covid-19 led to significant and severe impact on the world economy. It affected the markets where the Group operates and also created significant volatility and disruption in financial markets. Governments across the world imposed a number of measures designed to contain the outbreak, including business closures, travel restrictions, quarantines and cancellations or restrictions of gatherings and events. Due to any spread increase of Covid-19 through the emergence of new variants or mutations, or any new viruses emerge resulting in a global pandemic, companies might be facing major challenges due to extensive political restrictions as well as changing consumer patterns. Due to such crises, economists rate the recession risk higher. There is also an increased risk of disruptions in the supply chains and higher inflation rates which may have an adverse impact of the markets on which the Group operate. Particularly for the media activities, such disruptions could lead to lower revenues. The Group has, for example, noticed an actual decrease of demand from customers operating in the travel and retail sectors in the recent Covid-19 pandemic. Issues related to a pandemic, recession, inflation or similar events might negatively affect the business activities and the net assets, financial position and results of operations of the Group.

The Company assesses the risk to be medium.

Seasonality of Advertising Spending in the Media Business

The Group's results of operations and cash flows vary from quarter to quarter due to the seasonal nature of advertising spending. In contrast to the higher amount of advertising budgets spent during the fourth quarter, the first quarter of the calendar year is typically the slowest in terms of advertising spend, while spend increases in the second and the third quarter respectively. Seasonal fluctuations could become more pronounced in the future. As a result, in times of lower advertising spend than expected the Group's revenues may be materially adversely affected. Similarly, in times of higher and instantaneously increasing advertising spend and traffic, the Group's platform must be able to support substantial increases in the number of publishers and advertisers generating traffic, and to support the variety of advertising formats whilst maintaining a stable and effectively functioning infrastructure and reliable service to customers. This flexibility and stability requires significant investments in both organisation and technology, which increases the Group's cost base. These fluctuations and changes in advertising spend could as such negatively affect the costs and results of operations of the Group.

The Company assesses the risk to be low.

Continued Growth in Usage of Mobile Connected Devices

The Group's business depends on the continued proliferation of mobile connected devices, such as smartphones and tablets that can connect to the Internet over a cellular, wireless or other network as well as the increased consumption of content through those devices. Consumer usage of these mobile connected devices may change for a number of reasons such as changes in user behaviour, concerns regarding data protection and data usage or changes in cost of smartphones etc. For any of these reasons or similar, users of mobile connected devices may limit the amount of time they spend on these devices and the number of apps they download on these devices. If user adoption of mobile connected devices and consumer consumption of content on those devices do not continue to grow or even decline, the Group's total addressable market size may be significantly limited which may negatively affect the business activities, financial position and results of operations of the Group.

The Company assesses the risk to be low.

Novelty of Mobile Advertising market in the Group's Media Business

The substantial majority of the Group's revenue in the media segment is derived from customers that purchase or offer mobile advertising through the Group's platform either on a self-serve basis or via the Group executing campaigns for them. The Group expects that spend on mobile advertising will continue to be its main source of revenue for the foreseeable future in the media segment, and that the Group's revenue growth will depend on increasing mobile advertising spend through its platform. The market for mobile advertising is an emerging market and today advertisers generally devote a growing portion of their advertising budgets to digital advertising, while the spend for traditional advertising methods, such as TV, newspapers, radio and billboards is declining. The Group's current and potential customers may find mobile advertising to be less effective than other advertising methods, and they may reduce their spending on mobile advertising as a result. Emerging channels such as mobile and social media are still quite young and may not or not rapidly enough develop into viable channels.

The future growth of the Group's business could be constrained by both, the level of acceptance and expansion of digital and mobile advertising as a format and emerging digital and mobile advertising channels, as well as the continued use and growth of existing channels. Even if these new channels become widely adopted, advertisers may not increase their advertising spend through platforms such as the Group's. If the market for mobile advertising deteriorates, develops more slowly than the Group expects or the shift from traditional advertising methods to digital advertising does not continue, or there is a reduction in demand for digital and mobile advertising caused by weakening economic conditions, decreases in corporate spending, perception that mobile advertising is less effective, less safe than other media or otherwise, it could reduce demand for the Group's offerings, which could decrease revenue or otherwise adversely affect its business.

The Group's current and potential customers may also suffer from increasing penetration of adblocking programs. Ad-blocking software has been in use on the web and in mobile browsers for some years and, whilst technically more difficult, is also coming to mobile apps. For instance, technology has been developed that sits in an operator's network and filters out any ad other than those on a whitelist. This could significantly impact advertisers' campaigns and as such, the demand for mobile advertising and revenues as well as it could change the economics in the mobile ecosystem and decrease the share intermediaries can capture. If ad-blocking technology for mobile apps becomes more widespread, this could impact the Group's offerings and positioning which could significantly decrease revenue and margin.

The Company assesses the risk to be low.

Working for Direct Competitors

Affiliates of the Group market computer games and other products and services from third parties, among other things, in close cooperation with its media activities. In the media business of the Group, there are similar markets risks as in the game publishing sector, as well as risks concerning customer relationships. The size and therefore the importance of existing advertiser and publisher customers is growing. The income in the media/advertising business mostly consists of campaign-based revenues as well as revenue streams from SaaS revenues. As the Group's media companies are also working for direct competitors of, for example, games affiliates of the Group, the separation of the media/advertising business from the games affiliated companies (known as Chinese walls) are deemed to be adequate by the customers. Any doubts in customers' minds as to this Chinese-walls principle could have a significant impact on the Group's business volume relating to the media business and therefore also negatively affect the business activities and the net assets, financial position and results of operations of the whole Group.

The Company assesses the risk to be medium.

Lack of Control Over Information Technology Systems Over Services are Provided in the Media Business

The Group's mobile platform and smartphone operating systems depend on the reliability of the network operators and carriers who maintain sophisticated and complex mobile networks, as well as the Group's ability to deliver ads on those networks at prices that enable the Group to realise a profit. Mobile networks have been subject to rapid growth and technological change, particularly in recent years. The Group does not control these networks.

Mobile networks could fail for a variety of reasons, including new technology incompatibility, degradation of network performance under the strain of too many mobile consumers using the network, general failure from natural disaster or political or regulatory shut-down. Individuals and groups who develop and deploy viruses, worms and other malicious software programmes could also attack mobile networks and the devices that run on those networks. Any actual or perceived security threat to mobile devices or any mobile network could lead existing and potential device users to reduce or refrain from mobile usage or reduce or refrain from responding to the services offered by the Group's advertising clients. If the network of a mobile operator should fail for any reason, the Group would not be able to effectively provide the Group's services to its clients through that mobile network.

Mobile carriers may also increase restrictions on the amounts or types of data that can be transmitted over their networks or change their pricing plans. The Group currently generates revenue from its advertiser clients based on the type of ads the Group delivers, such as display ads, rich media ads or video ads. In some cases, the Group is paid by advertisers on a cost-per-thousand, or CPM, basis depending on the number of ads shown. In other cases, the Group is paid on a cost-per-click, or CPC, cost per install, or CPI, or cost-per-action, or CPA, basis depending on the action taken by the mobile device user. Different types of ads consume differing amounts of bandwidth and network capacity. If a network carrier were to restrict amounts of data that can be delivered on that carrier's network or change pricing plans, block ads on their networks, or otherwise control the kind of content that may be downloaded to a device that operates on the network, it could negatively affect the Group's pricing practices and inhibit the Group's ability to deliver targeted advertising to that carrier's users, both of which could impair the Group's ability to generate revenue.

The Company assesses the risk to be medium.

Changes in Market Power Among Publishers, Intermediaries and Advertisers in the Groups's Media Business

The Company's operating subsidiaries provide technical solutions for app publishers to monetise and advertise their apps and generate revenues by matching the app publishers' ad inventory with demand from advertising companies targeting specific types of app users in particular geographies.

The Group receives a portion of the payment which the advertisers are paying for placing ads into the apps of the publishers. The Group therefore focuses on maximising their revenues after inventory acquisition costs on an absolute basis. The Group believes this focus fortifies a number of its competitive strengths, including continuous improvement of the Group's scalable and adaptable technology platform. As part of this focus, the Group intends to continue to invest in building relationships directly with publishers, increasing access to leading advertising exchanges and enhancing the quality and liquidity of its advertising inventory supply. This includes purchasing advertising inventory that may have a lower margin on an individual impression basis and may be less effective in generating clicks. In addition, the Group experiences and expects to continue to experience, increased competition for advertising inventory purchased on a programmatic basis. Changes in the ad value chain, where programmatic buying results in intermediaries such as the Group might become less important or where other new models emerge, may result in increased margin pressure for the Group.

The Group's business will also suffer to the extent that the Group's publisher clients and advertiser clients purchase and sell mobile advertising directly from each other or through other companies that act as intermediaries between publishers and advertisers. For example, large owned and operated companies such as Twitter, Facebook, Google and Yahoo, which have their own mobile advertising capabilities, may decide to sell third-party ad inventory which would have been sold by the Group's services otherwise. Therefore, margin pressure for the Group also results from the concentration of publishers, advertisers and/ or intermediaries along the value-chain as such shifting buying power across the industry. If publishers decide not to make advertising inventory available to the Group for any of these reasons, or decide to increase the price of inventory, then the Group's revenue could decline and the Group's cost of acquiring inventory could increase. If for any other reason there is a shift in the buying power among the app publishers, other intermediaries and the advertisers respectively, this may negatively impact the Group's margins or even significantly impact the Group's ability to generate revenue and increase its costs of sale.

Also, the changes regarding identifiers such as IDFA (Identity for Advertisers) of Apple and cookies, lead to structural changes. While big players are closing their eco-systems changing into so called "walled-gardens", tracking and targeting become more difficult and/or need to be based on other methods. Powers in this market will change as a result of these changes leading to more competition between the large players such as Apple, Google and Amazon, but also threatening the positions of smaller independent players, including the Group's media activities, who will need to rely more heavily on first party data, contextual data and other privacy conformed technologies and solutions.

The Company assesses the risk to be high.

Sales Efforts with Advertisers and Publishers May Prove Unsuccessful in the Group's Media Business

Attracting new advertiser and publisher clients requires substantial time and expense, and the Group may not be successful in establishing new relationships or in maintaining or advancing its current relationships as the Group operates in a fragmented landscape and also often relies on intermediaries. For example, it may be difficult to identify, engage with and market to potential advertiser clients, directly or through intermediaries, who do not currently spend on mobile advertising or are unfamiliar with the Group's current services or platform.

The novelty of the Group's services and its business model often require the Group to spend substantial time and effort educating potential advertiser and publisher clients about the Group's offerings, including providing demonstrations and comparisons against other available services. This process can be costly and time-consuming. If the Group is not successful with advertisers and publishers, its ability to maintain and grow its effective sales, revenue and profits may be adversely affected.

The Company assesses the risk to be medium.

Reliance on Large Advertisers and Publishers in the Group's Media Business

Certain large advertisers and publishers have accounted for and will continue to account for a large share of the Group's business. Whilst no advertiser or publisher accounted for more than 20 percent and the top ten advertisers or publishers accounted for less than 70 percent of the Group's total revenues during the financial year 2022, respectively, the retention of large advertisers and publishers is important to the Group's operating results as well as the robustness of its exchange. The number of large media advertisers in the market is finite, and it could be difficult for the Group to replace revenue loss from any advertisers or publishers whose relationships with the Group diminish or terminate. Just as growth in the Group's inventory strengthens advertisers' activity as a result of network effects, loss of inventory or advertisers could have the opposite effect. Loss of revenue from significant advertisers or failure to collect accounts receivable, whether as a result of advertiser payment default, contract termination, or other factors, or significant reductions in inventory could have a significant negative impact on the Group's reputation, its results of operation and overall financial position.

The Company assesses the risk to be medium.

Platform Services

The Group partly already offers and further plans to roll out platform services, which are offered to publishers and advertisers and include media services such as user acquisition for advertisers and monetisation of advertising space for publishers. Should these "platform services" show defects or be of bad quality, advertiser and publishers or other customers using these services may be lost as customers of this platform, resulting in revenue losses.

The Group enters into standardised agreements with advertisers and publishers and other companies for using the "platform services". Under these agreements, service terms are being agreed. Successfully asserted claims arising from breaches of the contractual relationship for the services of "platform services" could oblige the Group to pay substantial damages. Even the assertion by customers or third parties that the Group provides its platform services incorrectly could lead to economic damage. In addition, the reputation of the Group would suffer considerable damage if "platform services" were disrupted.

The Company assesses the risk to be low.

RISK RELATED TO POLITICAL, SOCIAL AND LEGAL ASPECTS

Disputes and Litigation

The Group is on a regular basis – mostly as a result of its continued M&A activities – involved in various legal disputes, proceedings and arbitration proceedings, in particular with partners, employees and former shareholders of acquired companies. The following are lawsuits that the Group deems substantial, all resulting from one M&A transaction with the same former ultimate beneficial owner:

- **Seller of looki publishing GmbH ("Looki") v. Samarion SE, Arbitration Proceeding**
  In these arbitration proceedings, the seller of looki (acquired by gamigo in 2015) challenged the duly agreed upon payment of a part of a call option executed by Samarion SE regarding gamigo AG shares. While a claim versus the seller exists, the seller claims that the payment could only be made in cash and not via offsetting receivables versus the seller. Therefore, the seller is disputing full payment and in line with that the valid share transfer to Samarion. The value in dispute amounts to approximately EUR 1.0 million, which reflects also the maximum financial burden for this case (next to legal costs), for which a provision exists.

- **gamigo Publishing GmbH and gamigo AG v. Seller of Looki, District Court Münster**

  In these proceedings, the plaintiffs have requested the declaration by the court that the defendant is not entitled to a remuneration for services as claimed by the seller. The preliminary amount in dispute is a cumulative amount of EUR 1.1 million. A conservative provision for payables as well as legal costs has been made.

The possible negative outcomes of current and future disputes could have a negative effect on the Group's business, earnings or financial position. Defending claims or lawsuits can be expensive and time consuming, divert management resources, damage the Group's reputation and also cause regulatory inquiries.

The Company assesses the risk to be medium.

Political Risks and Risks From Various Jurisdictions and Legal Systems

The Group currently has subsidiaries in several countries. While most employees are in Germany as well as in the USA, there are also smaller entities and offices in, among others, the Netherlands, India, Brazil, Japan, China and Turkey, while it sells its products and services worldwide. Furthermore, a large proportion of the online, console and mobile games distributed by subsidiaries of the Group are being developed in China, Korea, Taiwan and various other countries. As consequence hereof, risks arising at the branch, sales and production locations could also have a negative impact on the Group's operational development. The political, social, economic and/or legal framework conditions at the production sites and distribution countries could change to the detriment of the Group. For example, Russia's military invasion of Ukraine has led to unprecedented sanctions and trade restrictions between major parts of the international community and Russia. This has resulted in the Group ceasing all services within Russia as well as all cooperate with its Russian partners. Furthermore, trade restrictions, limited protection of intellectual property, currency control regulations or changes in customs regulations or increases in customs duties may have a negative impact on the Group's business activities. These location and country risks may also result in foreign subsidiaries or production and sales sites being temporarily unable to perform their services or only be able to perform such services to a limited extent. Furthermore, the integration of accounting systems within and for various jurisdictions can also involve considerable time and cost.

Similarly, adverse changes with regard to the other conditions important for procurement, distribution and production, such as economic stability, exchange rates, infrastructure and the availability and in particular the costs of skilled workers in these countries, could worsen.

Also, social and political developments in the countries where the Group is active can lead to an increase in production costs, for example, due to an increase in labour costs. Furthermore, a shift in the economic environment in these countries towards high quality technologies can lead to workers moving to other industries. This can lead to a shortage of skilled workers and thus to a supply bottleneck and/ or cost increases. Moreover, there is a risk that labour disputes would arise in the future at foreign production sites that could lead to delivery delays, delivery failures and/or cost increases. The occurrence of one or more of these risks related to being active in several jurisdictions could negatively affect the business activities and the net assets, financial position and results of operations of the Group.

The Company assesses the risk to be medium.

Addictive Behavior Relating to In-game Purchases of the Games Subsidiaries Could Trigger Negative Press or Legislative Actions

European regulators have been questioning whether video games featuring so-called "loot boxes" should be considered as gambling. Loot boxes are packages containing digital items for use "in-game" that can be earned by playing or by purchasing the loot boxes. The items inside each virtual box are randomised and the probability of encountering the items is set solely by the developer. Rare items are usually of particular interest for the purchaser, which, due to the rarity of the item, have a low probability to be included in a loot box. In some cases, the items inside a loot box can enhance the player's gameplay, creating an added incentive to spend real money in order to acquire a digital item faster. The Group's subsidiaries that offer games do not offer any loot box like functionalities. Only some MMO games are using similar functionality to a limited extent. During the financial year ended 31 December 2022, income relatable to loot boxes alike functionalities and in-game purchases amounted to less than five percent of the Groups revenue.

There is a risk that the use of loot boxes or similar in-game earning or purchase methods creates or supports an addictive behaviour with the players, entailing negative press for the Company or its industry. Furthermore, if such behaviour increases, it could lead to legislative actions or interventions by the regulator in order to prevent addictive behaviour relating to in-game purchases. In addition, there is a risk that the use of in-game earning or purchase methods may violate existing gambling laws in certain of the jurisdictions where the Games Subsidiaries operate. For example, Belgium and the Netherlands have already declared that loot boxes violate their national gambling laws and have banned the practice. There is a risk that similar regulations in other countries may come into force, which could have adverse effects on the Group's revenues, financial position and results.

The Company assesses the risk to be low.

Risks Relating to The Handling of Personal Data

In the respective markets, the Group is confronted with a multitude of frequently changing and constantly increasing legal conditions affecting the business activities of the Group. Numerous of such legal provisions concern the collection, processing and responsibility for the content and protection of data, in particular personal data. In view of the need for special protection of personal rights on the Internet, legal risks will arise, particularly in connection with the extensive possibilities of collecting and storing personal data and linking and evaluating it with other usage data to form comprehensive customer and user profiles. For the Group's operations on the European market, the handling of personal data is governed by the General Data Protection Regulation (the "GDPR"). The GDPR entered into force during 2018 and imposes strict sanctions for breach of the regulation, where fines may amount to the higher of EUR 20 million and four percent of the global turnover of the Group. In February 2022, the Belgian data protection authority rendered a decision regarding the Transparency and Consent Framework ("TCF") – a widespread standard for collecting of user consent regarding personal data for personalised advertisement. According to the decision, the TCF standard contains several defects in relation to the GDPR. The TCF standard is an integral part of the European operations in Group's media segment, and is currently difficult to assess the negative consequences from the decision rendered by the Belgian data protection authority. The decision may have long term negative effects on the European AdTech industry as well as negative consequences on the revenues from the Group's European media operations.

For the Groups operations within the United States, the California Consumer Privacy Act (CCPA) and the California Privacy Rights and Enforcement Act (CPRA) applies. On 2 March 2021, the state of Virginia enacted a comprehensive state privacy law, the Virginia Consumer Data Protection Act (VCDPA), which aligns with the GDPR in a few key respects including the adoption of data protection assessment requirements, and "controller" and "processor" terminology. The VCDPA entered into effect on 1 January 2023. In addition to the VCDPA, similar laws and regulations will become effective in the near future such as the Colorado Privacy Act, effective on 1 July 2023, and the Utah Consumer Privacy Act, effective on 31 December 2023. Furthermore, more and more countries/legislations beyond the US and the European Union are adopting GDPR-comparable standards (e.g. Brazil with the LGPD) with widely overlapping but often also deviating rules with regard to data protection.

Since the Group is active in several different jurisdictions globally, the Group must also adapt its operations and keep itself informed of potentially different interpretations of the GDPR by (or other applicable personal data legislation outside the EU) by the relevant competent data protection authority. As of the date hereof, the Company handles personal data of approximately 1 billion own customers. Since the Company handles a large amount of personal data, wrongful handling of personal data in violation of applicable data protection laws and regulations in the jurisdiction in which the Company operates could led to severe fines and in turn have a material adverse impact on the Company's operation and financial position and adversely affect the Group's reputation.

The Company assesses the risk to be high.

Risks Relating to the Public Perception of, In Particular, Violent Games and Youth

The Games Subsidiaries operate in a market that is highly dependent on public perception. Violent crimes are regularly associated with the consumption of online, console and mobile games by the press and in the context of social discussion. The more violent crimes are associated with the use of online, console and mobile games, the greater the risk that the image of the games industry will change adversely. This can also be the result of public discourse on gambling or game addiction problems, for example with regard to lack of sleep or the ingestion of performance-enhancing substances, in connection with online, console and mobile games. Also, based on the development in China, where new rules restricting minors' online games were introduced in August 2021, a stronger selfregulation/regulation regarding youth could be expected or even enforced in China and/or in other jurisdictions. A negatively developing image of the games industry would mean that fewer and fewer customers are prepared to use the online, console and mobile games offered by the Games Subsidiaries and to purchase virtual goods in the process. This could also result in stricter regulation. Therefore, a negatively development of the image of the games industry would have a negative effect on the Games Subsidiaries' and might negatively affect the business activities, the reputation and net assets of the Group and might even lead to laws preventing from certain game types or services.

The Company assesses the risk to be medium.

Infringement of Intellectual Property Rights of Third Parties

There is a risk that the Group infringes the property rights of third parties, that third parties may assert claims against the Group based on the infringement of property rights or that a Group company could be sued in connection with legal disputes. This may result in the Group's products and/or services being unable or delayed to be commercialised. Even the assertion by third parties that the Group infringes the industrial property rights of third parties could lead to economic damage due to the decisive role that industrial property rights play in the industry in which the Group operates. IP proceedings can involve complex factual and legal issues and often have an uncertain outcome. Such legal disputes will also involve time, personnel and cost expenditure and may dissuade the Company from its actual business activities. Third parties could assert claims arising from the infringement of their patents or other intellectual property rights due to actions by the Company or its employees and file lawsuits against the companies of the Group.

The Group is the owner of certain trademarks, patents and domains. There is a risk that a legal dispute may arise with competitors over the legality and use of the trademarks or that other third parties may take action against the Group's use of the trademarks, also as part of the domains, or may attempt to register a corresponding trademark themselves. If such an approach were successful, there is a risk that the Group would be prevented from continuing to use such trademark or other important brands for its business activities. Among other things, this could result in high costs for the Group in establishing an alternative brand in the market, which could have an adverse effect on the Group's net assets, financial position and results of operations.

The Company assesses the risk to be medium.

RISKS RELATED TO FINANCIAL ASPECTS

Financing, Liquidity and Credit Risks

The Group finances its business activities using both debt and equity capital. Debt capital funding is always associated with the risk that it may not be possible to borrow the volume required at economically acceptable conditions or that attempts at refinancing using debt capital may fail totally or partially. The total interest bearing debt of the Group as per 31 December 2022 amounted to EUR 424 million. Internal factors (such as the credit rating assigned by the market on the basis of the group's earnings and financial situation or management's skill in dealing with existing and potential sources of debt funding) and external factors (such as the general interest rate levels on the market, the lending policies of banks and other sources of debt capital, or changes in the legal environment) both play a role. In addition, there is a risk that the refinancing interest level could move in an unfavourable direction and that the cost of financing could increase due to a rise in the interest rate. The Group is also subject to the general risk that extensions of existing liabilities, refinancing or acquisition financing may not be available to the desired extent or can only be obtained on economically unattractive terms, and that loan due dates may be brought forward, making it necessary to cash in securities under certain circumstances. The future unavailability of equity or debt on the scale required could weaken or render impossible the financing and growth of the Group.

The Company assesses the risk to be medium.

Acquisitions

The Group has historically grown both organically and through acquisitions and has made over 35 acquisitions since 2013, including games, media and technology companies as well as individual assets. The media companies are part of the core strategy and provide B2B advertising services to third parties as well as to own Games subsidiaries. It is likely that the Group also in the future will perform further targeted acquisitions of companies or parts of companies for purposes of expanding its offerings and business activities. The acquisition of companies and shareholdings as well as the purchase of company assets involves certain risks. There is a risk that the risks associated with an acquisition or asset purchase will arise or materialise at a later date, that were not identified or were misjudged during the previous audit or that are not covered by guarantees given. In such a case, the corresponding warranty period may already have expired or recourse to the seller may not be possible for other reasons. Issues relating to M&A of the Group might negatively affect the business activities, reputation, net assets, financial position and results of operations of the Group.

The Company assesses the risk to be medium.

Risks Relating To The Company's Change Of Jurisdiction

On 9 February 2022, the Company announced that the Board of Directors of the Company had resolved to propose to the Company's shareholders, at the 2022 annual general meeting, to relocate the Company's registered office and headquarters from Malta to Sweden. After the shareholders of the Company resolved the relocation, the relocation has been implemented with as a result that the Company is domiciled in Sweden from 2 January 2023. From the date of change of jurisdiction onwards, the Company is subject of Swedish laws and regulations, inter alia the Swedish Company Act (Sw. aktiebolagslagen) and the Swedish Corporate Governance Code (Sw. Svensk kod för bolagsstyrning). There can be no guarantee that the Company will be able to fully comply with the increased regulatory burden imposed as a result of the relocation. Furthermore, the Company may be subject of increased tax risks following a jurisdiction change (see above under "Tax related risks").

Failure to comply with Swedish law and/or regulations, as well as failure to foresee negative consequences of the jurisdiction change, could result in reputational damage or increased costs due to sanctions and/or penalties, which in turn could have a material adverse effect on the Company's financial position.

The Company assesses the risk to be medium.

Risk Of Impairment Losses Recognized In Income Due To Impairment Tests

The Group has on its balance sheet various assets, intangible assets and goodwill, which as of 31 December 2022 amounted to EUR 791 million. These assets, intangible assets and goodwill are generally subject to an impairment risk which must be tested as part of mandatory impairment tests. As of the date hereof, the value in use of the assets and goodwill concerned exceeds the carrying amounts. Should the value in use of the assets or goodwill fall below the book values, the amount of the book values would have to be adjusted accordingly in the balance sheet in accordance with the applicable accounting standard. Future assets and goodwill, e.g. due to acquisitions of companies or parts of companies, would also have to be corrected with an effect on expenses. Impairment of assets and goodwill due to adjustments to the value in use of the assets would have a negative impact on the Group's financial position.

The Company assesses the risk to be medium.

Tax-Related Risks

The Group conducts its business in accordance with its own (including the Group's advisors) interpretation of applicable tax regulations and applicable requirements and decisions. The Group is currently undergoing an audit by the tax authorities relating to Smaato Inc, Verve Holding GmbH (former ME mobile GmbH and AppLift GmbH), Verve Group Europe GmbH, gamigo AG and gamigo Publishing GmbH with a potential exposure in the amount of EUR 1,000,000. There is a risk that the Group's or its advisers' interpretation and the Group's application of laws, provisions, judicial practice has not been, or will in the future not be, correct or that such laws, provisions and practice will be changed, potentially with retroactive effect. Such risk is increased, following the Company's relocation (see above under "Risks relating to the Company's change of jurisdiction"). If such an event should occur, the Group's tax liabilities can increase, which would have a negative effect on the Group's results and financial position. Revisions to tax regulations could for example comprise denied interest deductions, additional taxes on the direct or indirect sale of property and/or tax losses carried forward being forfeited. There is also the risk of tax increases and the introduction of additional taxes which would affect the Group's results and financial position in the future. In the event of a change in the tax legislations or the interpretation of existing tax laws, the business activities of the Group may be adversely affected.

The Company assesses the risk to be medium.

Further details on financial risks can be found in Note 18 of this Annual Report.

7. CORPORATE DEVELOPMENT

7.1 About the Company

MGI operates a fast-growing and profitable advertising software platform and is primarily active in North America and Europe. Through investments in organic growth and innovation, as well as targeted acquisitions, MGI has built a one-stop shop for Programmatic Advertising, enabling companies to buy and sell advertising space across all digital devices (mobile apps, web, connected TV and digital out of home) in a fully automated way.

The company started as a pure online games company with a focus on massively multiplayer online games (MMOs). In 2016, it began to build its own media company via acquiring advertising companies as well as organic growth, with the primary goal of strengthening its own games in terms of new customer acquisition and monetization via advertising. As part of this strategy, with Pubnative, the first Programmatic Advertising company, was acquired in 2019.

Programmatic Advertising means the fully automated and AI-supported buying and selling of digital advertising space. Important for the most efficient buying and selling of these advertising spaces are data that enable most accurate (privacy-compliant) targeting of the end user.

After the purchase of PubNative, the potential of Programmatic Advertising in combination with our games became apparent.

The games have a lot of data, which in turn strengthens the position as an advertising company. As a result, Programmatic Advertising was built as a second pillar, with a much stronger focus on third-party business, instead of using it mainly for MGI's own games as before, which led to the launch of Verve Group in 2020.

From that point on, the strategy was to develop two segments (online games and programmatic ad tech) in parallel, each benefiting the other. In 2021 and 2022, Verve Group's Programmatic Advertising business developed much stronger and faster than expected. As a result, since the beginning of 2022, the focus has been more concentrated on Programmatic Advertising, in combination with Games. In the further course of 2022, the focus was shifted even more strongly to Programmatic Advertising due to the continued strong development and above all due to the high potential that the management sees in this area, which then also led to a proactive portfolio streamlining in MMO Games.

7.2 Business Model

MGI's mission is to make advertising better. To achieve this goal, MGI has built an integrated advertising platform that matches advertising demand and supply on a global scale and optimizes this process through the use of data. Integration, global reach and data form essential core elements in MGI's business model to successfully execute its mission.

Integrated Solutions: MGI's goal is building a one-stop shop that is vertically integrated. This means that MGI wants to cover the entire value chain between the advertiser and the publisher. In simplified terms, the advertising value chain today consists of a Demand Side Platform (DSP), to which the advertisers are connected, and a Supply Side Platform (SSP), to which the publishers are connected. Between the DSP and the SSP, the automated matching of demand and supply then takes place via auctioning the ad-spaces. This process is enriched with data contributed by a data management platform, the third layer. Currently, these three layers are mostly covered by several companies, each of which specializing in parts of the value chain. Accordingly, the value chain between advertisers and publishers is fragmented, leading to less transparency and more inefficiency. MGI operates all three layers with the aim of increasing transparency and efficiency in the process.

Global Reach: MGI works with many of the Fortune 500 companies on the advertising side. These companies want to target customers all over the world. Accordingly, MGI's goal is to have a global presence so that advertisers don't have to work with different vendors for certain regions, which increases their overhead. MGI now has +20 offices worldwide, reaches 2bn end users worldwide monthly and delivers 1.7bn ad impressions daily.

Data: Data and, accordingly, data protection are of crucial importance for the advertising industry. Data plays an essential role in how well users are targeted. In this context, targeting means placing advertisements within a previously categorized target group. The more precise the targeting, the less scatter loss occurs when ads are placed.

The availability of data is correspondingly important because, depending on how good the data are, precise assumptions can be made about the needs of an end user to whom, for example, advertising is to be displayed when an app is opened. The better the assumptions are (i.e., the better the targeting is), the higher the probability that the advertisement will lead to an action, such as the purchase of the product. Accordingly, the advertiser is then also willing to pay more for this advertising space. Less data means less advertising efficiency for advertisers and less revenue per ad for publishers.

The current changes in data protection are having a major impact on the advertising industry. Internationally, stricter standards are being set by legislators, and major market players such as Apple and soon Google are increasingly restricting the availability of identifiers (including Apple's IDFA but also cookies), which were previously mainly used for targeting. In addition, companies are increasingly paying attention to the sustainability of their supply chains, and this includes privacy issues in their advertising campaigns.

A significant change in the area of identifiers, which was most recently enforced by e.g. Apple or Firefox and will in the foreseeable future be further enforced by e.g. Google. Overall, there is a change from an opt-out to the opt-in procedure. In the opt-out process, as was the rule in the past, users had to actively refuse consent for the use of personal data. In the opt-in process, users must actively give their consent. Today, only about 20% of users give their consent. This means that for about 80% of users, targeting based on the use of personal data is no longer possible.

MGI has built its platform for exactly this new world, where privacy-compliant advertising is at the core. MGI has its own games, which means it has consensus-based first party data. On the other hand, MGI has developed innovative technologies that enable targeting without having to rely on personal data but instead use so-called contextual data. Contextual data are anonymous data that don't require consent. MGI's position in the field of data is an essential pillar for effective targeting.

Overall, MGI has defined the following four main growth drivers:

1. **Market Opportunity**: Being active in high growth markets programmatic advertising and gaming which growth with a CAGR of +10% such as digital advertising and mobile games.
2. **Platform Growth**: Growing the customer base and wallet share through innovative solutions while constantly adding more volume to the platform to drive economies of scale resulting in a high profitability.
3. **M&A:** Selective M&A in the synergetic fields of digital advertising and mobiles games while keeping the mid-term Net Leverage below 3.0x.
4. **Platform Synergies:** Leveraging synergies and network effects between the media and games assets as well within the markets by covering the entire advertising value chain from the advertiser to the publisher as well as having user acquisition and ad-monetization capabilities for the games of the group.

7.3 Recent Developments

In the year 2022 MGI was able to grow revenues (+29%) as well as EBITDA (+30%), while the environment was much less favorable then in the previous years. The speed of growth, compared with previous years suffered from the challenging general economic environment, with the overall advertising spend being under pressure due to uncertainty and budget cuts.

In the year 2022, MGI was able to gain further market share by adding a substantial amount of new advertisers and publishers as Software Clients to its platform, with overall organic revenue growth for 2022 amounting to 18%, largely driven by the growth of the programmatic advertising business. The programmatic advertising business, which was started four years ago, has now become the core business as well as the main growth driver for MGI.

While MGI was able to offset margin pressure that was based on advertising customers cutting budgets, by reducing costs as well as realizing efficiency gains. The lower demand for advertising also lead to lower prices per ad and, as a result of more transactions per dollar advertising revenue also higher direct technology costs per ad. In 2022 MGI also extended its team in line with growth and to further innovate its advertising offering. MGI also reduced manpower of the gaming assets in line with its portfolio optimization.

Apart from increased cash flows from operations which were partly offset by higher interest cost, MGI also succeeded in further optimizing its receivables management, including a true sale of receivables as an investment grade asset as part of a securitization program with an interest rate of cost of funds similar to the 3m Euribor + 1.55%. Overall, MGI was able to substantially reduce the net leverage, from 3.7x as of 30 June 2022 to 2.9x as of 31 December 2022.

Over the years MGI shifted its strategy focus away from smaller premium MMO games and more towards premium MMO's as well as mobile and casual games. Desktop-based premium games have limited growth potential and synergies with the advertising business due to fewer players per game and a limited potential for in-game advertising. Based on this strategy, some portfolio clean ups were implemented which included the closure of smaller, less efficient PC games. The shift in strategy and closure of the games resulted in a one-time amortization of these intangible assets in the amount of 23.6 mEUR in Q4 2022. The annual revenue of these games amounted to approximately 10 mEUR. The shift in strategy is expected to have a future positive impact on the Company's Organic Revenue Growth, EBITDA, as well as free cash flow. The complete sale of the 8% minority position in the MMO publisher Enad Global 7 in February 2023 concluded the strategy change. The fair value adjustment of the Enad Global 7 and the games assets clean-up is already recognized in the equity ratio of 31% as of 31 December 2022.

Going forward into 2023, MGI will further focus and invest in programmatic advertising, while leverage significant competitive advantage of its games, as they next to and its unique ad-spaces and first-party data also speed up test cycles.

In 2022, MGI added 133 new software clients to its active portfolio, which now consists of 551 software clients (software clients being defined as customers with over USD 100,000.00 revenue per year). Due to market sentiment, existing customer cohorts revenues remained almost flat which is reflected in a Net Dollar Expansion Rate of 96% in Q4 2022. Considering reduced CPMs of 20-30% this reflects a strong increased in wallet share. Driven by the strong revenue increases generated from new software clients, MGI was able to increase its market share considerably and grow organically.

With the acquisition of Dataseat, a mobile demand side platform, and AxesInMotion, a mobile games studio, two missing pieces were added to MGI's ad software platform.

AxesInMotion, established in 2014 and based in Seville (Spain), is a leading free-to-play mobile games developer with a strong portfolio of visually stunning racing games that have generated over 800 million downloads worldwide. The company has amassed a portfolio of high-quality racing games, with

87% of the revenues being generated via in-game advertising, with the US being the strongest market, accounting for app. 33% of revenues.

Dataseat, is an innovative and technically advanced mobile DSP specialized in future proof user acquisition using contextual signals instead of using device IDs like IDFA. Dataseat provides mobile app developers and game publishers with the possibility to efficiently reach new audiences in a privacy first way. Dataseat is specifically focused on supporting mid-to-large-sized gaming companies by using contextual signals, without any reliance on device IDs or other user profiling.

7.4 Sustainability

MGI's business strategy is guided by organic growth and acquisitions which means that we are operating an organization that is always changing and evolving. New companies, products and colleagues are joining the group constantly and are embedded in MGI's overall structure to maintain the high standards that have been set over the years. We want to be growing long-term as a company, creating value for all our stakeholders which can only be achieved if we grow sustainably. To achieve this goal, we need to create a safe environment for all stakeholders: by measuring our carbon footprint and actively exploring opportunities for efficient energy and infrastructure management, we contribute our part to a greener world. Our HR Processes are constantly improved to ensure a diverse and sustainable workforce and we permanently monitor the high quality of our products and services to keep our focus on the customer and communities in which we operate. This is supported by regular management meetings to ensure the financial stability and sustainable management of the Group.

Sustainability Governance

Sustainability at MGI is overseen by the C-Level and the Board of the Group (Sustainability Board). The work of the Sustainability Board is supported by the Sustainability Committee which in turn is split into various Sustainability Working Groups. In quarterly meetings the Sustainability Committee presents the current sustainability actions the Group has implemented with the help of the Sustainability Working Groups (consisting of different topic owners and various MGI teams) as well as discusses new strategies and developments that need to be taken into account in the future. This information is then shared with the Sustainability Board who assesses the outcome of implemented actions and sets targets for future sustainability actions. The Sustainability Board also reviews the Sustainability Report. The Group has the following key policies in place: (i) Code of Conduct, (ii) Anti-Bribery and Anti-Corruption Policy, (iii) Tax Policy, (iv) Information and Insider Policy, (v) Whistleblower and Reporting

Policy, (vi) Risk, Compliance, and Internal Control (RCIC) Framework, (vii) Financial Risk Policy, (viii) Data Protection Policy, (ix) Sanction Compliance and Sanction Screening Policy.

During the reporting period, the company has taken numerous measures to further improve processes and strengthen the implementation of ESG aspects throughout the Group. The company improved the Internal Control System together with KPMG and onboarded an experienced Internal Audit team. A Nomination, Audit and Remuneration Committees was implemented, and the Board was expended to six people with a strong skill set. The Compliance Management System was further improved, among other things, by implementing a new Whistleblower Tool as well as various Policies. Furthermore, the Benefits System was completely overhauled. Also, the reporting was further optimized with the introduction of the GRI standards and the first audited Governance Report.

Following the improvements MGI's ESG rating with MSCI improved from B to BBB. MGI is a signatory to the UN Global Compact and published its Communication on Progress Report during the reporting period, which can be found on the UN Global Compact website at the following link: https://www.unglobalcompact.org/participation/report/cop/create-and-submit/active/458297 .

As a company active in Programmatic Advertising, health and safety impacts of products and services are important for MGI. The company has a zero-compromise policy when it comes to ad quality which includes several different measures and policies. MGI has a strict ad content guideline that restricts and prohibits certain advertising categories and content on its exchange such as discrimination, harassment, or violence. In addition, (i) there is a rigorous vetting policy that pre-qualifies advertisers and DSP's before they are onboarded, (ii) MGI has independent ad quality verification partnerships with global leaders such as GeoEdge, and (iii) a manual ad operations team provides human oversight and testing of quality on both sides of the marketplace.

7.5 Outlook

MGI operates in the market for advertising and within this market in the area of Programmatic Advertising. Advertising is indispensable. It enables companies to promote products and services to potential customers and target groups, strengthen the brand and generate demand. Advertising is thus a key factor for successful business growth. End users also benefit, for example by being informed about products that are relevant to them or by receiving free or discounted access to content. The market for advertising is correspondingly large, with revenues set to exceed USD $1 trillion as early as 2024, according to the latest estimates from industry analyst eMarketer (Worldwide Digital Ad

Spending 2023). Within the global advertising market, Programmatic Advertising is growing the fastest (see eMarketer: Programmatic Ad Spending Forecast Q1 2023). In 2021, its share was around 51%. By 2026, it is expected to increase to 61%, which corresponds to a CAGR growth of about 12%.

The challenging macroeconomic environment in 2022, with the war in Ukraine, rising inflation and interest rates, as well as recession fears, has negatively impacted corporate advertising budgets. eMarketer expects 2022 to see the weakest growth of programmatic ad tech in the U.S. in many years, but still substantial at around 11%. In comparison, growth from 2018 to 2021 averaged 32%. For 2023, eMarketer expects the overall ad industry to grow by about 10% globally, and for Programmatic in the U.S. (MGI's core market) to grow by about 17%. According to eMarketer, the ongoing uncertain market environment is driving advertisers to embrace the flexibility and greater efficiency of Programmatic.

Stricter regulations, the efforts of major market players and, most importantly, the fact that advertisers are placing more emphasis on privacy and optimization of their supply chains are fundamentally changing the industry. Advertisers are turning away from highly fragmented supply chains that make tracking and ensuring data privacy difficult. They are looking for transparent solutions and more direct connections to publishers and their content / users. This is where MGI is very well positioned with its proprietary games and consensus-based first-party data, as well as its platform built with the goal of being a one-stop shop that covers the entire value chain between advertisers and publishers.

MGI operates in a market with strong long-term growth that continues to grow even under adverse conditions.

The macro situation in 2022 has led to many advertisers cutting their budgets significantly. The resulting decline in demand for advertising space has led to a negative development in the prices for advertising space (so-called CPMs). MGI and most other programmatic advertising companies monetize largely through a revenue share of each dollar an advertiser pays to purchase an ad. When ads cost less, the revenue goes down accordingly. This also means that the relative cost per advertising transaction increases, as the same number of transactions have to be performed. However, this also means that when the overall economic situation turns around again and advertisers increase their spend again, the prices for advertising space and thus MGI's revenues and margins will also rise again.

8. STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act (Cap. 386), enacted in Malta, requires the directors to prepare financial statements for each financial period which give a true and fair view of the financial position of the Group at the end of the financial period and of the profit or loss for that period.

In preparing the consolidated financial statements, the directors are required to:

1. adopt the going concern basis unless it is inappropriate to presume that the Group will continue in business;
2. select suitable accounting policies and apply them consistently;
3. make judgements and estimates that are reasonable and prudent;
4. account for income and charges relating to the accounting period on the accrual basis;
5. value separately the components of asset and liability items;
6. report comparative figures corresponding to those of the preceding accounting period; and
7. prepare the financial statements in accordance with generally accepted accounting principles as defined in the Companies Act (Cap. 386) and in accordance with the provision of the same Act.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to ensure that the financial statements comply with the Companies Act (Cap. 386). This responsibility includes designing, implementing, and maintaining such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error. The risk management is subject to regular reviews to meet changes in market conditions and new activities within the group. The directors are also responsible for safeguarding the assets of the Group and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

9. **AUDITOR**

RSM Malta – the sixth largest auditor in the world - is the auditor of the financial statements of the Group for the period from 1 January to 31 December 2022. As part of the relocation from Malta to Sweden, the EGM 2022 appointed Deloitte Sweden AB as Auditors of the Company for FY 2023, effective from the date the Company's registration as a Swedish company.

APPROVED BY THE BOARD OF DIRECTORS ON 28 APRIL 2022 AND SIGNED ON ITS BEHALF BY:

REMCO WESTERMANN DIRECTOR	TOBIAS M. WEITZEL DIRECTOR	ELIZABETH PARA DIRECTOR	JOHAN ROSLUND DIRECTOR
MARY ANN HALFORD DIRECTOR	FRANCA RUHWEDEL DIRECTOR		

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of financial position

Consolidated Statement of Financial Position			
ASSETS in kEUR	**Notes**	**2022**	**2021**
Non-current assets			
Intangible assets	6	791,284	605,746
Goodwill		587,739	411,992
Internally-generated intangible assets		72,939	44,358
Other intangible assets		130,606	148,280
Prepayments made on other intangible assets		0	1,116
Property, plant and equipment	7	5,522	4,681
Investments in associated companies	9	1,003	1,154
Other non-current financial assets	10	19,177	27,369
Deferred tax assets	8	6,651	11,545
Total non-current assets		**823,637**	**650,495**
Current assets			
Trade receivables	11	52,229	97,497
Other receivables		18,801	5,945
Current receivables from income tax		744	659
Other current financial assets	10	14,489	945
Other current non-financial assets	12	3,568	4,341
Cash and cash equivalents	13	149,992	180,156
Total current assets		**221,022**	**283,598**
Total shareholders' assets		**1,044,659**	**934,093**

Note: Numbers may not add up due to rounding.

EQUITY & LIABILITIES in kEUR	Notes	2022	2021
Shareholders' equity	15		
Common stock		159,249	149,680
Share premium		103,518	84,570
Capital reserves		55,119	53,142
Other reserves		-11,596	-5,749
Difference from currency translation		15,303	4,112
Accumulated retained earnings		1,362	21,679
Equity attributable to shareholders of the parent company		**322,956**	**307,434**
Non-controlling interest		-1,211	59
Total shareholders' equity		**321,745**	**307,493**
Non-current liabilities	-		-
Bonds	19	389,386	343,925
Other non-current financial liabilities	16	89,618	16,034
Deferred tax liabilities	21	24,439	23,209
Total non-current liabilities		**503,443**	**383,168**
Current liabilities			
Current provisions and accruals	22	65,225	54,036
Liabilities due to banks		31,903	32,027
Trade payables	23	68,711	53,754
Other current financial liabilities	16	32,290	83,568
Other non-financial liabilities	17	21,342	20,048
Total current liabilities		**219,471**	**243,432**
Total shareholders' equity and liabilities		**1,044,659**	**934,093**

Note: Numbers may not add up due to rounding.

These financial statements as set out on pages 92 to 176 was approved by the Board of Directors, authorised for issue on 28 April 2023 and signed on its behalf by:

REMCO WESTERMANN DIRECTOR	TOBIAS M. WEITZEL DIRECTOR	ELIZABETH PARA DIRECTOR
MARY ANN HALFORD DIRECTOR	FRANCA RUHWEDEL DIRECTOR	JOHAN ROSLUND DIRECTOR

Consolidated Statement of profit or loss

Profit and loss consolidated statement FY 2022

in kEUR	Notes	2022	2021
Revenue	26	324,444	252,166
Other own work capitalised	27	28,928	22,851
Other operating income	28	23,206	8,626
Purchased services	29	-188,618	-137,968
Employee benefits expenses	30	-76,207	-55,978
Wages and salaries		-69,782	-48,637
Social security		-6,425	-7,340
Other operating expenses	31	-27,000	-24,655
Earnings before interest, taxes, depreciation, and amortisation (EBITDA)		**84,753**	**65,042**
Depreciation and amortisation	32	-58,135	-28,238
Earnings before interest and taxes (EBIT)		**26,618**	**36,804**
Financial expense	33	-38,308	-22,824
Financial income	33	349	905
Earnings before taxes (EBT)		**-11,341**	**14,886**
Income taxes	34	-9,064	1,169
Result from continuing operations, net of income tax		**-20,405**	**16,055**
Attributable to:			
Owners of the Company		-20,317	16,061
Non-controlling interest		-88	-7
Earnings per share	36		
Undiluted		-0.13	0.11
Diluted		-0.12	0.11

Note: Numbers may not add up due to rounding.

Consolidated Statement of comprehensive income

in kEUR	Notes	2022	2021
Consolidated (loss)/profit		**-20,405**	**16,055**
Items that will be reclassified subsequently to profit or loss under certain conditions:			
Exchange differences on translating foreign operations		11,191	7,322
Loss of financial assets		-6,392	-2,141
Gain of hedging instruments		545	0
Other comprehensive income, net of income tax		**5,345**	**5,181**
Total comprehensive (loss)/income		**-15,061**	**21,236**
Attributable to:			
Owners of the Company		**-14,972**	**21,242**
Non-controlling interest		**-88**	**-7**

Note: Numbers may not add up due to rounding.

Consolidated statement of changes in equity

	Common stock		Share Premium	Capital reserves	Retained earnings incl. Profit of the year	Amounts recognised directly in equity	Shareholders' equity attributable to owners of the parent	Non-controlling interest	Total shareholders' equity
	Shares	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount
	thousands	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Balance at 1 January 2021	117,074	**117,074**	**7,839**	**49,466**	**5,617**	**-3,211**	**176,785**	**60**	**176,845**
Consolidated profit					16,061		16,061	-7	16,055
Other comprehensive income						5,181	5,181	6	5,187
Total comprehensive income					**21,678**	**1,970**	**198,028**	**60**	**198,087**
Capital increases	32,606	32,606	76,732				109,338		109,338
Other Equity reserves regarding IFRS 2				3,675			3,675		3,675
Other Equity reserves						-3,607	-3,607		-3,607
Balance at 31 December 2021	**149,680**	**149,680**	**84,571**	**53,141**	**21,678**	**-1,637**	**307,434**	**59**	**307,493**
Balance at 1 January 2022	**149,680**	**149,680**	**84,571**	**53,141**	**21,678**	**-1,637**	**307,434**	**59**	**307,493**
Consolidated profit					-20,317		-20,317	-88	-20,405
Other comprehensive income						5,345	5,345		5,345
Total comprehensive income					**1,362**	**3,708**	**292,461**	**-29**	**292,432**
Capital increases	9,569	9,569	18,947				28,516		28,516
Addition of non-controlling interests due to acquisition of projects								-1,182	-1,182
Other Equity reserves regarding IFRS 2				1,978			1,978		1,978
Balance at 31 December 2022	**159,249**	**159,249**	**103,518**	**55,119**	**1,362**	**3,708**	**322,956**	**-1,211**	**321,745**

Note: Numbers may not add up due to rounding.

Consolidated Statement of cash flows

in kEUR	Note	FY 2022	FY 2021
Consolidated (loss)/profit for the year		-20,405	16,055
+ Depreciation, amortization and write-downs of intangible assets, tangible assets and financial assets		58,135	28,238
- Other non-cash expenses		1,907	1,165
+/- Booked income taxes		5,702	1,939
+/- Booked financial expenses		2,898	1,983
-/+ Income taxes paid/received		-4,362	-425
-/+ Interest paid/received		35,061	21,600
Cash flow from operating activities (before change in WC)		78,936	70,556
Change in working capital		55,284	-5,714
Cash flow from operating activities		**134,220**	**64,842**
- Payments made for investments in intangible assets		-33,265	-34,561
- Payments made for investments in tangible assets		-5,385	-5,283
- Payments for other assets		-557	0
- Payments for acquisitions of equity instruments		0	-26,474
+ Deposits for the acquisition of business units		11,022	15,033
+ Deposits for the sale of business units		0	0
- Payments made for the acquisition of business units		-148,487	-244,349
Cash flow used in investing activities		**-176,672**	**-295,634**
+ Proceeds from issuing equity instruments of the company		28,517	109,338
+ Deposit from borrowing		0	33,230
- Payments made for the repayment of financial loans		-50	0
+ Deposits from the issue of bonds		42,733	272,797
- Payments made for the repayment of bonds		0	-25,750
+/- Change in currency reserve and hedging instruments		-25,301	-2,861
- Interest paid		-33,610	-22,059
Cash flow from financing activities		**12,288**	**364,694**
Changes in cash and cash equivalents		-30,164	133,902
Cash and cash equivalents at the beginning of the period		180,156	46,254
Cash and cash equivalents at the end of the period	13	**149,992**	**180,156**

Note: Numbers may not add up due to rounding.

NOTES

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1. GENERAL INFORMATION

MGI - Media and Games Invest SE (“MGI”, “the Company” or “the Parent Company, formerly Media and Games Invest plc) is a public company registered in accordance with the corporate law of the European Union (EU) originally incorporated on 21 March 2011 and changed to SE effective from 25 May 2021 and effectiveness of 2 January 2023 relocated from Malta to Stockholm, Sweden with registration number 517100-0143 and registered office address at Stureplan 6, 11435 Stockholm, Sweden. As of 31 December 2022, Bodhivas GmbH, Duesseldorf, owns 26.2% of MGI. The ownership of the Company's share capital and voting rights related to such holdings, are such that no particular individual or identifiable group of individuals could exercise ultimate control over the Company.

The Company’s shares are listed in the Scale Segment of Frankfurt Stock Exchange (XETRA) in Germany and on NASDAQ First North Premier Growth Market in Sweden. The Company has two senior secured bonds that are listed on NASDAQ Stockholm. The senior secured bond (ISIN: SE0015194527) was issued on 13 November 2020 with an initial amount of EUR 80 million and a framework of EUR 350 million (the “Existing Bonds”). On 9 June 2022, MGI, following a book building process, successfully placed new senior secured floating rate callable bonds (ISIN SE0018042277). The transaction was well received by the market generating strong demand from primarily institutional investors based in the Nordics, continental Europe, North America and Asia, ultimately allowing the bonds to be priced at 98.00% of par with a floating rate coupon of EURIBOR (floored at zero) plus 6.25%. As previously announced, the Company offered a partial buy-back to the holders of MGI’s outstanding Existing Bonds in connection with the Bond Issue (the “Buy-Back”). Existing Bonds in an aggregate nominal amount of EUR 115,000,000 was repurchased by the Company in the Buy-Back.

MGI focuses on a ‘Buy, Integrate, Build and Improve’ strategy through organic growth and acquisitions New and proven technologies are actively being implemented to create efficiency improvements and competitive advantages.

Furthermore, MGI acquires, holds, and sells other investments (e.g. shares, stocks, bonds, securities and other assets of companies as well as investments in funds and assets) that support the above stated business purpose, and as deemed appropriate by the Board of Directors.

MGI operates a fast-growing, profitable ad-software platform that matches global advertiser demand with publisher ad-supply while improving results through first party data from own games. MGI’s main operational presence is in North America and Europe. Through investments in organic growth and innovation, as well as targeted M&A, MGI has built a one-stop shop for programmatic advertising, enabling companies to buy and sell ad space across all digital devices (mobile apps, web, connected TV and digital out of home).

2. SIGNIFICANT ACCOUNTING POLICIES

2.1. BASIS OF PREPARATION

The consolidated financial statements of the MGI - Media and Games SE and its subsidiaries have been prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) and in consideration of the Interpretation of the IFRS Interpretations Committee (IFRIC) as adopted by the EU. They have also been prepared in accordance with the Companies Act (Cap. 386) enacted in Malta.

The Group's financial year begins on 1 January and ends on 31 December of the calendar year. The functional currency and reporting currency of the Group is the Euro. Unless otherwise stated, all amounts are presented in thousand euros (kEUR).

The assets and liabilities are classified as current if they are anticipated to be implemented or compensated within twelve months after the reference date for the statement of financial position. The consolidated financial statement is prepared under the historical costs basis unless otherwise mentioned in the relevant accounting policies below.

In order to improve the clarity of the depiction, various items of the consolidated statement of financial position and the consolidated statement of profit or loss are shown in summarised form. These items are shown and explained separately in the notes to the consolidated financial statements.

The consolidated financial statements were prepared based on the historical acquisition or production costs. This does not apply to certain financial instruments that were reported at fair value on the statement of financial position date. A corresponding explanation is given in the context of the respective accounting and valuation methods.

Historical acquisition or production costs are based on the fair value of the consideration made in exchange for the asset.

The fair value is the price that would be received in an orderly business transaction between market participants on the assessment date for the sale of an asset or that would be paid for the transfer of a liability. This applies irrespective of whether the price has been directly observed or estimated using a valuation method.

When determining the fair value of an asset or liability, the Group takes into account certain characteristics of the asset or the liability (e.g. condition and location of the asset or restrictions on sales and use) if market participants would also consider these characteristics when setting prices for the acquisition of the respective asset or the transfer of the liability on the valuation date. In the consolidated financial statements, the fair value for the valuation and/or the disclosure obligations is generally determined on this basis. Exceptions are:

- Leases, which fall within the scope of IFRS 16 *Leases* and
- Valuation standards that are similar to the fair value, but not equivalent to them, e.g. the value-in-use under IAS 36 *Impairment of assets*.

The fair value is not always available as a market price. It often has to be determined based on various evaluation parameters. Depending on the availability of observable parameters and the significance of these parameters for determining the fair value in whole, the fair value is assigned to levels 1, 2, or 3. The subdivision is based on the following:

- Level 1 input parameters are quoted prices (unadjusted) on active markets for identical assets or liabilities, which the company can access on the valuation date.
- Level 2 input parameters are input parameters other than the quoted prices included in level 1, which are either directly observable for the asset or the liability or can be derived indirectly from other prices.
- Level 3 input parameters are non-observable parameters for the asset or the liability.

The preparation of the consolidated financial statements requires management to exercise decisions and estimates that relate to the application of accounting methods and the reported amounts of the assets, liabilities, income and expenses. Actual results can deviate from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.24.

Estimates and the underlying assumptions are continually reviewed. Revisions of estimates are recorded prospectively.

2.2. NEW AND CHANGED STANDARDS AND INTERPRETATIONS THAT ARE APPLIED FOR THE FIRST TIME IN THE FINANCIAL YEAR 2022

The following new and amended IFRSs are required to be applied for the first time in the financial year beginning on 1 January 2022:

- Onerous Contracts - Cost of Fulfilling a Contract (Amendment to IAS 37)
- Annual improvements to IFRS Standards 2018-2020
- Property, Plant and Equipment: Proceeds before intended Use (Amendment to IAS 16)
- Reference to the Conceptual Framework (Amendment to IFRS 3)

The initial application of the adopted IFRSs has no significant impact on the Group and the presentation of the consolidated financial statements.

2.3. STANDARDS, INTERPRETATIONS AND CHANGES TO PUBLISHED STANDARDS WHICH WERE ISSUED BUT NOT YET EFFECTIVE

In its consolidated financial statements 2022, the Group did not early adopt the following accounting standards, which have been issued by the IASB, but are not yet effective.

Standard	***Time of application***	***Expected effects***
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	01/01/2023	To be analysed
Insurance Contracts (IFRS 17)	01/01/2023	n/a
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	01/01/2023	Minor wording changes in the Notes
Definition of Accounting Estimate (Amendments to IAS 8)	01/01/2023	n/a
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	01/01/2023	To be analysed

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Available for optional adoption/ effective date deferred indefinitely	To be analysed

2.4. CONSOLIDATION

2.4.1. Subsidiaries

The consolidated financial statements include the financial statements of the parent company and the companies it controls, including structured companies (its subsidiaries). The parent company gains control if:

- it can exercise power of disposal over the associated company;
- it is exposed to fluctuating returns from its participation; and
- it can influence returns based on its power of disposal.

The parent company will reassess whether it is an associated company or not if facts and circumstances indicate that one or more of the above-mentioned control criteria have changed.

If the parent company does not have a majority of voting rights, it still controls the associated company if it has the practical ability to determine the relevant activities of the investment company unilaterally through its existing voting rights. When assessing whether its existing voting rights are sufficient for the power of determination, the parent company takes into account all facts and circumstances, including:

- the scope of voting rights held by the parent company in relation to the scope and distribution of the voting rights of other voting rights holders;
- potential voting rights of the parent company, other voting rights holders and other parties;
- rights from other contractual agreements; and
- additional facts and circumstances that indicate that the parent company has or does not have the ability to determine the relevant activities at the times when decisions must be taken, taking into consideration the voting behaviour at shareholders' meetings.

A subsidiary is included in the consolidated financial statements from the time when the parent company acquires the control over the subsidiary until the time when the control by the parent company ends. The results of the subsidiaries acquired or sold in the course of the year are recorded in the consolidated statement of profit or loss and other comprehensive income from the actual date of acquisition or until the actual date of disposal.

The profit or loss and any component of the other comprehensive income must be attributed to the shareholders of the parent company and the non-controlling shareholders. This applies even if this leads to the shares of the non-controlling shareholders having a negative balance.

If necessary, the annual financial statements of the subsidiaries are adjusted to align the accounting and valuation methods to the methods used in the Group.

All intercompany assets, liabilities, equity, income, expenses and cash flows in connection with business transactions between group companies are fully eliminated as part of the consolidation.

Changes in the Group’s stake in existing subsidiaries

Changes in the Group’s stake in subsidiaries that do not lead to a loss of the control over that subsidiary are accounted for as an equity transaction. The carrying amounts of the shares held by the Group and the non-controlling interest are adjusted in such a way that they reflect the changes in the stakes in the subsidiaries. Any difference between the amount by which the non-controlling shares are adjusted and the fair value of the consideration paid or received is directly recognised in equity and allocated to the shareholders of the parent company.

If the parent company loses control of a subsidiary, the gain or loss received on deconsolidation is recognised in profit or loss. This is determined from the difference between the total amount of the fair value of the consideration received and the fair value of retained shares and the book value of the assets (including goodwill), the liabilities of the subsidiary company and all non-controlling interest.

All amounts reported in other comprehensive income in connection with this subsidiary are accounted for as in the case of a sale of assets, i.e. reclassification into the consolidated income statement or direct transfer into retained earnings.

If the parent company retains shares in the previous subsidiary, they are recognised at the fair value determined at the time of the loss of control. This value represents the acquisition costs of the shares, which depend on the subsequent degree of control in accordance with IFRS 9 *Financial instruments* or according to the provisions for associated companies or joint ventures.

Acquisition of subsidiaries

The acquisition of businesses is accounted for according to the acquisition method. The consideration transferred in a business combination is measured at fair value. This is determined from the sum of the fair values of the transferred assets valid at the time of acquisition, the liabilities assumed by the former owners of the acquired company and the equity instruments issued by the Group in exchange for the control of the acquired company. Transaction costs associated with the business combination are recognised in profit or loss when incurred.

The acquired identifiable assets and liabilities assumed are measured at their fair values. The following exceptions apply:

- Deferred tax claims or deferred tax liabilities and assets or liabilities in connection with agreements for employee benefits are recorded and evaluated in accordance with IAS 12 *Income taxes* or IAS 19 *Employee benefits*;
- Liabilities or equity instruments that relate to share-based payment or compensation for share-based payment by the Group are valued at the time of acquisition in accordance with IFRS 2 *Share-based payment;* and
- Assets (or disposal groups) that, in accordance with IFRS 5 *Non-current assets held for sale and discontinued operations*, are classified as held for sale are measured in accordance with this IFRS.

Goodwill is calculated as a surplus of the sum of the consideration transferred, the amount of all non-controlling interest in the acquired company and the fair value of the equity interest in the acquired company previously held by the purchaser (if any) over the balance of the fair values of identifiable assets acquired determined at the time of acquisition and the assumed liabilities. In the event that a negative difference is made, even after repeated assessment, it is immediately recognised as income.

Non-controlling interest in subsidiaries are shown separately in the Group's equity. Such non-controlling interest that currently confer ownership rights and, in the event of liquidation, grant the holder the right to receive a proportional share in the company's net assets are measured at acquisition either at fair value or at the corresponding proportion of identifiable net assets. This option can be exercised again in every business combination. Other components of non-controlling interest are valued at their fair values or the measures that result from other standards. After the acquisition, the carrying amount of the shares of non-controlling interest results from the value of the shares when they are first recorded plus the share of non-controlling interest in the subsequent changes in equity. The overall result attributable to them is attributed to the non-controlling interest even if their shares thereby have a negative balance.

If the consideration transferred contains a contingent consideration, this is measured at the fair value applicable at the time of acquisition. Changes in the fair value of the contingent consideration within the valuation period are corrected retrospectively and posted accordingly against the goodwill. Adjustments during the valuation period are adjustments to reflect additional information about facts and circumstances that existed at the time of acquisition. However, the valuation period may not exceed one year from the time of acquisition.

The accounting of changes in the fair value of the contingent consideration which do not constitute adjustments during the valuation period depends on how the contingent consideration is to be classified. If the contingent consideration is equity, then no subsequent valuation takes place on subsequent reporting dates; their fulfilment is reported within equity. Contingent considerations that are not equity are measured at fair value on subsequent financial reporting dates and any resulting profit or loss is recognised in the consolidated statement of profit or loss.

In the event of a business combination achieved in stages, the equity interest previously held by the company in the acquired company is revalued at the fair value applicable at the time of acquisition. Any resulting profit or loss is recognised in the consolidated statement of profit or loss.

Changes in value of the equity interests previously held in the acquired company before the acquisition date, recorded in other comprehensive income, are transferred to the consolidated income statement when the Group gains control of the acquired company.

If the first-time accounting of a business combination has not yet been completed at the end of a financial year, the Group provides provisional amounts for the items with this type of accounting.

If new information becomes available within the valuation period that illuminates the circumstances at the time of acquisition, the provisionally recognised amounts are corrected, or additional assets or liabilities are recognised if necessary.

2.4.2. Scope of consolidation

The scope of consolidation as of 31 December 2022 comprises the following:

Fully consolidated entities	**Registered office**	**Capital share 2022**	**Capital share 2021**
		in %	**in %**
MGI – Media and Games Invest SE (formerly Media and Games Invest SE)	Stockholm, Sweden		
Media and Games Services AG	Zug, Switzerland	100%	100%
gamigo Holding GmbH (formerly blockescence DLT solutions GmbH)	Berlin, Germany	100%	100%
gamigo Holding GmbH itself holds the following ownership interest in the following companies:			
gamigo Spain Holding, S.L.	Sevilla, Spain	100%	
gamigo Spain Holding, S.L. itself holds the following ownership interest in the following company:			
AxesInMotion, S.L.	Sevilla, Spain	100%	
Samarion GmbH	Düsseldorf, Germany	100%	100%
Vajrapani Ltd.	Valletta, Malta	100%	100%
Verve Holding GmbH (formerly ME mobile GmbH)	Berlin, Germany	100%	100%
Verve Group Holding GmbH itself holds the following ownership interest in the following companies:			
Verve Group Europe GmbH	Berlin, Germany	100%	100%
Verve Ad Solutions GmbH	Berlin, Germany	100%	
Verve Group China WFOE	Shanghai, China	100%	100%
VERVE GROUP LATAM Veiculaçao de Publicidade na Internet LTDA. (Verve Group Latam)	Sao Paulo, Brazil	100%	100%
Match2One AB	Stockholm, Sweden	100%	100%
Dataseat Ltd.	London, United Kingdom	100%	
Verve US Holdco Inc.	Wilmington, DE, USA	100%	
VerMedia India Private Ltd. (formerly AppLift India Technologies Private Ltd.)	Bangalore, India	100%	100%
Shanghai Yi Qiu Business Management Co. Ltd.	Shanghai, China	99.99%	99.99%
Shanghai Yi Qiu Business Management Co. Ltd. Itself holds the following ownership interest in the following company:			
Smaato Holding GmbH	Hamburg, Germany	100%	100%
Shanghai Yi Qiu Business Management Co. Ltd. And Smaato Holding GmbH themselves hold the following ownership interest in the following company:			
Smaato Inc.	San Francisco, CA, USA	100%	100%
Smaato Inc. itself holds the following ownership interest in the following companies:			
Smaato Pte. Ltd.	Singapore, Singapore	100%	100%
PT Portal Bursa Digital	Indonesia	50%	38%
Smaato Pte. Ltd. Itself holds the following ownership interest in the following company:			
Yu Guang Information Technologies (Shanghai)Co. Ltd.	Shanghai, China	100%	100%
gamigo AG	Hamburg, Germany	99.96%	99.96%
gamigo AG itself holds the following ownership interest in the following companies:			

gamigo Advertising GmbH	Hamburg, Germany	100%	100%
gamigo Publishing GmbH	Hamburg, Germany	100%	100%
gamigo Publishing GmbH itself holds the following ownership interest in the following companies:			
adspree media GmbH	Berlin, Germany	100%	100%
gamigo Portals GmbH	Hamburg, Germany	100%	100%
Just Digital GmbH	Berlin, Germany	100%	100%
gamigo Innovation Services GmbH (formerly Mediakraft Networks GmbH)	Hamburg, Germany	100%	100%
Verve Group Turkey Y.A.H.S. (formerly Mediakraft Turkey Yayin Hizmetleri A.S.)	Istanbul, Turkey	100%	100%
Kings Holding Inc.	Austin, TX, USA	100%	100%
Kings Holding Inc. itself holds the following ownership interest in the following company:			
KingsIsle Entertainment Incorporated	Austin, TX, USA	100%	100%
Verve Group Inc.	Carlsbad, CA, USA	100%	100%
VGI CTV Inc.	Lewes, DE, USA	100%	100%
gamigo US Inc.	Dover, DE, USA	100%	100%
gamigo Inc.	Wilmington, DE, USA	100%	100%
Platform 161 Holding B.V.	Amsterdam, Netherlands	100%	100%
Platform 161 Holding B.V. itself holds the following ownership interest in the following companies:			
Platform 161 LLC	New York, NY, USA	100%	100%
ME digital GmbH	Berlin, Germany	100%	100%
ME digital GmbH itself holds the following ownership interest in the following companies:			
MGI Corporate GmbH	Berlin, Germany	100%	
Media Elements digital España, S.L.U.	Barcelona, Spain	100%	100%
Media Elements digital Espana itself holds the following ownership interest in the following companies:			
ME DIGITAL ENTRETENIMENTO DO BRASIL LTDA	Sao Paulo, Brazil	100%	100%

The following companies were not consolidated due to their subordinate importance for the Group.

Company	Registered office	Capital share % 31/12/2022	Capital share % 31/12/2021
highdigit GmbH	Münster, Germany	100%	100%
gamigo CA Inc.	Brunswick, Canada	100%	100%

Verve AR Services LLC, Wilmington (DE), USA, founded in 2022 and a capital share of the Group of 100%, is not consolidated following the rules of IFRS 10. Refer to Note 2.24 h).

The following companies have been merged in the financial year 2022:

Company	Merged with
Vene International GmbH, Berlin, Germany	ME digital GmbH, Berlin, Germany
MHF Media GmbH Berlin, Germany	ME digital GmbH, Berlin, Germany
Lorena Medienagentur GmbH, Berlin, Germany	ME digital GmbH, Berlin, Germany
Persogold GmbH, Hamburg, Germany	Samarion GmbH, Düsseldorf, Germany
ReachHero GmbH, Berlin, Germany	Verve Holding GmbH, Berlin, Germany
Aeria Games GmbH, Berlin, Germany	gamigo Publishing GmbH, Hamburg, Germany

Platform 161 Nordics AB, Sweden, was deconsolidated in the financial year 2022.

2.5. INVESTMENTS IN ASSOCIATED COMPANIES

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

2.6. FOREIGN CURRENCY

When preparing the financial statements of each individual group company, business transactions that are denominated in currencies other than the functional currency of the group company (foreign currencies) are converted at the rates valid on the date of the transaction. At the end of the reporting period, monetary items in foreign currency are converted using the current exchange rate on the financial reporting date. Non-monetary items in foreign currency that are measured at fair value are converted using the exchange rates that were valid at the time the fair value was determined. Non-monetary items valued at acquisition or production cost are converted using the exchange rate at the time of initial recognition.

Translation differences from monetary items are recognised in the statement of comprehensive income in the period in which they occur. Exceptions are:

- Translation differences from borrowings denominated in a foreign currency that occur in the creation process for assets intended for productive use. These are added to the production costs if they represent adjustments to the interest expense from these borrowings denominated in foreign currency.
- Translation differences from transactions that were incurred to hedge certain foreign currency risks.
- Translation differences from monetary items to be received or paid from/to a foreign business operation, the fulfilment of which is neither planned nor likely and which are therefore part of the net investment in this foreign business operation, which are initially recognised in other comprehensive income and are reclassified on disposal from equity to profit and loss.

To prepare the consolidated financial statements, the assets and liabilities of the Group's foreign operations are converted into euros (EUR) using the exchange rates valid on the reporting date. Income and expenses are translated at the average exchange rate for the period, unless the exchange rates during the period were subject to strong fluctuations. In this case, the exchange rates apply at the time of the transaction. Translation differences from the translation of foreign operations in the group currency are recognised in other comprehensive income and accumulated in equity.

When a foreign business operation is sold, all accumulated translation differences that are attributable to the Group from this business operation are reclassified to the statement of comprehensive income. The following transactions are considered to be a sale of a foreign business operation:

- the sale of the entire group share in a foreign business operation,
- a partial sale with loss of the control over a foreign subsidiary or
- a partial sale of a participation in a joint agreement or an associated company which includes a foreign business operation.

If parts of a subsidiary, which includes a foreign business operation, are sold without a loss of the control, the share in the amount of the translation differences attributable to the sold part is attributed to the non-controlling interest from the date of disposal. In the case of a partial sale of shares in associated companies or joint agreements without a change of status, the corresponding share in the amount of the translation differences is reclassified to income.

Goodwill arising from the acquisition of a foreign business operation and adjustments to the fair value of the identifiable assets and liabilities are treated as assets or liabilities of the foreign business operation and converted at the rate on the financial reporting date. Resulting translation differences are recorded in the reserve from currency translation.

The following rates were used to convert foreign operations with other functional currency than euro:

Currency	Assets and Liabilities		Income and expenses	
	Closing rate on 31/12		Average rate	
	2022	2021	2022	2021
US dollar (USD)	1.0667	1.1326	1.0589	1.1835
Turkish lira (TRY)	19.9649	15.2335	17.3844	10.4564
British Pound (GBP)	0.8869	0.8403	0.8695	0.8488
Brazil real (BRL)	5.6386	6.3101	5.4428	6.3807
Indian rupee (INR)	88.1710	84.2292	82.7441	87.4831
Chinese yuan (CNY)	7.3582	7.1947	7.3859	7.6339
Swiss franc (CHF)	0.9847	1.0331	1.0052	1.0814
Singapore dollar (SGD)	1.4300	1.5279	1.4520	1.2365
Swedish crowns (SEK)	11.1218	10.2503	10.6225	10.1444
Indonesian rupiah (IDR)	16,519.82	16,100.42	16,503.296	16,184.17

2.7. REVENUE RECOGNITION

The Group generates revenue from the income from online, console, advertising and mobile games (including casual games, roleplay games and strategy games) as well as from media services (platform and advertising services).

Revenue is measured in the amount of the consideration that the Group is expected to receive from a contract with a customer. Revenues from the transfer of usage rights for games are recorded as soon as it transfers control of a product or service to a customer. No revenue is recognised if fundamental risks exist with regard to the receipt of the service in return or the usage right cannot be exercised by the customer for reasons for which he is not responsible.

Media service sales refer to media and platform services for business customers. The service is called up by the customer using a service contract. The revenue is considered to be realised as soon as an invoice has been sent to the customer and the marketing services have been provided for the corresponding period.

If the provision of usage rights includes a determinable sub-amount for several or consecutive services, the revenues incurred on this are accrued and reversed over the term of the usage right with recognition in the consolidated statement of profit or loss. The reversal is usually done in accordance with the provision of the service.

Revenue is generally recognised after deduction of sales taxes and other taxes as well as after deduction of reductions in revenues such as bonuses or discounts at the fair value to be applied of the service in return received or to be received. Revenue is also shown as deferred revenue due to the fact that revenue is realized in upcoming periods, but the company already received the payment.

2.8. INCOME TAXES

Income tax expense represents the total of current tax expense and deferred taxes.

Current or deferred taxes are recognised in the consolidated statement of profit or loss, unless they are related to items that are recognised either in other comprehensive income or directly in equity. In this case, current and deferred taxes are also recognised in other comprehensive income or directly in equity. If current or deferred taxes result from the initial accounting for a business combination, the tax effects are included in the accounting for the business combination.

2.8.1. Current taxes

The current tax expense is determined on the basis of the taxable income for the year. Taxable income differs from the net income from the consolidated statement of profit or loss due to expenses and income that are taxable or tax deductible in later years or never. The Group’s liability for current taxes is calculated on the basis of the applicable or soon to be applicable tax rates.

2.8.2. Deferred taxes

Deferred taxes are recognised for the differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax base in the calculation of taxable income. Deferred tax liabilities are generally recognised for all taxable temporary differences; deferred tax assets are recognised to the extent that it is likely that taxable profits will be available for which the deductible temporary differences can be used. Such deferred tax assets and deferred tax liabilities are not recognised if the temporary differences result from goodwill or from the first-time recognition (except for business combinations) of other assets and liabilities that result from events that do not affect taxable income or the net profit.

Deferred tax liabilities are recognised for taxable temporary differences arising from shares in subsidiaries or associates and shares in joint ventures, unless the Group can control the reversal of the temporary differences and it is likely that the temporary difference will not reverse anytime soon.

Deferred tax assets that result from temporary differences in connection with shares in subsidiaries or associated companies and shares in joint ventures are only recognised to the extent that it is probable that sufficient taxable income is available with which the claims from the temporary differences can be used. It must also be assumed that these temporary differences will be reversed in the foreseeable future.

The book value of the deferred tax assets is verified every year at the end of reporting period and the value is reduced if it is no longer probable that sufficient taxable income will be available to realise the claim in full or in part. Deferred tax liabilities and deferred tax assets are determined on the basis of the expected tax rates and tax laws that are expected to apply when the debt is settled, or the asset is realised. The valuation of deferred tax assets and liabilities reflects the tax consequences that arise from the way in which the Group expects to meet the liability or realise the asset on the statement of financial position date.

2.9. LEASES

At the start of a contract, the Group assesses whether the contract establishes or includes a lease. This is the case if the contract provides the right to control the use of an identified asset in return for payment of a fee for a certain period of time. In order to assess whether a contract includes the right to control an identified asset, the Group uses the definition of a lease in accordance with IFRS 16.

The Group as lessee

When new contracts are concluded, the Group checks whether they include leases. Upon commencement of the lease, the Group accounts for right-of-use (RoU) assets and corresponding lease liabilities for all leased objects.

The right-of-use asset is initially measured at the amount of the lease liability plus any initial direct costs incurred by the Group. Adjustments may also be required for lease incentives, payments at or prior to commencement and restoration obligations or similar. The RoU asset is depreciated over the lease term and subsequently measured at cost less accumulated depreciation and accumulated impairment.

The lease liability is initially recognised at the present value of future lease payments payable over the lease term, discounted at the rate implicit in the lease or the incremental borrowing rate, whichever is readily determinable.

Lease liabilities are included as part of other financial liabilities in the consolidated statement of financial position and are subsequent measured using the effective interest method.

The Group subsequently remeasures the lease liabilities to reflect changes in

- the lease term (using a modified discount rate);
- the assessment of a call option (using a modified discount rate);
- the payments to be expected related to residual value guarantees (using the original discount rate); and
- or future lease payments resulting from an index or exchange rate change (using the original discount rate).

The remeasurements are treated as adjustments to the RoU asset. If changes do not lead to the formation of a separate lease, a remeasurement of the lease liabilities may also occur.

If, as a result of the subsequent remeasurement of the lease liabilities, the RoU assets are reduced to zero or have already been reduced to zero, and there is a further adjustment of the lease liabilities, the amount is recognised in profit or loss.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

2.10. INTANGIBLE ASSETS

a) Other intangible assets

Other intangible assets with a finite useful life are recognised at acquisition cost less accumulated amortisation and impairment. Amortisation is recognised in the profit or loss on a straight-line basis over the expected useful life. The expected useful life and the amortisation method are reviewed on every reporting date and all changes in estimates are taken into account prospectively.

Separately acquired intangible assets with an indefinite useful life are recognised at cost less accumulated impairment.

The useful life for industrial property rights and licenses is usually between five and fifteen years.

b) *Goodwill*

The goodwill resulting from a business combination is accounted for at cost less any necessary impairment and is shown separately in the consolidated statement of financial position.

For the purpose of impairment testing, the goodwill on acquisition is allocated to those cash-generating units (or groups thereof) of the Group that are expected to benefit from the synergies of the merger.

Cash-generating units to which part of the goodwill has been allocated must be tested for impairment at least once a year. If there are indications of a value reduction of a unit, it may be necessary to carry out more frequent impairment tests. If the recoverable amount of a cash-generating unit is less than the book value of the unit, the impairment loss is first allocated to the book value of any goodwill allocated to the unit and then proportionally to the other assets based on the book values of each asset in relation to the total book value of the assets within the unit. The recoverable amount is the higher of the value in use and the fair value less cost to sell.

Any impairment loss on goodwill is recognised directly in the profit or loss. Any impairment recorded for goodwill may not be reversed in future periods.

When a cash-generating unit is sold, the amount of goodwill attributable to it is taken into account when determining the profit on disposal.

For financial year 2022 Media and Games Invest engaged an external expert from BIG4 advisor, for an independent review under IAS 36 regarding the Goodwill and its segment goodwill allocation. Based on the result of the valuation by BIG4 advisor there is no impairment required. More information under section 5. Segment assets and 6. Intangible assets.

c) Internally generated intangible assets – research and development costs

Research costs are recognised as an expense in the period in which they are incurred.

Internally generated intangible assets that result from the development activity or from the development phase of an internal project are recognised if the following evidence has been provided:

- The completion of the intangible asset is technically feasible, so that it will be available for use or sale.
- The intent is to complete the intangible asset and to use or sell it.
- The ability to use or sell the intangible asset exists.
- The intangible asset is expected to generate a future economic benefit.
- Adequate technical, financial and other resources are available to complete the development and to use or sell the intangible asset.
- The ability to reliably determine the expenses attributable to the development of the intangible.

The amount with which an internally generated intangible asset is capitalised for the first time is the sum of the expenses incurred from the day on which the intangible asset first meets the above conditions. If an internally generated intangible asset cannot be capitalised or if there is no intangible asset, the development costs are recognised in the profit or loss statement in the period in which they arise.

In subsequent periods, internally generated intangible assets, as well as acquired intangible assets, are valued at acquisition or production cost less accumulated amortisation and impairment. Capitalised development costs are generally amortised on a straight-line basis over a useful life of a minimum of 4 years.

d) Intangible assets acquired as part of a business combination

Intangible assets acquired as part of a business combination are recognised separately from goodwill and measured at fair value at the time of acquisition.

In subsequent periods, intangible assets acquired as part of a business combination, as well as individually acquired intangible assets, are valued at cost less accumulated amortisation and any accumulated impairment.

e) Derecognition of intangible assets

An intangible asset must be derecognised on disposal or when no further economic benefit is expected from its use or its disposal. The gain or loss from the derecognition of an intangible asset, valued at the difference between the net sales proceeds and the book value of the asset, is recognised in the profit or loss at the time the asset is derecognised. It is shown in other income or other expenses.

2.11. PROPERTY, PLANT, AND EQUIPMENT

Technical equipment and machines as well as office and business equipment are shown at acquisition or production cost less accumulated depreciation and recognised impairment.

Depreciation is carried out in such a way that the acquisition or production costs of assets (with the exception of land or assets under construction) minus their residual values are depreciated on a straight-line basis over their useful life. The useful lives vary between 3 and 8 years.

The expected useful lives, residual values and depreciation methods are reviewed on every reporting date. All necessary changes in estimates are taken into account prospectively.

Other systems, operating and business equipment are predominantly written off over three to five years. Pursuant to the commercial progression of usage, property, plant and equipment will be depreciated using the straight-line method.

Property, plant and equipment is derecognised on disposal or when no future economic benefit from the continued use of the asset is expected. The gain or loss resulting from the sale or decommissioning of property, plant and equipment is determined as the difference between the proceeds from the sale and the book value of the asset and is recognised in other income or other expenses.

2.12. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS (OTHER THAN GOODWILL)

At the end of each reporting period, the Group reviews the carrying amounts of property, plant and equipment and other intangible assets to determine whether there are indications of an impairment of these assets. If such indications are discernible, the recoverable amount of the asset is estimated to determine the extent of any impairment loss. If the recoverable amount for the individual asset cannot be estimated, the recoverable amount of the cash-generating unit to which the asset belongs is estimated. If an appropriate and steady basis for distribution can be determined, the collective assets are distributed among the individual cash-generating units. Otherwise, there is a distribution to the smallest group of cash-generating units for which an appropriate and steady basis of the distribution can be determined.

In the case of intangible assets with an indefinite useful life or those that are not yet available for use, an impairment test is carried out at least annually and always when there is an indication of impairment.

The recoverable amount is the higher of the fair value less cost to sell and the value in use. When determining the recoverable amount, the estimated future cash flows are discounted using a pre-tax interest rate. This pre-tax interest rate takes into account, on the one hand, the current market assessment of the time value of the money, and on the other hand the risks inherent in the asset, unless these have already been included in the estimate of the cash flows.

If the estimated recoverable amount of an asset or a cash-generating unit falls below the book value, the book value of the asset or the cash-generating unit is reduced to the recoverable amount. The impairment loss is immediately recognised in profit or loss.

If the impairment loss is subsequently reversed, the book value of the asset or cash-generating unit is increased to the most recent estimate of the recoverable amount. The increase in the book value is limited to the value that would have resulted if no impairment loss had been recognised for the asset or the cash-generating unit in previous years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.13. FINANCIAL ASSETS

Financial assets are recognised when a group company becomes a contracting party to the financial instrument.

Financial assets are measured at fair value on receipt. Transaction costs that are directly attributable to the acquisition of financial assets that are not measured at fair value through profit or loss increase the fair value of the financial assets on receipt. Transaction costs that are directly attributable to the acquisition of financial assets and that are measured at fair value through profit or loss are recognised directly in the consolidated statement of comprehensive income.

Financial assets are recognised and derecognised on the trading day if they are financial assets that are delivered within the time frame customary for the market concerned.

All of the financial assets accounted for in their entirety are subsequently valued either at amortised cost or at fair value, depending on the classification of the financial assets.

a) Classification of financial assets

Debt instruments that meet both of the following conditions are valued at amortised cost:

- The financial asset is held within the framework of a business model, the objective of which is to collect the contractual cash flows;
- The contractual terms of the financial asset only represent interest and principal payments on the outstanding nominal amount.

Debt instruments that meet both of the following conditions are measured at fair value and recognised in equity:

- The financial asset is held within the framework of a business model, the objective of which is both to collect the contractual cash flows and to sell financial assets;
- The contractual terms of the financial asset only represent interest and principal payments on the outstanding nominal amount.

All other financial assets that do not meet the above conditions are generally valued at fair value through profit or loss. MGI did not classify any equity instruments in this category in the financial year.

Equity instruments measured at fair value and recognised in equity are recognised at the time of their acquisition at fair value plus transaction costs. As a result, gains and losses from changes in the fair value are recognised in other comprehensive income in the revaluation reserve for financial investments. The accumulated gains or losses are not reclassified to the statement of comprehensive income when the equity instrument is disposed of but are transferred to retained earnings.

Dividends from these equity instruments are recognised in the profit or loss in accordance with IFRS 9, unless the dividends clearly represent a repayment of part of the cost of the equity instruments. Dividends are recognised in the item “other financial income” in the statement of comprehensive income.

b) Currency translation gains and losses

The fair value of financial assets denominated in a foreign currency is determined in the foreign currency and then converted using the spot rate at reporting date:

- For financial assets that are measured at amortised cost and are not part of a designated hedging relationship, translation differences are recorded in the profit or loss under "Other income";
- for financial investments in equity instruments that are measured at fair value and recognised in equity, translation differences are recognised in other comprehensive income in the revaluation reserve for financial investments as part of the fair value measurement.

c) Impairment of financial assets

For trade receivables and contract assets, the Group always records the losses expected over the expected remaining term. These are calculated on the basis of a provision matrix, with reference to the past default of the debtors and an analysis of the current financial situation of the debtors, taking into account debtor-specific factors, the general economic conditions of the industry in which the debtors operate, and an assessment of both the current and the forecast development of the circumstances on the financial reporting date, and while taking into account, if necessary, the current value of money.

The group directly writes down a financial asset, thereby reducing the gross book value if there is information that indicates that the debtor is in considerable financial difficulty and there is no realistic prospect of payment. This is the case, for example, if the debtor is in liquidation or bankruptcy proceedings or, in the case of trade receivables, the receivables are overdue by more than two years, depending on which event occurs earlier. Financial assets that have already been written off may still be subject to enforcement measures by the group. Any returns received from this are recognised in the consolidated statement of profit or loss on receipt.

d) Derecognition of financial assets

The group only derecognises a financial asset if the contractual rights to the cash flows from the asset expire or if it transfers the financial asset and essentially all risks and opportunities associated with the ownership of the asset to another company. If the group does not transfer or retain all of the material risks and opportunities associated with ownership and remains in control of the transferred asset, the group recognises its continued exposure to the asset and an associated liability for amounts that it may have to pay. If the group retains essentially all of the risks and opportunities associated with ownership of a transferred financial asset, the group continues to recognise the financial asset and accounts for secured borrowing for the proceeds received.

As a result of the derecognition of a financial asset measured at amortised cost, the difference between the book value of the asset and the sum of the consideration received and outstanding receivables is recognised in profit or loss. In addition, when a financial investment is derecognised in a debt instrument that is classified at fair value directly in equity, the gain or loss previously accumulated in the revaluation reserve for financial investments is reclassified to the profit or loss statement. In contrast, when a financial investment is derecognised in an equity instrument that the group designated as to be recognised at fair value directly in equity when it was initially recognised, the cumulative gain or loss previously accumulated in the revaluation reserve for financial investments is not reclassified to the income statement but transferred to retained earnings.

2.14. CASH AND CASH EQUIVALENTS

Cash and bank balances are measured at cost, comprising cash, call deposits and other short-term highly liquid financial assets with a term of a maximum of three months.

2.15. SHAREHOLDERS’ EQUITY

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs. Issue costs refer to costs that would not have been incurred had the equity instruments not been issued.

Repurchase of the Company’s own equity instruments is deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company’s own equity instruments.

Debt and equity instruments issued by a group entity are classified as financial liabilities or equity in accordance with the substance of the contractual agreement and the definitions.

2.16. CURRENT AND OTHER NON-CURRENT EMPLOYEE BENEFITS

For current employee benefits (wages, sick pay, bonuses, etc.), the undiscounted amount of the benefits expected to be paid in exchange for that service provided shall be recognised in the period in which the employee provides the service.

The expected cost of current employee benefits in the form of compensated absences shall be recognised in the case of accumulating benefits when the service that increases employees' entitlement to future compensated absences is rendered. Non-accumulating compensated absences, however, are recognised at the time when the absences occur.

Liabilities from other non-current employee benefits are measured at the present value of the estimated future cash outflows the Group expects for the service rendered by the employee as at the financial reporting date.

Share-option programs for key-employees are recognised as non-current employee benefits in accordance with the company's accounting policy. The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. Based on the evaluation of the management, Big4 advisors reviewed the share-option program and came in accordance with IFRS 2 to the conclusion it could be recognised as equity-settled share-based payment transaction.

2.17. OTHER PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the settlement of the obligation involves an outflow of resources, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured on the basis of the estimated cash flows required to settle the obligation, these cash flows shall be discounted (when the interest effect is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

2.18. SEVERANCE PAYMENTS

A liability for a termination benefit will be recognised at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the Group recognises any related restructuring costs.

2.19. FINANCIAL LIABILITIES

Financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. These are measured at amortised cost using the effective interest method or at FVTPL.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognized in OCI, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Financial liabilities are measured at fair value on initial recognition. Transaction cost directly attributable to the issue of financial liabilities that are not measured at FVTPL, reduce the fair value of the financial liabilities on initial recognition. Transaction costs directly attributable to financial liabilities that are measured at FVTPL, are directly recognised in the consolidated statement of profit or loss.

a) Financial Liabilities Measured at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is a contingent consideration of an acquirer in a business combination, held for trading or it is designated as at FVTPL.

b) Financial Liabilities Measured Subsequently at Amortised Cost

Financial liabilities that are not a contingent consideration of an acquirer in a business combination, held-for-trading, or designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and charges paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount derived from its initial recognition.

c) Derecognition of Financial Liabilities

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the consolidated statement of profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between the carrying amount of the liability before the modification and the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other income.

d) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

2.20. CONTINGENT LIABILITIES

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. The contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

2.21. STATEMENT OF CASH FLOWS

Cash flows from operating activities are calculated by using the indirect method. In the case of compound transactions, the underlying amounts are allocated to several cash flow sections if necessary. Cash flows in foreign currencies were translated by using the annual average foreign currency exchange rate. Cash funds are determined as cash and cash equivalents plus current liabilities due to banks.

Interest income and expenses and dividend income are disclosed in the cash flows from operating activities, whereas interest paid or received are disclosed in the cashflows from financing activities. Tax payments are shown in the cash flows from operating activities because an allocation to individual activities is not practicable.

The composition of the cash funds, the general disclosure (structure and content) of the cashflow statement and the voluntary disclosure options remain unchanged compared to the prior year.

2.22. EARNINGS PER SHARE

IAS 33 deals with principles for the determination and presentation of earnings per share before and after dilution. Basic earnings per share are computed by dividing earnings attributable to equity holders of the parent by a weighted average number of outstanding ordinary shares.

For computing diluted earnings per share, the weighted average number of outstanding ordinary shares is restated for the dilution effect of all potential ordinary shares. The parent company has issued share options that have a potential dilution effect. For share options, the number of shares that could have been purchased at fair value for an amount corresponding to the monetary value of the subscription rights associated with outstanding share options is computed. The number of shares computed as above is compared to the number of shares that would have been issued assuming that the share options had been exercised. Options and warrants have a dilutive effect only when the average market price of ordinary shares during the period exceeds the exercise price. In financial year 2022 and 2021 Media and Games Invest has share-based payments that may cause dilution. Additionally, potential ordinary shares only give rise to a dilution effect in cases where the conversion of them results in lower earnings per share or a higher loss per share.

2.23. ROUNDING OF AMOUNTS

Amounts in this report have been rounded off to the nearest thousand EURO, or in certain cases, the nearest currency unit.

2.24. ESTIMATION UNCERTAINTIES AND CRITICAL ACCOUNTING JUDGEMENTS

In preparing the consolidated financial statements, assumptions and estimates are to be made that have a significant impact on the amount and the reporting of the assets and liabilities, income and expense items and contingent liabilities recognised.

The assumptions mainly relate to the determination of the useful lives of intangible assets and property, plant and equipment in compliance with the unified policies across the Group.

The estimates used have a significant influence on the determination of discounted cash flows in the purchase price allocation process and of impairment tests, on the valuation of internally-generated intangible assets, allowances on receivables, other provisions and realisability of deferred tax assets.

Estimates are based on experience and premises valid at reporting date and that are considered appropriate under the given circumstances. The future development that is considered most probable is assumed for this purpose. The development of banks and providers of similar services and of the company environment are also taken into account. The estimates and the underlying assumptions are continually reviewed. However, in individual cases, the actual values might deviate from the assumptions and estimates made if the mentioned framework conditions develop differently than expected at reporting date. Changes are recognised through profit and loss at the time they become known and the premises adjusted accordingly.

Key Sources of Estimation Uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the amounts reported of assets and liabilities within the next financial year, are discussed below.

a) Accounting for and impairment of internally-generated intangible assets

The Group renders in-house development services (further game development). In this context, a decision must be made on an annual basis regarding to what extent development services are capitalised as internally-generated intangible assets. The internally-generated intangible assets are recognised at kEUR 72,939 in the consolidated statement of financial position as of 31 December 2022 (2021: kEUR 44,358).

The progress of the individual projects has been satisfactory, and customer response to the executive board’s previous estimates of expected revenue from the respective projects has also been confirmed. Higher competitor activity, however, has prompted the executive board to reconsider its assumptions concerning future market shares and expected profit margins for individual projects. Following a detailed sensitivity analysis, the executive board has reached the conclusion that the carrying amount of the assets is to be realised in full regardless of possibly lower revenue. The situation will continue to be monitored closely and adjustments will be made in the coming financial years if the future market situation should make this appear appropriate.

b) *Impairment of goodwill and intangible assets*

In order to determine goodwill impairment, it is required to determine the recoverable amount of the cash-generating unit to which the goodwill has been allocated. The calculation of the recoverable amount requires an estimate of future cash flows from the cash-generating unit as well as an appropriate discount rate for the calculation of the present value. If the actual expected future cash flows are lower than the previous estimate, this might result in material impairment.

The carrying amount of goodwill amounted to kEUR 587,739 as of 31 December 2022 (2021: kEUR 411,992). In 2022 and 2021, there was no risk of loss and therefore no impairment requirement.

Regarding other intangible assets the group impaired games assets in the amount of kEUR 23,571 (2021: kEUR 0).

c) *Tax related provisions*

As of 31 December 2022 there are tax related provisions amounting to kEUR 5,896 (2021: kEUR 5,959) which mainly relate to the executive board's assessment of uncertain tax items depending on the interpretation of tax legislation and expectation of tax. Due to the uncertainty associated with such tax positions, there is a possibility that, on conclusion of open tax matters with the tax authorities at a future date, the final outcome may differ significantly.

d) *Deferred tax assets on tax loss carry forwards*

Income tax is to be estimated for each individual tax jurisdiction in which the Group operates. To the extent that temporary differences arise, these differences principally result in the recognition of deferred tax assets and liabilities in the consolidated statement of financial position. The executive board is required to make assessments in calculating actual and deferred taxes. Deferred tax assets are recognised to the extent that it is probable that these can be utilised. The utilisation of deferred tax assets depends on the ability to generate sufficient taxable profits according to the respective tax type and jurisdiction, taking into account, where relevant, legal restrictions concerning the maximum period allowed for tax loss carry forwards.

In assessing the probability of the future usability of deferred tax assets, several factors are to be taken into account such as, the financial performance of the past, operational planning, loss carry-forward period and tax planning strategies. Where the actual results deviate from these estimates or where these estimates are to be adjusted in future period, this might negatively affect the assets, liabilities, financial position and financial performance.

If the impairment assessment for deferred tax assets is changed, the deferred tax assets are to be reduced through profit or loss.

No deferred tax assets were recognised on certain corporation income and trade tax loss carry forwards of kEUR 155,266 (2021: kEUR 117,553) and kEUR 130,049 (2020: kEUR 92,558), respectively, as at 31 December 2022, since the entities currently affected have a loss history, and it can, at present, be assumed that under the medium-term tax result planning, that these above-mentioned tax loss carry-forwards will probably not be utilised. These losses may be carried forward for an indefinite period.

e) Fair Value Measurement

Some assets and liabilities of the Group are measured at fair value for financial reporting purposes. To the extent possible, the Group uses observable market data to determine the fair value of assets and liabilities. Where Level 1 inputs are not available, the Group engages qualified external experts to perform the measurements. The Group works closely with external experts in order to determine appropriate measurement procedures and inputs. The Chief Financial Officer reports regularly to the Supervisory Board to lay down the reasons for fluctuations in the fair values of assets and liabilities.

On the acquisition of the shares of AxesInMotion S.L. and Dataseat Ltd. An agreement was concluded with the seller, stipulating that in return for the acquired assets and liabilities, a contingent consideration depending on the future performance of the acquired assets shall be paid in addition to the purchase price payable in cash. On the dates of acquisition of 28 April 2022 and 5 July 2022 the market value of the contingent consideration to be paid in the future was required to be determined under IFRS 3 'Business Combinations'.

Refer to Note 3 for details on the measurement methods applied and inputs in determining the fair values of the various assets and liabilities.

f) Equity-settled share-based payment transactions

Media and Games Invest issued two different employee share option plans (ESOP), which are recognized as equity-based payment transaction. The ESOP program allow for the issuance of up to 15 million new MGI shares, earliest from 1 May 2024 and latest till 1 July 2030. With an underlying valuation report according IFRS 2 performed by Ernst & Young advisory the MGI group recognised a total vested amount of kEUR 5,653 (2021: kEUR 3,675). Additional information is available under Note 15. Shareholders' Equity.

g) Revenue Recognition under IFRS 15

Revenue recognition is based on the assumption that each individual ad is a distinct, separable performance obligation that cannot be recognized over time because it is satisfied at a point in time. Revenue is recognized at a point in time to align with the satisfaction of the performance obligation, not over time. Regarding the existing agreements, the Company assumes that an allocation of the transaction price is not needed.

In some SSP Games related parts: Judgement is used for the recognition of revenue for certain games – the user lifetime is determined and applied to record the relevant portion of the payments received.

h) Non-recourse sale of receivables to a non-controlled structured entity

The Group sells trade receivables on a non-recourse revolving basis to a non-controlled structured entity. This structured entity holds the receivables and allocates the risks and rewards resulting from these by issuing asset-backed securities to third parties outside the Group (through a senior loan and an intermediate subordinated loan) and to the Group (through a senior subordinated loan and a remaining equity portion).

The Group does not own voting rights in the structured entity or has the ability to appoint its directors. In determining whether to consolidate the structured entity, the Group has applied IFRS 10 by evaluating whether it has control over the structured entity, in particular, whether it is exposed, or has rights, to variable returns from its involvement with the investee (i.e. the structured entity) and has the ability to affect those returns through its power over the investee.

Receivables are sold on a non-recourse basis to the structured entity under a true sale opinion with legal interest transferred from the Group to the structured entity. While the sale of receivables is without recourse, the Group continues to be exposed to some variability of risks and rewards and has rights to variable returns in respect of its remuneration as master servicer.

The Group considers that the returns of the investees in the structured entity are affected by the management of the receivable’s portfolio. In particular, it is the management of any impaired receivables that significantly impacts the variability of the returns of the structured entity. The intermediate subordinated lender (who is also the control party) can unilaterally remove the Group as servicer of impaired receivables, giving it the unilateral power to affect the relevant activities of these receivables and thereby influence the variable returns. Accordingly, the Group has concluded that it does not control the structured entity and therefore does not include the structured entity in the Group’s consolidation.

While the true sale of receivables occurs on a non-recourse basis, the Group retains certain control over the transferred receivables as the structured entity has no unconditional right to sell them. Therefore, the Group shall continue to recognize the transferred receivables to the extent of its continuing involvement. Given the minimal variability, it has been concluded to consider only the retained equity as continued involvement. The continuing involvement does not affect the true sale on a non-recourse basis.

Refer to Note 10 for additional information on the transaction.

3. ACQUISITION OF SUBSIDIARIES

3.1. ACQUISITION OF AXESINMOTION

On 28 April 2022, MGI acquired AxesInMotion, S.L. (AxesInMotion), a leading free-to-play mobile games developer with a strong portfolio of visually stunning racing games that have generated over 700 million downloads worldwide. The company has amassed a portfolio of high-quality racing games, with 87% of the revenues being generated via in-game advertising, with the US being the strongest market, accounting for app. 33% of revenues. The parties have agreed to a fixed purchase price of EUR 55 million (the "Fixed Consideration"), plus up to EUR 110 million that may be paid to the sellers as earn-out payments (the "Earn-out Consideration"), depending on EBITDA performance compared to the Business Plan until the end of 2024 (together the "Total Consideration"). EUR 50 million of the fixed purchase price will be paid at closing and EUR 5 million 12 months post-closing. The Total Consideration shall be paid in cash.

For the purchase price allocation MGI engaged EY (Ernst & Young GmbH) for preparing an independent purchase price allocation report for identifying acquired tangible and intangible assets and liabilities of AxesInMotion. The share deal of AxesInMotion is a business combination within the meaning of IFRS 3 Business Combinations. They provided estimates of fair value for those assets and liabilities, as defined below, as of valuation date 1 May 2022. A business plan of AxesInMotion was used by the management to derive the purchase price offer and was shared with EY for the purchase price allocation (PPA). The report differentiates between intangible assets and property, plant and equipment. As intangible assets were identified and valuated: the Games Ips which amounted to kEUR 6,819 and customer relationships with an amount of kEUR 2,315.

The amounts stated for the identifiable assets acquired and liabilities assumed are shown in the following table:

in kEUR	
Identifiable intangible assets	141,662
Property, plant and equipment	119
Current assets	10,362
Current liabilities and provisions	-10,847
Deferred tax liabilities	-349
Total identifiable net assets at fair value	**140,947**
Total consideration	
Fulfilled by:	
Consideration transferred including loans	140,947
Cash received	9,333
Total consideration transferred	131,614

In accordance with IFRS 3 Business Combinations, an acquiring entity shall allocate the cost of the acquired assets and assumed liabilities based on their fair values of all assets and liabilities as of acquisition date. If the consideration transferred is higher than the fair value of net assets acquired, this difference is accounted for as goodwill. Goodwill recognized from the acquisition of AxesInMotion amounted to kEUR 132,528. The trade receivables and received cash have a book value of kEUR 10,362. The purchase price of AxesInMotion was kEUR 140,947 whereof kEUR 79,779 of the consideration transferred contains the fair value of the earn-out agreements as at the valuation date.

3.2. ACQUISITION OF DATASEAT LTD.

On July 5, 2022, MGI acquired Dataseat Ltd. (Dataseat) a young U.K.-based company. Dataseat is an innovative, technically advanced, and fast-growing mobile DSP specialized in future-proof user acquisition using contextual signals instead of using device IDs. Dataseat provides mobile app developers and game publishers with the possibility to efficiently reach new audiences in a privacy first way. The parties have agreed to a cash and debt free fixed purchase price of GBP 15.9 million, plus up to GBP 19.7 million that may be paid to the sellers as earn-out payments, depending on revenue and EBITDA performance compared to the business plan until the end of 2024. GBP 9.4 million of the cash and debt free fixed purchase price was paid in cash at closing. GBP 6.5 million will be paid as a deferred component in cash or MGI shares.

For the purchase price allocation MGI engaged EY (Ernst & Young GmbH) for preparing an independent purchase price allocation report for identifying acquired tangible and intangible assets and liabilities of Dataseat. The share deal of Dataseat is a business combination within the meaning of IFRS 3 Business Combinations. They provided estimates of fair value for those assets and liabilities, as defined below, as of valuation date July 1, 2022. A business plan was used by the management to derive the purchase price offer and was shared with EY for the purchase price allocation (PPA). The report differentiates between intangible assets and property, plant and equipment. As intangible assets were identified and valuated: the Platform which amounted to kGBP 1,538, customer relationships with an amount of kGBP 1,157 and other intangibles with an amount of kGBP 23,854.

The amounts stated for the identifiable assets acquired and liabilities assumed are shown in the following table:

in kGBP	
Identifiable intangible assets	26,549
Property, plant and equipment	23
Current assets	3,412
Current liabilities and provisions	-3,020
Deferred tax liabilities	-512
Total identifiable net assets at fair value	**26,452**
Total consideration	
Fulfilled by:	
Consideration transferred including loans	26,452
Cash received	974
Total consideration transferred	25,479

In accordance with IFRS 3 Business Combinations, an acquiring entity shall allocate the cost of the acquired assets and assumed liabilities based on their fair values of all assets and liabilities as of acquisition date. If the consideration transferred is higher than the fair value of net assets acquired, this difference is accounted for as goodwill. Goodwill recognized from the acquisition of Dataseat amounted to kGBP 23,854. The trade receivables and received cash have a book value of kGBP 3,169. The purchase price of Dataseat was kGBP 26,452 whereof kGBP 9,881 of the consideration transferred contains the fair value of the earn-out agreements as at the valuation date. The deferred fixed and earn-out consideration can be paid in shares or cash at the sole discretion of MGI.

4. INTERESTS IN SUBSIDIARIES (NCI)

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries with non-controlling interest in accordance with the accounting policy described in Note 2:

Name	Country of incorporation	Principal activities	Parent		direct non-controlling interest	
			Ownership interest 2022	Ownership interest 2021	Ownership interest 2022	Ownership interest 2021
			%	%	%	%
gamigo AG	Germany	Online Games	99.96	99.96	0.04	0.04
Shanghai Yi Qiu Business Management Co. Ltd.	China	Media	99.999	99.999	0.0001	0.0001

5. SEGMENT INFORMATION

a) Products and services from which reportable segments derive their revenues

Under IFRS 8, on the basis of the internal reporting, operating segments are to be defined across group divisions that are subject to a regular review by the Chief Operating Decision Maker of the Company with respect to decisions on the allocation of resources to these segments and the assessment of segment performance. Information reported to the Chief Operating Decision Maker for the purposes of resource allocation and assessment of segment performance is focused on the two segments of Demand Side Platform (DSP) and Supply Side Platform (SSP). Following the transformation from a games company towards an Advertising Software Platform with strong access to first-party data from own games the segment reporting has been changed to reflect the new structure of the Company. The Demand Side Platforms which were based within the Media Segment have been moved into the new DSP Segment while the Supply Side Platforms as well as the own games content which is integrated into the Supply Side Platforms create since 1 January 2022 the SSP Segment.

Description of the advertising value chain and segment reporting

In the digital advertising market, with its rapid pace of innovation, there exist many players and roles. Within the programmatic advertising industry there are currently two key categories:

a. **Demand Side Platforms (DSP)**: Which bundle the demand from advertisers and agencies for new users within the Demand Side Platform.
b. **Supply Side Platforms (SSP)**: Which bundle integrations with first- and third-party publishers that are integrated within Supply Side Platforms (SSP) to monetize the advertising space in their content.

Starting from the advertiser's point of view, the first station in the online advertising services industry is, depending on the degree of outsourcing needs, an agency or trade desk. The services of an agency comprise creating, planning and execution of advertising campaigns. Large advertising agencies such as WPP offer a full-service package, allowing an advertiser to completely outsource advertising-related activities.

The next step in the value chain and a necessary function in programmatic advertising is a Demand Side Platform (DSP). A DSP bundles the demand of advertising buyers and enriches it with specific data to be able to match the advertising content most efficiently with advertising inventory. An example of a DSP is the company the Trade Desk, or within MGI, Platform161.

The counterpart of a DSP is a Supply Side Platform (SSP). An SSP bundles the supply of advertising space from publishers including specific information about the characteristics of the available advertising inventory. Large networks such as Google or MGI have their own SSPs, but there are also several independent players such as Fyber or PubMatic, who are trying to maximize ad space monetization. An advertising exchange sometimes sits between DSPs and SSPs and acts as a marketplace for both the supply and demand of advertising space. Often, this is an automated process in the form of real time bidding (RTB). However, the focus of DSPs, SSPs and ad-exchanges are somewhat blurred (as is the case of MGI where advertising is sometimes conducted through the Verve DSP, which might connect directly with an SSP), while certain publishers negotiate a campaign and its pricing directly with advertisers.

At the other end of the value chain is the publisher, the owner of a medium or media platform wishing to sell its advertising inventory. At this point, the advertisement reaches its audience. Prominent examples include Zynga, King or Embracer, or in the case of MGI, gamigo, WildTangent and AxesInMotion, which are in charge of MGI's games inventory (i.e. games IP`s, audiences, customer purchase data and platforms).

DSP Segment

MGI's Demand Side Platform enables advertisers to drive user acquisition campaigns across the open internet. Through our self-service, cloud-based platform, advertisers can create, manage and optimize data-driven digital advertising campaigns across all relevant ad formats and channels (including e.g. display, native and video) and devices (mobile, desktop, digital out-of-home and connected TV). Based on our vertical infrastructure approach, our Demand Side Platform is integrated with our Supply Side Platform (SSP) which provides access to major first- and third-party inventory from publishers. Our first-party inventory mainly relates to advertising space in casual games from various acquisitions carried out since 2012. The combination of owned content and third-party content provides advertisers a global reach and a broad set of audience data which results in very strong targeting capabilities for their user acquisition campaigns.

Our clients on the demand side are primarily large brands from Fortune 500 Companies as well as agencies such as WPP or Mediacom, which manage the budgets of large advertisers. Our Demand Side Platform generates revenue by charging usage-based fees based on a percentage of a client's total spend on advertising. With products like ATOM or Moments.AI, MGI's platform offers value-added services which provide targeting solutions to advertisers in a world without identifiers and cookies.

The DSP segment contains the acquired Demand Side Platforms including Platform161, VGI CTV (formerly known as LKQD), Match2One and adspree media, which were allocated previously to the Media Segment.

SSP Segment

MGI's Supply Side Platform helps publishers and its own games studios to monetize their ad inventory / ad spaces while keeping full control over it. Publishers connect to the SSP by integrating our SDKs into their content. Connected to our own Demand Side Platform, as well as third-party Demand Side Partners, we enable marketers to drive return on their ad spent and reach addressable audiences across all relevant ad formats, channels and devices. Our infrastructure approach allows for an efficient processing and utilization of data in real time leading to a superior monetization for publishers by increasing the value of an impression and by providing incremental demand through our own DSP and through our well-established relationships with more than 5,000 advertisers and well over 80 third-party DSPs. Publishers can then sell their ad inventory to advertisers using real-time bidding techniques. Through Verve's powerful data enrichment engine, users of apps are segmented in a privacy-compliant manner. As a result, advertisers who consider the user most valuable based on the segmentation will bid the most for the ad space. In this way, the advertising space can be sold by publishers in the most efficient and profitable way.

Our clients on the supply-side are primarily publishers and app developers that allow us to directly integrate with their apps, maximizing automation and sales efficiency of ad inventory. In addition, the SSP Segment also includes the own games studios which provide first-party data and in-game advertising spaces. A smaller portion of the revenues in this segment is generated directly with consumers from in-game item sales and game subscriptions. The majority of the revenues are generated by usage-based platform fees based on a percentage of a client's total supply revenues.

The SSP segment contains amongst others the acquired Supply Side Platforms including Smaato and Pubnative (previously allocated to the Media Segment) as well as the Game Platforms KingsIsle, WildTangent and TrionWorlds (previously allocated to the Games segment).

5.1 Segment revenues and segment results

	DSP	SSP	CONSOLIDATED
in k EUR	31-Dec-22	31-Dec-22	31-Dec-22
Revenues	**32,169**	**292,274**	**324,444**
EBITDA	**5,679**	**79,074**	**84,753**
Depreciation and amortization			-58,136
Financing income			349
Financing expenses			-38,308
Earnings before taxes (EBT)			**-11,341**
Income taxes			-9,064
Net result			**-20,406**

	DSP	SSP	CONSOLIDATED
in k EUR	31-Dec-21	31-Dec-21	31-Dec-21
Revenues	**19,680**	**232,486**	**252,166**
EBITDA	**3,866**	**61,176**	**65,042**
Depreciation and amortization			-28,238
Financing income			905
Financing expenses			-22,824
Earnings before taxes (EBT)			**14,886**
Income taxes			1,169
Net result			**16,055**

The segment reporting for 2021 has been restated to conform with the 2022 changes in segment.

The Company does not use geographical information for purposes of internal controlling nor for management reports. A separate collection of such data would result in disproportional costs.

Due to the structure of customers in the DSP and SSP segment, there are no customers that constitute a proportion of more than 10 percent of the Company's revenues. The customers of both segment in general are characterized by a large number of Fortune 500 customers. There are no customers that are responsible for more than 10 percent of the Company's revenues.

The accounting policies of the reportable segments correspond to the Company's accounting policies described above. The segment result represents the result that each segment generates with allocation of the share of the central administrative costs including the remuneration of the Governing Board. The segment results are reported to the Company's Chief Operating Decision Maker for the purpose of resource allocation to the segments and the assessment of segment performance.

5.2 Segment assets

	31-Dec-22 in kEUR	31-Dec-21 in kEUR
DSP	85,912	45,684
SSP	958,747	888,409
Total segment assets	1,044,659	934,093
Consolidated total segment assets	**1,044,659**	**934,093**

For the purpose of monitoring segment performance and allocating resources to segments, the Group's Chief Operating Decision Maker monitors the tangible, intangible and financial assets attributable to the individual segments. All assets including goodwill are allocated to the reportable segments. As mentioned in section 2.10. b) MGI engaged an independent BIG4 advisor in 2022, for impairment test of the goodwill and the segments goodwill allocation. Based on the valuation results, the recoverable amounts exceed the carrying amounts for both CGUs as at 31 December 2022. Based on the valuation report from an independent BIG4 advisor, the managements' conclusion is, no impairment results.

6. INTANGIBLE ASSETS

The development of book value is as follows:

in kEUR	31-Dec-22	31-Dec-21
Internally generated intangible assets	72,939	44,358
Other intangible assets	130,606	148,280
Advance payments on intangible assets	0	1,116
Goodwill	587,739	411,992
Total	**791,284**	**605,746**

The development of book values was as follows:

in kEUR	Internally generated intangible assets	Other intangible assets	Advance payments on other intangible assets	Goodwill	**Total**
Balance as of 1 Jan 2022	**44,358**	**148,282**	**1,116**	**411,992**	**605,747**
Acquisition through business combination	0	26,343	0	161,997	188,340
Additions	33,412	3,176	0	0	36,588
Reclassification	1,116	0	-1,116	0	0
Amortisation	-5,947	-47,193	0	0	-53,139
Effects from currency valuation	0	-2	0	13,750	13,748
Disposals	0	0	0	0	0
Balance as of 31 Dec 2022	**72,939**	**130,606**	**0**	**587,739**	**791,284**

For the purpose of impairment testing, goodwill is allocated to the following cash-generating units:

in kEUR	31-Dec-22	31-Dec-21
DSP	43,269	16,116
SSP	544,471	395,875
Total Goodwill	587,739	411,992

The intrinsic value of this goodwill was confirmed by the impairment tests carried out on the reference date for the annual financial statements. The goodwill is tested at the level of the business segments

Demand and Supply, as this corresponds to the approach of the internal control of the Group. The cash-generating units consist of the Demand and Supply business segments.

The impairment tests are based on the calculation of the amount that can be generated by the cash generating units based on their value in use. In 2022 Media and Games Invest engaged a BIG4 advisor for an independent impairment test of the goodwill according to IAS 36. For this valuation, cash flow forecasts are used that are based on a financial planning approved by the company management for five years. As in the previous year, cash flows for the five-year period do not include a growth rate. The DSP segment projects revenues to grow at a solid CAGR, as well on the SSP segment. Gross margins of more than 45% and EBITDA margins of more than 25% were assumed. The assumed EBITDA margins are based on historical experience or have been forecast based on cost-cutting measures that have been initiated. The cash flows were discounted using the discounted cash flow (DCF) method at 9.3% for DSP segment and 10.9% for SSP segment. The weighted average cost of capital used for discounting reflects the risk-adjusted interest rate before tax derived from the capital market (weighted average cost of capital). Overall, in the independent valuation report the recoverable amounts exceed the carrying amounts, which implies no impairment for financial year 2022.

7. PROPERTY, PLANT AND EQUIPMENT

The book value of the property, plant and equipment as of the reporting date can be derived from the following table:

in kEUR	31-Dec-22	31-Dec-21
Property, plant and equipment	5,522	4,681

in kEUR	
Balance at 31 December 2020	**1,742**
Additions	6,187
Acquisitions through business combination	927
Depreciation	-4,159
Disposal	-16
Balance at 31 December 2021	**4,681**

Balance at 31 December 2021	**4,681**
Additions	5,758
Acquisitions through business combination	143
Depreciation	-65
Disposal	-4,996
Balance at 31 December 2022	**5,522**

The development of book values was as follows:

Property, plant and equipment primarily consists of operating and business equipment as well as IT equipment, which also relates to the main additions. The amounts shown for Land and Buildings also include RoU assets in accordance with IFRS 16 that are further specified in Note 20.

8. DEFERRED TAX ASSETS

The accrual/deferral of deferred taxes is done pursuant to the liability method in accordance with IAS 12 *Income taxes*. The tax rates that apply and/or have been agreed upon and are known on the reference date of the annual financial statements are applied.

Deferred tax assets in the amount of kEUR 28,452 (2021: kEUR 35,089) relate to the probable future utilisation of tax loss carry forwards and in the amount of kEUR 2,180 (2021: kEUR 271) to timing differences that have emerged between the carrying amounts of intangible assets and their tax base within the framework of the initial consolidation of companies acquired. Deferred tax assets of kEUR 909 (2021: kEUR 992) are due to the timing differences of leases in accordance with IFRS 16. Deferred tax assets of kEUR 2,261 (2021: kEUR 2,047) relate to deferred recognition of revenues and of EUR 1,551 (2021: kEUR 1,901) are due to timing differences regarding the tax deductibility of provisions. Deferred tax assets and liabilities were netted for identical tax subjects, resulting in total deferred tax assets of kEUR 6,651 (2021: kEUR 11,545). Further explanations on the deferred taxes can be found in Note 21 Deferred tax liabilities and Note 34 Income taxes.

9. INVESTMENTS IN ASSOCIATED COMPANIES

As at 31 December 2022, the Group shows kEUR 1,003 (2021: kEUR 1,154) in this position. They are mainly relating to an investment in a German-based GmbH.

Refer to Note 2.5 for the accounting policy on investments in associated companies.

10. FINANCIAL ASSETS

As at 31 December 2022, the Group discloses other non-current financial assets of kEUR 19,177 (2021: kEUR 27,369) and other current financial assets of kEUR 14,489 (2021: kEUR 945).

In 2021 the Group invested kEUR 24,333 in shares of Enad Global 7, a Swedish listed Games company. Thus holding 8.3% of the total shares of Enad Global 7. MGI changed its strategy with the disposal of the Enad Global 7 shares in February 2023. Subsequent changes of the fair value of this investment in an equity instrument will be presented in other comprehensive income. The current financial assets (mainly receivables due from employees and other parties as well as security deposits) are measured at amortised cost.

On 9 December 2022, the Group entered into an accounts receivable securitization program where trade receivables held by the Group are sold on a non-recourse revolving basis to a structured non-controlled entity at an agreed upon purchase price. As of 31 December 2022, the total amount of sold receivables was kEUR 61,080 with reference to Note 11. Part of the consideration is received upfront in cash and part is deferred in the form of senior subordinated notes issued by the structured entity (carrying amount as of 31 December 2022: kEUR 11,148) and the retained equity portion (carrying amount as of 31 December 2022: kEUR 190). The Program has a three-year term. The senior subordinated loan ranks sixth in the priority of payments, whereas the equity amount ranks twelfth (most subordinated), with reference to Note 2.24).

The Group is engaged as master servicer to the structured entity whereby the Group is – by others – responsible for the cash collection and the reporting of the sold receivables. As master servicer, the Group earns a fixed-rate servicing fee. In addition, the Group as equity holder is entitled to the residual net profit of the structured entity.

The investment in the senior subordinated loan and the retained equity is done in the ordinary course of business and its amount is carried at fair value through profit and loss. As of 31 December 2022, the fair value of the senior subordinated loan did not differ significantly from its face value (which represents the maximum exposure to loss from the structured entity), given the low underlying credit risk (see Note 2.24), and the valuation has been considered as level III in the IFRS fair value hierarchy since it is not primarily based on observable inputs.

Refer to Note 18 for additional information on financial instruments.

11. TRADE RECEIVABLES

The trade receivables reported have a remaining term of up to one year.

The Group derecognises a trade receivable when information is available that indicates that the debtor is in significant financial difficulty and there is no realistic prospect of payment. This would be the case, for example, if the debtor is in liquidation or insolvency proceedings or if the trade receivables are more than two years past due, whichever comes first. None of the derecognised trade receivables are subject to enforcement measures.

The trade receivables aging developed as follows:

		past due			
in kEUR	Carrying amount (not due)	1 – 30 days	31 – 180 days	More than 180 days	Book values
31-Dec-22	48,649	2,483	1,097	0	52,229
31-Dec-21	73,467	18,318	5,516	195	97,497

The Group has recognised a loss of kEUR 580 (2021: kEUR 1,097) in profit or loss statement at Media segment in respect of the expected credit losses for the year ended 31 December 2022. MGI has increased its monitoring of debt recovery as there is an increased probability of customers delaying payment or being unable to pay, due to the current market. As a result, the calculation of expected credit losses has been revised as of 31 December 2022 and rates have increased in each category up to 6 months overdue.

In connection with the accounts receivable securitization program, the Group sold trade receivables on a non-recourse basis in an amount of kEUR 61,080. As of 31 December 2022, an amount of kEUR 190 has been recognized as continuing involvement and an amount of kEUR 304 as associated liability. The difference between the continuing involvement asset and the associated liability results from the expected loss arising from the Group's exposure from the transaction.

Refer to Notes 2.19, 2.24 and 11 for further details on the accounts receivables securitization program.

12. OTHER CURRENT NON-FINANCIAL ASSETS

The following positions are included:

in kEUR	31-Dec-22	31-Dec-21
Prepaid expenses and deferred charges	2,368	2,731
VAT receivables	1,201	966
Other non-financial receivables	0	644
Total	**3,568**	**4,341**

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents amounted to kEUR 149,992 as of 31 December 2022 (2021: kEUR 180,156).

14. NON-CASH TRANSACTIONS

Significant non-cash transactions result from the application of IFRS 16, share-based payments and the contingent consideration for the acquisition of shares in AxesInMotion S.L. and Dataseat.

Details on the Dataseat acquisition

As communicated by way of press release on 5 July 2022, MGI acquired the mobile demand-side platform (DSP) Dataseat Ltd. Pursuant to the Dataseat share purchase agreement the sellers are, based on meeting certain conditions, entitled to a deferred consideration and an earn-out consideration as part of the total consideration. The deferred and earn-out consideration towards the sellers may (at the choice of MGI) be partly or fully settled through delivery of shares in the Company in July and August 2025, respectively. In order to secure the potential delivery of such shares, MGI, based on its authorization to issue warrants granted by the extraordinary general meeting on 1 November 2022, carried out a directed issue of 3,199,990 warrants to the sellers in line with the purchase agreement. The Company may at its sole discretion elect to pay the deferred consideration and / or the earn-out consideration by other means than in newly issued shares, in which case less or no warrants will be exercised.

15. SHAREHOLDERS' EQUITY

The Company has an authorised capital of 320,000,000 ordinary shares as of 31 December 2022 with a nominal value of EUR 1.00 for 300,000,000 ordinary A-shares and a nominal value of EUR 0.10 for 20,000,000 ordinary B-shares. As of 31 December 2022, 159,249,358 ordinary A-shares (2021: 149,679,980) were issued and fully paid.

	Number of shares		Common stock		Additional paid-in capital	
in kEUR	31-Dec-22	31-Dec-21	31-Dec-22	31-Dec-21	31-Dec-22	31-Dec-21
Issued and fully paid-in capital: ordinary shares of par value EUR 1.00	159,249	149,680	159,249	149,680	103,518	84,570

Each ordinary A-share has the right to (i) receive notice of, attend, speak, and vote at general meetings of the Company and has ten (10) votes; (ii) participate in a distribution of profits or assets of the Company, including in a winding up of the Company, pro rata with all other shareholders of the Company based solely on number of shares held and irrespective of the class and nominal value of shares held; and (iii) a repayment of capital in a winding up of the Company.

Each Ordinary B-share has the right to (i) receive notice of, attend, speak, and vote at general meetings of the Company and shall have one (1) vote; (ii) participate in a distribution of profits or assets of the

Company, including in a winding up of the Company, pro rata with all other shareholders of the Company based solely on number of shares held and irrespective of the class and nominal value of shares held; and (iii) a repayment of capital in a winding up of the Company. Save as otherwise provided above and as specifically set out in the Articles of Association of the Company, all the shares in the Company shall rank pari passu in all respects including, inter alia, in respect of dividend distributions.

During the year ended 31 December 2022, the parent company increased its number of shares by 9,569,378 to 159,249,358. The premium associated with the capital increase amounted to kEUR 18,948 in 2022 which resulted in the increase of the share premium by the same amount. The transaction costs accounted for as a deduction from equity amounted to kEUR 399. MGI has an obligation against Bodhivas GmbH up to 15,000,000 A shares for EUR 2.60 per share. Whereas Bodhivas GmbH has taken an obligation to issue phantom shares only to selected key employees of MGI for a strike price of EUR 1.30 up to 120% of the share price at the moment.

Equity-settled share-based payment transactions

Media and Games Invest issued two different employee share option plans (ESOP). The first one was signed on 20 May 2020 and represents an uncapped agreement with the exercise period starting on 1 July 2024 and ending on 1 July 2030. On 11 January 2021, the MGI board decided to launch a second ESOP program and to allow for the issuance of up to 15 million new MGI shares, earliest from 1 May 2025 and latest till 1 July 2030 via an option at a strike price of Euro 2.60 per share. Ernst & Young GmbH (EY) as BIG4 advisor classified the phantom share program as an equity-settled share-based payment transaction to employees for service. The equity instruments do not vest until the employee completes a specified period of service. Fair values of the phantom shares were determined on the measurement date as of 31 December 2022.

In accordance with IFRS 2, a Monte-Carlo Simulation was used for the valuation to determine the discount expected payout. Based on all parameters; grant date, vesting conditions, volatility, exercise price, lifetime of the option, current price of the underlying shares, risk-free interest and others, the total vested amount is kEUR 5,653 as of 31 December 2022 (2021: kEUR 3,675). The amount is recognised as bonus expense in the consolidated statement of profit or loss with reference to Note 30 Employee benefits expense.

No dividend payments were made in the presented periods.

Capital Management

The Company fundamentally pursues the goal of generating an appropriate return on the capital used. The equity position shown in the consolidated statement of financial position of the Group, however, is merely used as a passive control criterion. The revenue and the EBITDA are used as active management parameters. The goal of the Company is to make substantial investments in the development of the corporate group, in particular for M&A activities, although they burden the short-term earning capacity of the company to a considerable extent. These growth targets mean that classic return criteria are not always at the forefront in this growth phase. The investments associated with this are the basis for the Company's long-term success. The Company is striving to remain a profitable corporate group in the short and long-term.

16. FINANCIAL LIABILITIES

The financial liabilities are divided into the following classes:

in kEUR	31-Dec-22	31-Dec-21
Lease liabilities (current)	1,049	992
Lease liabilities (non-current)	2,597	2,457
Bonds (non-current)	389,386	343,925
Interest on bonds (current)	2,387	1,983
Other financial liabilities (current)	32,898	32,370
Contingent consideration	27,860	80,250
Other financial liabilities (non-current):		
Contingent consideration	86,081	12,777
Remaining liabilities	941	800
Total	**543,197**	**475,554**

Regarding the bonds, please refer to Note 19. In 2021 Media and Games Invest Group signed a EUR 30 million unsecured RCF (Revolving Credit Facility) with UniCredit Bank for an interest rate of 6.015% p.a. The unsecured RCF is reflected in the Other financial liabilities (current).

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Liabilities			Equity		
	Other loan and borrowings	Bond	Lease Liabilities	Share capital/ premium	Reserves	**Total**
Balance at 1 January 2022	**128,180**	**343,925**	**3,449**	**234,251**	**47,393**	**757,198**
Changes from financing cash flows						0
Proceeds from issue of share capital				28,516		28,516
Proceeds from issue of bond		42,733				42,733
Proceeds from loans and borrowings			-4,057			-4,057
Repayments of debt						0
Interest paid	-33,610		-197			-33,807
Total changes from financing cash flows	94,569	386,658	-805	262,767	47,393	790,583
Changes arising from obtaining or losing control of subsidiaries or other businesses						0
Changes in fair value					**11,434**	**11,434**
Other changes						0
New leases			4,254			4,254
Interest expense	27,110	2,727	197			30,035
Other changes	28,486					28,486
Total liability-related other changes	**55,597**	**2,727**	**4,451**			**62,775**
Total equity-related other changes				**0**	**11,434**	**11,434**
Balance at 31 December 2022	150,166	389,386	3,646	262,767	58,827	864,792

The development of financial liabilities as at 31 December 2022 is as follows:

in kEUR	31-Dec-21	Additions / Proceeds	Payment	Interest accretion	31-Dec-22
Lease liabilities (current)	992	0	0	57	1,049
Lease liabilities (non-current)	2,457	0	0	140	2,596
Bonds (non-current)	343,925	45,460	0	0	389,385
Interest on bonds (current)	1,983	34,014	-33,610	0	2,387
Other financial liabilities (current)	32,370	529		0	32,899
Contingent consideration	80,250		-52,390	0	27,860
Other financial liabilities (non-current):					
Contingent consideration	12,777	73,304	0	0	86,081
Remaining liabilities	800	0	0	141	941
Total	475,554	153,307	-86,000	338	543,198

The maturity analysis of the financial liabilities as at 31 December 2022 is as follows:

in kEUR	up to 1 year	1 to 5 years
Lease liabilities	1,049	2,597
Bonds	0	389,385
Interest on bonds	2,387	0
Contingent consideration	27,860	86,081
Other financial liabilities	32,898	941
Total	**64,194**	**479,004**

The weighted average effective interest rate is as follows:

in %	31-Dec-22	31-Dec-21
Bank loans	3.0	3.0
Other loans	6.4	4.2
Bonds	7.4	5.9

Analysis of financial liabilities by currency as at 31 December 2022:

in kEUR	In EUR	In USD	Other currencies	Total
Lease liabilities	1,669	1,867	110	3,646
Bonds (non-current)	389,386			389,386
Interest on bonds (current)	2,387			2,387
Contingent consideration (current)	27,860			27,860
Other financial liabilities (current)	32,898			32,898
Other financial liabilities (non-current):				
Contingent consideration (non-current)	86,081			86,081
Remaining liabilities	941			941
Total	**541,218**	**1,867**	**110**	**543,197**

Analysis of financial liabilities by currency as at 31 December 2021:

in kEUR	in EUR	in USD	Other currencies	Total
Lease liabilities	1,641	1,578	230	3,449
Bonds (non-current)	343,925			343,925
Interest on bonds (current)	1,983			1,983
Contingent consideration (current)	14,683	65,566		80,250
Other financial liabilities (current)	32,111		259	32,370
Other financial liabilities (non-current):				
Contingent consideration (non-current)	11,603	1,174		12,777
Remaining liabilities	800			800
Total	**406,747**	**68,318**	**489**	**475,554**

17. OTHER NON-FINANCIAL LIABILITIES - CURRENT

The other non-financial liabilities include:

in kEUR	31-Dec-22	31-Dec-21
Liabilities from taxes	7,592	6,355
Liabilities to employees and social securities	1,694	1,970
Miscellaneous other liabilities	0	1,617
Deferred income	12,056	10,106
	21,342	**20,048**

18. REPORTING ON FINANCIAL INSTRUMENTS

Classes and categories of financial instruments and their fair values

As at 31 December 2022, the Group does not hold significant financial instruments whose carrying amounts differ materially from their fair values, so that a reporting of fair values is not included.

Risks from Financial Instruments

Typical risks from financial instruments are the credit risk, the liquidity risk and the individual market risk. The risk management system of the Group is depicted in the risk report of the consolidated management report including its goals, methods and processes. On the basis of the information depicted below, we do not see any explicit risk concentrations from financial risks.

Credit Risks

The Group reduces the default risk of original financial instruments through trade information, credit limits and debtor management including dunning and proactive collection. In addition, to the best of its knowledge, the Group only concludes transactions with solvent customers. The maximum default risk results from the carrying amounts of the financial assets recognised in the statement of financial position. As disclosed in Note 11 and due to the Coronavirus (COVID-19) pandemic, credit losses are recognized, if any. The expected credit loss amounts to kEUR 580 for 2022. The Group has written off the corresponding trade receivables. The overall remaining credit risk is still low.

Liquidity Risks

The operational liquidity management covers a cash controlling process through which there is a merging of liquid funds. Liquidity surpluses and requirements can thus be managed in accordance with the Group's requirements and those of individual Group companies. The due dates of financial assets and financial liabilities and estimates of the cash flow from operational activity are included in the short-term and medium-term liquidity management. Cash and cash equivalents totalling kEUR 149,992 (2021: kEUR 180,156) are available to cover the liquidity requirements. The liquidity risk is classified as low overall.

Market Risks

Market risk is understood to be the risk that the fair values to be applied or future payment streams of an original or derivative financial instrument will fluctuate as the result of changes in the risk factors and the risk that the fair value to be applied to the bond will change. Refer to Note 16 for the maturity analysis of the financial liabilities.

Currency Risks

Changes in exchange rates can result in unwanted and unforeseeable volatilities of results and payments streams.

As a result of the international alignment of the Group in the direction of the USA, there are currency risks within the framework of the business activity. The risk on the basis of the functional currency is to be classified as low as the US subsidiaries generate income and expenses in US dollars. For this reason, there was no hedging of currency. With the recent acquisitions, there is a low risk recognized for currency exchange for business activity in Brazil with BRL, Sweden with SEK and China with CNY.

Translation Risks

At Group level, there is a translation risk that results from consolidation of subsidiaries that do not carry out their accounting in euros. The largest risk position is the US dollar and/or its respective change in relation to the euro. The long-term exchange risk that exists with investments in shareholdings that do not carry out their accounting in euro is rated continuously. From this translation risk with regard to the US subsidiaries, with an increase of the euro compared to the US dollar of 10%

there would be no fundamental effect on the Group equity and the Group´s consolidated statement of profit or loss.

Interest Risks

The scope of the third-party financing associated with variable interest is mainly due to the bond, meaning that there is a risk resulting from volatile interest rates. Due to the high volatility in interest rates which is mitigated with hedging, the risk is considered to be medium.

Sensitivity Analysis 3m Euribor change	Interests in kEUR
1.00%	3,009
2.00%	6,018
3.00%	9,027
4.00%	12,036
5.00%	15,045

19. BOND

On 27 November 2020, Media and Games Invest SE issued a Senior Secured Floating Rate Callable Bond (ISIN: SE0015194527) with an original framework of EUR 80 million. On 30 March 2021, MGI successfully placed a EUR 40 million Tap Issue. The tap issue was priced above par, at 100.75%. The additional bonds were listed under the same ISIN on Nasdaq Stockholm and Frankfurt Stock Exchange Open Market. MGI Group has successfully placed a subsequent bond issue of EUR 150 million under its existing Senior Secured Floating Rate Callable Bond on 18 June 2021 which was priced at 102% of par. As a prerequisite for the placement of the Subsequent Bond Issue, the Company received approval from existing bondholders to increase the framework of the Bond to EUR 350 million. MGI Group placed another subsequent bond issue of EUR 80 million on 2 September 2021 which was priced at 103% of par. MGI successfully placed new senior secured floating rate callable bonds (ISIN SE0015194527) on 9 June 2022. The bonds priced at 98.00% of par with a floating rate coupon of EURIBOR (floored at zero) plus 6.25%. The Company offered a partial buy-back to the holders of MGI's outstanding senior secured floating rate bonds maturing on 27 November 2024 with ISIN SE0015194527 (the "Existing Bonds") in connection with the Bond Issue (the "Buy-Back"). Existing Bonds in an aggregate nominal amount of EUR 115,000,000 was repurchased by the Company in the Buy-Back.

The interest rate consists of a nominal interest rate of 6.25% p.a. plus 3 months EURIBOR, provided that EURIBOR is greater than 0. Interest payments are quarterly with the first payment on 21 September 2022. The bond has a term until 21 June 2026 at the latest. An early repayment by the issuer is possible as a whole or in part for the first time in December 2024 at 103% of the nominal value. Other early repayment possibilities exist in June 2025 (102%) and in December 2025 (101%).

MGI is exposed to interest rate risks from its emitted floating rate bonds. Both bond's interest index is the EURIBOR. MGI seeks to manage its interest rate risk with appropriate hedging instruments. To mitigate the risk from the floating interest rate MGI entered into an interest rate swap with a nominal amount of kEUR 100,000 hedging a nominal bond amount of 175,000. For the swap MGI pays fixed and receives floating, the cash flows are settled on a net basis.

The following tables show the hedging instruments, the hedge balances as well as ineffectiveness adjustments.

	Hedging Instruments			
in kEUR	Nominal Volume	Fair Value Other Financial Assets	Fair Value Other Financial Liabilities	Fair Value Changes for Recognition of ineffectiveness
31-Dec-2022				
Interest Swap	100,000	545	0	0
Total Interest Swaps	**100,000**	**545**	**0**	**0**
31-Dec-2021				
Interest Swap	0	0	0	0
Total Interest Swaps	**0**	**0**	**0**	**0**

	Cash-Flow Hedge	
in kEUR	Change in fair value for ineffectiveness	Cash Flow Hedge Reserve Balance
31-Dec-2022		
Interest Rate Swap	0	545
Total Cash Flow Hedges	**0**	**545**
31-Dec-2021		
Interest Rate Swap	0	0
Total Cash Flow Hedges	**0**	**0**

20. LEASES

The Group leases various assets including buildings, operating and office equipment and software licenses. The lease terms are mainly between one and four years.

RoU assets

The book value of the RoU assets and the depreciation by classes are broken down as follows:

in kEUR	Carrying amount 01-Jan-22	Additions	Write-downs	Carrying amount 31-Dec-22
RoU from building rental	3,467	4,184	4,102	3,548
RoU from vehicle leasing	37	0	10	27
	3,504	4,184	4,112	3,576

The RoU assets are included in the property, plant, and equipment.

Maturity analysis of the lease liabilities

in kEUR	31-Dec-22	31-Dec-21
Up to 1 year	1,049	992
More than 1 year and up to 5 years	2,597	2,457
More than 5 years	0	0
	3,646	3,449

The implicit interest rate for the lease liabilities cannot be determined easily. Therefore, on 1 January 2022. the Group applied the weighted average value of the Group's marginal borrowing rate of 5.9% (2021: 5.9%). This was determined on the basis of the loans received with a comparable term, which would be available to the Group for the acquisition of the assets. Interest expenses on leasing liabilities amounted to kEUR 866 (2021: kEUR 113). The Group has no sale and leaseback transactions.

21. DEFERRED TAX LIABILITIES

Deferred tax liabilities relate to timing differences that have emerged between the carrying amounts of intangible assets and their tax base within the framework of the initial consolidation of companies acquired amount to kEUR 52,509 (2021: kEUR 37,224), and timing differences between the carrying amount of the bond under IFRS and its tax base amount to kEUR 332 (2021: kEUR 734). Deferred tax liabilities of kEUR 18,939 (2021: kEUR 13,029) were recognised on timing differences between the carrying amount of internally generated intangible assets and the tax base and kEUR 927 (2021: kEUR 977) are due to the timing differences of leases in accordance with IFRS 16. The deferred tax liabilities were netted off against the respective deferred tax assets for identical tax items totalling to kEUR 28,702 (2021: kEUR 28,755), resulting in deferred tax liabilities in an amount of kEUR 24,439 (2021: kEUR 23,209) after netting. Further explanations on the deferred taxes can be found in Note 34 Income taxes.

22. CURRENT PROVISIONS AND ACCRUALS

Current provisions and accruals are shown in two separate tables and are amounting to kEUR 65,225, where kEUR 38,038 are classified as accruals and kEUR 27,188 are classified as provisions. Accruals are detailed in the table below:

in kEUR	31-Dec-22	31-Dec-21
Personnel-related obligations	3,828	3,040
Audit and closing costs	552	570
Tax accruals	493	1,460
Accrued operational and consulting costs	33,164	29,198
	38,036	**34,268**

The development of provisions is shown in the table below.

in kEUR	Balance as of 01-Jan-22	Addition from Business Combination	Utilisation	FX effects	Additions	Balance as of 31-Dec-22
Tax related provisions	5,768	153	2,378	152	2,264	5,959
Legal and advisory	2,500	0	2,050	58	250	758
Other provisions	11,500	7,738	1,445	496	2,181	20,470
	19,768	**7,892**	**5,873**	**705**	**4,696**	**27,188**

Accruals are made for current, legal, and de facto obligations resulting from past events that are likely to lead to a future economic burden and whose size can be reliably estimated. If a changed estimate results in a reduction in the size of the obligation, the accrual is reversed accordingly and the income is posted in the area that was originally charged with the expense when the accrual was posted. Other provisions mainly include litigation obligations.

All provisions have a term of up to one year.

23. TRADE PAYABLES

Trade payables mainly comprise outstanding amounts for the purchase of goods and services as well as current costs. Most suppliers do not charge interest for the first days after invoicing. Subsequently, different interest rates are payable on the outstanding amount.

The Management Board is of the opinion that the carrying amount of trade payables generally corresponds to their market value.

24. LITIGATION AND CONTINGENT LIABILITIES

Litigation and other legal proceedings often raise complex issues and are subject to numerous uncertainties and difficulties, due to the facts and circumstances of each case, the court at which the lawsuit is pending, and differences in applicable law, among other things. The outcomes of currently pending or future proceedings are generally not predictable. The Group could incur expenses as a result of the final judgment in a court proceeding, official decisions or a settlement; due to the inability to be calculated reliably, provisions will not be made for such expenses that go beyond the provision made for this purpose.

In the case of pending or future legal proceedings, using the information available to the legal department of the Group and in close consultation with the lawyers working for the Group, a review will be carried out as to whether and to what extent the Group should account for provisions. To the extent that one set of these proceedings is reasonably likely to lead to reliably measurable cash outflows today, the present value is recognised as a provision for litigation. These provisions cover the estimated payments to the claimants, the legal and procedural costs, the costs for lawyers, and any settlement costs. At the end of reporting period, the internal and external legal advisors determine the current status of the Group’s main legal risks. On this basis, it is checked whether and, if so, to what extent a provision needs to be created or adjusted. Information relevant to potential value is taken into account up to the time of preparation of the consolidated financial statements.

The MGI group is involved in various legal disputes relating to its general business activities, especially in court cases and arbitrations, and more could be initiated or enforced in the future.

Litigation arising from the day-to-day business operations of the Group is understood to mean proceedings against IT service providers, service providers as well as sellers and former partners. The litigation is often the result of M&A transactions. Due to the takeover of loss-making companies and assets, litigation regularly arises after a takeover. Behind the outstanding payment of the amounts is often inadequate service provision or no service provision, or also cases in which parties demand legacy liabilities that were not clearly assumed by the Group, so this must be decided by arbitration or trial. Provisions were made in the amount of kEUR 198 for disputes due to non-payment of claims by IT service providers and other service providers; as well as in the amount of kEUR 1,152 for proceedings based on corporate transactions with former service providers of the acquired company and further procedural risks from corporate transactions.

25. OTHER FINANCIAL COMMITMENTS

Lease contracts that lead to other financial obligations are classified as leases in accordance with IFRS 16 and taken into account in the statement of financial position.

26. REVENUES

Revenues are generated from online sales, console, mobile games and advertisement (casual games, roleplay games and strategy games) as well as media services (platform and advertising services). This is consistent with the revenue figures disclosed for each reportable segment in accordance with IFRS 8 *Business Segments* (refer to Note 5).

in kEUR	FY 2022	FY 2021
DSP	32,169	19,680
SSP	292,274	232,486
Total	**324,444**	**252,166**

in kEUR	FY 2022	FY 2021
Proceeds from DSP	31,659	19,680
Effects from deferred revenue for DSP	510	0
Revenues from SSP	291,142	230,888
Effects from the deferred revenue SSP	1,133	1,598
Total revenue	**324,444**	**252,166**

The item “Effects from the deferred revenue SSP” contains the netted effect from the addition and release of deferred revenue from revenue recognition from games and is mainly caused by the revenue recognition done for the online game Wizard101.

in kEUR	FY 2022	FY 2021
Receivables that are included in trade receivables and other receivables	-1,643	-1,598
Contractual liabilities	12,056	9,748

The contractual liabilities relate to the advance payments received from customers for the use of games and media for which sales are realised over a certain period and reflect their value.

As permitted by IFRS 15, no disclosures are made regarding the remaining performance obligations as of 31 December 2022 or 31 December 2021 that have an expected original term of one year or less.

27. OWN WORK CAPITALISED

This item primarily includes personnel expenses and directly attributable rent in connection with the capitalisation of development costs for the Games platform, Demand-Side-platform, Supply-Side-platform and for games which were capitalised as subsequent acquisition costs for intangible assets purchased.

28. OTHER OPERATING INCOME

Other operating income includes the following items:

in kEUR	FY 2022	FY 2021
Currency exchange gains	5,498	5,989
Reimbursements	157	543
Release of earn out	8,730	0
Other income	8,821	2,093
Total	**23,206**	**8,626**

Other operating income includes income from currency exchange gains, and income from subleases and rights or licenses and compensations.

29. PURCHASED SERVICES

Expense items such as revenue shares, payment costs, direct advertising expenses, royalties and server and technology costs are included in this position.

30. EMPLOYEE BENEFITS EXPENSE

The employee benefits expense of the Media and Games Invest Group amounted to kEUR 76,207 (2021: kEUR 55,978).

in kEUR	FY 2022	FY 2021
Wages and Salaries	-68,847	-48,637
Social contributions	-7,359	-7,340
Total	**-76,207**	**-55,978**

The non-cash share-based transaction is recognised as employee benefits expense and amounted to kEUR 3,078 for 2022 (2021: kEUR 1,466).

31. OTHER OPERATING EXPENSES

The other operating expenses include the following expenses:

in kEUR	FY 2022	FY 2021
Legal and tax advisors	5,223	6,380
Auditing fees	453	314
Consulting expenses	1,668	5,067
Rental fees	1,530	940
Travel expenses	1,225	396
Other administration fees	2,055	1,558
Advertising	1,506	349
IT and communications	8,434	4,949
Currency Exchange expenses	103	-84
Losses of receivables (bad debt)	586	1,097
Other not directly attributable expenses	4,217	3,689
Total	**27,001**	**24,655**

32. DEPRECIATION AND AMORTISATION

With regard to the amortisation of intangible assets and the depreciation of property, plant and equipment, we refer to the explanations regarding the intangible assets (Note 6) and property, plant and equipment (Note 7). In the reporting year, some games and platforms within the intangible assets were written off with an amount of kEUR 23,571.

33. FINANCIAL RESULT

The financial income and financial expenses are comprised as follows:

in kEUR	FY 2022	FY 2021
Financial income	349	905
Financial expense	-38,308	-22,824
Total	**-37,959**	**-21,919**

34. INCOME TAXES

The components of the income taxes are as follows:

in kEUR	FY 2021	FY 2021
Current income taxes	4,362	2,113
Deferred taxes	4,703	-3,282
Total income tax	**9,064**	**-1,169**

The current income taxes posted mainly comprise taxes on income in the USA, Spain and Germany for the respective reporting years.

In Malta, no separate corporate income tax system exists. All companies located in Malta are subject to a nominal income tax rate of 35%. The income taxes paid by a company will be imputed/refunded on the level of its shareholders at the time of a dividend payment. This system applies for Maltese shareholders as well as for non-resident shareholders.

The Board of Directors plans to generate revenues via dividend income from its German subsidiary Samarion GmbH.

Foreign income taxes are calculated using the tax rate applicable in the respective countries, which varies from 13.4% to 32.5% (2021: 12.3% to 35.0%).

The transition of the expected tax expenses of the Group to the actual tax expenses for the reporting periods is depicted in the following table:

in kEUR	FY 2022	FY 2021
Profit/(loss) before tax	-11,341	14,886
Expected income tax expense at 28.445% (2021: 28.445%)	3,261	-4,234
Effects of different tax rates	1,782	1,722
Effects from gain of a bargain purchase / goodwill	0	0
Change from (non-)recognition of tax losses/credits	-4,230	4,658
Utilization of unrecognised tax losses	0	2,170
Expenses and income with no tax effects	-10,293	-3,256
Permanent deviations from deferred taxes	0	0
Tax income and expenses related to prior periods	407	153
Other	7	-44
Total income tax	-9,064	1,169
Effective tax rate	**-79.9%**	**-7.9%**

The tax rate applied to the above-mentioned reconciliation corresponds to the Group's weighted average tax rate of 25.566% (2021: 28.445%) determined by the local tax rates of the group companies weighted with their EBT.

Current income tax receivables amount to kEUR 744 (2021: kEUR 659) and current income tax accruals and provisions amount to kEUR 6,452 (2021: kEUR 7,229). Regarding income tax accruals also refer to Note 22.

Deferred tax assets and liabilities as of reporting date are as follows:

in kEUR	FY 2022	FY 2021
Tax loss carry forwards	27,819	35,089
First-time consolidation of subsidiaries	2,180	271
Provisions	1,551	1,901
Deferred recognition of revenues	2,261	2,047
Lease contracts (IFRS 16)	909	992
Total gross deferred tax assets	**34,720**	**40,300**
Less: netting	-28,069	-28,755
Deferred tax assets	**6,651**	**11,545**

in kEUR	FY 2022	FY 2021
First-time consolidation of subsidiaries	32,310	37,224
Intangible assets	18,939	13,029
Financial instruments	332	734
Lease contracts (IFRS 16)	927	977
Other assets and liabilities	0	0
Total gross deferred tax liabilities	**52,509**	**51,964**
Less: netting	-28,069	-28,755
Deferred tax liabilities	**24,439**	**23,209**

The deferred taxes result from temporary differences between the tax base of assets and liabilities in the tax accounts of the individual companies and the carrying amounts in the consolidated statement of financial position as well as from tax loss carry forwards. The decisive factor for assessing the recoverability of deferred tax assets is the assessment of the probability of the reversal of the valuation differences and the usability of the tax loss carry forwards. This depends on the occurrence of future taxable profits during the periods in which tax valuation differences reverse and tax loss carry forwards can be utilised. In accordance with IAS 12, sufficient taxable income may also be present if reversing taxable temporary differences exist that are recognized as deferred tax liabilities.

35. EARNINGS PER SHARE

Information about earnings per share is in accordance with IAS 33:

in kEUR	FY 2022	FY 2021
Undiluted	-0.13	0.11
Diluted	-0.12	0.11

The results and the weighted average number of shares for basic earnings per share are as follows:

in kEUR	FY 2022	FY 2021
Profit for the period attributable to the owners of the Company	**-20,317**	**16,061**
Profit for the period used in the calculation of basic earnings per share	**-20,317**	**16,061**

in thousands	FY 2022	FY 2021
Undiluted weighted average number of shares for the calculation of basic earnings per share	**156,182**	**141,712**
Diluted weighted average number of shares for the calculation of basic earnings per share	**174,382**	**141,712**

36. BUSINESS TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated during consolidation and are not explained in these notes. Details of transactions between the Company and other related parties are given below. In addition to the Management Board, family members close to the Board and, in principle, investments and the shareholders can all be considered relationships to associated companies and persons under IAS 24 Related Party Disclosures.

Tobias M. Weitzel is a member Chairman of the Board of Directors of the Company since 31 May 2018. He holds 500,000 phantom stock and 1,209,228 shares in the Company, as of 31 December 2022.

Remco Westermann is part of the six-member Board of Directors since 31 May 2018 and CEO of the Company and personally holds 90% of the shares and 100% of the voting rights in Sarasvati GmbH, which in turn holds 100% of the shares and voting rights in Bodhivas GmbH, which in turn holds 26.2%

of the shares and voting rights in MGI, as of 31 December 2022, as well as kEUR 1,000 bonds with ISIN SE0015194527 and kEUR 1,200 bonds with ISIN SE0018042277. Remco Westermann is a member of the Board of Directors of the Company since 31 May 2018 and is the Managing Director of Bodhivas GmbH, Sarasvati GmbH, Garusadana GmbH, Bodhisattva GmbH, Jarimovas GmbH, and Kittelbach RW Immobilien UG, Düsseldorf. Additionally, Jaap Westermann holds 10% of the shares in Sarasvati GmbH. Hendrika Westermann is the wife of Remco Westermann, Jaap Westermann is the brother of Remco Westermann, Hendrika, Jaap and Remco Westermann are directors of Jarimovas GmbH, Düsseldorf. As of 31 December 2022, the Company has a receivable of kEUR 0 against Bodhivas GmbH (31 December 2021: kEUR 954). The settlement of the receivable was done through a netting of cost incurred by Bodhivas on behalf of the Company a.o. for share lending's to accelerate the settlement of share issuances as well as the ESOP program. In the first half year 2022 Bodhivas GmbH rolled-over kEUR 1,000 Senior Secured Bonds of MGI (ISIN: SE0015194527) maturing in 2024 into the new Senior Secured Bonds of MGI (ISIN: SE0018042277) maturing in 2026 plus acquired kEUR 200 additional Senior Secured Bonds of MGI (ISIN: SE0018042277) with cash.

Elizabeth Para is a member of the Board of Directors of the Company since 31 January 2020. She holds 500,000 phantom stock and 1,505,716 shares in the Company as of 31 December 2022.

Antonius Reiner Fromme was a member of the Board of Directors of the Company from 15 April 2021, until 15 September 2022. As of 15 September 2022 he did not hold any shares in the Company.

Franca Ruhwedel is a member of the Board of Directors of the Company since 15 September 2022. She holds 4,625 shares in the Company, as of 31 December 2022.

Johan Roslund is a member of the Board of Directors of the Company since 15 September 2022. He holds 4,900 shares in the Company, as of 31 December 2022.

Mary Ann Halford is a member of the Board of Directors of the Company since 15 September 2022. She does not hold any shares in the Company.

Paul Echt is CFO of the Company. He is Managing Director of PE Global Invest GmbH.

Jens Knauber is COO of the Company. He is Managing Director of elbdiamond digital GmbH.

Ionut Ciobotaru is CPO of the Company. He is Managing Director of Ionut UG and Good Deals Ventures SRL. In Q4 2022 Ionut UG received an earn-out payment in the amount of EUR 500,000 for the sale of shares in the Verve Group Europe GmbH (formerly PubNative GmbH) in 2020.

Sameer Sondhi is CRO of the Company. He is Managing Director of Sondhi LLC.

Sonja Lilienthal is CIO of the Company. She is Managing Director of Valliorum UG.

Remuneration in 2022 (kEUR)	Basic compensation	Variable remuneration	Other benefits	Pension expenses	Total
Board of Directors	131	0	0	0	131
MGI C-Level incl. CEO	1,384	998	96	0	2,479
Chief Executive Officer	350	250	32	0	632

37. EMPLOYEES

The number of employees was:	2022	2021
Germany	331	349
USA	244	248
Netherlands	17	18
Poland	6	11
China	14	12
Brazil	6	4
India	38	44
South Korea	2	4
Sweden	26	12
Singapore	3	7
United Kingdom	15	1
Canada	1	1
Finland	8	6
Armenia	21	7
Spain	35	4
Total	**767**	**728**

38. AUDITORS' FEES FOR ANNUAL FINANCIAL STATEMENTS

For the services provided in the financial years 2022 and 2021 by the auditor, the following fees were recorded as expenses for the audits of the respective annual financial statements:

in kEUR	FY 2022	FY 2021
Services as an auditor of the annual financial statements - Group	83	50
Services as an auditor of the annual financial statements - component	278	402

Other assurance services	0	52

39. GOVERNING BOARD OF THE COMPANY AND REMUNERATION

In the business year from 1 January to 31 December 2022, the Board of Directors of the Company comprised the following persons:

- Elizabeth Para
- Remco Westermann
- Tobias M. Weitzel
- Antonius Fromme (until 15 September 2022)
- Franka Ruhwedel (since 15 September 2022)
- Mary Ann Halford (since 15 September 2022)
- Johan Roslund (since 15 September 2022)

Thomas Jacobsen is Secretary of the Company.

The Board of Directors will receive the below renumeration for the presented period.

Remuneration in 2022 (kEUR)	Basic compensation	Variable remuneration	Other benefits	Pension expenses	Total
Board of Directors	131	0	0	0	131

As at 31 December 2022, as in the entire year and the previous year, there were no advances or loans to members of the Management Board.

40. EVENTS AFTER THE END OF REPORTING PERIOD

The following events are to be reported as fundamental changes taking place after the end of reporting period:

MGI’S REGISTERED OFFICE AND HEADQUARTERS HAVE SUCCESSFULLY BEEN RELOCATED FROM MALTA TO SWEDEN

As communicated by way of press release on 1 November 2022, the extraordinary general meeting of the Company resolved to relocate the Company’s registered office from Malta to Sweden. This relocation has now successfully been completed, thus finalizing the transformation process of MGI, which started in 2020. The Company therefore announced that its registered office and headquarters have been successfully relocated from Malta to Stockholm, Sweden as of 2 January 2023. Following the Relocation to Sweden the Company needs to fulfil new requirements in financial reporting and among other things need to file its standalone and consolidated financial statements in Swedish.

DIRECTED ISSUE OF WARRANTS AS PART OF THE RELOCATION TO SWEDEN TO COVER EXISTING OBLIGATIONS

As communicated on 15 September 2022 and approved by shareholders at the extraordinary general meeting 2022, MGI has adopted an employee stock option program directed to approximately 50 key employees of MGI. Due to the relocation of the Company´s registered office from Malta to Sweden on 2 January 2023 and due to differences between Swedish and Maltese corporate law, the Board of Directors issued 15,000,000 warrants to MGI in order to secure the delivery of series A shares of the Company pursuant to the ESOP. The ESOP has a term until 2030 and both vesting and exercise of the ESOP are staggered over several years. The earliest delivery of vested ESOP-Shares can take place in April 2024. The Company may at its sole discretion elect to pay the ESOP considerations by other means than in newly issued shares, in which case less or no warrants will be exercised.

As communicated by way of press release on 5 July 2022, MGI acquired the mobile demand-side platform (DSP) Dataseat Ltd. Pursuant to the Dataseat share purchase agreement the sellers are, based on meeting certain conditions, entitled to a deferred consideration and an earn-out consideration as part of the total consideration. The deferred and earn-out consideration towards the sellers may (at the choice of MGI) be partly or fully settled through delivery of shares in the Company in July and August 2025, respectively. In order to secure the potential delivery of such shares, MGI, based on its authorization to issue warrants granted by the extraordinary general meeting on 1 November 2022, carried out a directed issue of 3,199,990 warrants to the sellers in line with the purchase agreement. The Company may at its sole discretion elect to pay the deferred consideration and / or the earn-out consideration by other means than in newly issued shares, in which case less or no warrants will be exercised.

DIVESTMENT OF 8% MINORITY POSITION IN ENAD GLOBAL 7

MGI has divested its strategic minority position of 7,126,190 shares of Enad Global 7 (“EG7”), equivalent of approximately 8% of the total number of outstanding shares. The EG7 shares were sold at Nasdaq First North Growth Market during February 2023 after the share saw a strong appreciation in the last months after one of their games were going viral. The divestment concludes the streamlining of the MGI business towards the advertising software business combined with a competitive advantage due to first party data from mobile and casual games.

REFINANCING OF BONDS AND ADDITIONAL INTEREST RATE HEDGES

On 9 March 2023 MGI - Media and Games Invest SE, following a book building process, successfully placed new senior secured floating rate callable bonds (ISIN SE0019892241) in an amount of EUR 225,000,000. The Bonds will have a tenor of 4 years and carry a floating rate coupon of 3 months EURIBOR plus 7.25% per annum. The transaction was well received by the market and generated demand from primarily institutional investors based in the Nordics and continental Europe. The Company intends to apply for admission to trading of the Bonds on the Open Market of the Frankfurt Stock Exchange and the corporate bond list of Nasdaq Stockholm. The Company offered a partial roll-over to the holders of the Company’s outstanding senior secured floating rate bonds maturing on 27 November 2024 with ISIN SE0015194527 in connection with the Bond Issue. Including the roll-over in the amount of EUR 115,000,000 in June 2022 the Company repurchased approx. EUR 314,000,000 in the 2024 Bond and had as of 24 March 2023 EUR 35,600,000 in the 2024 Bond outstanding.

Following the successful placing of floating rate Bonds in the amount of EUR 225,000,000 the Company implemented EUR 150,000,000 in Interest Rate Swaps. Considering the implementation of EUR 100,000,000 in Interest Rate Swaps in 2022 for the 2026 Bond the company has achieved its desired balance between fixed and floating rate debt.

41. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Group as at and for the year ended 31 December 2022 were approved by the Board of Directors and released for publication on 28 April 2023.

42. GUARANTEE OF THE BOARD OF DIRECTORS

In all conscience, we assure, as representative for the Board of Directors of the Company, that the consolidated financial statements for the period from 1 January to 31 December 2022 are in compliance with IFRS as adopted by the EU, and give a true and fair view of the Group's Net Assets, Financial Position and Results of Operations.

Stockholm, 28 April 2023

Board of Directors

REMCO WESTERMANN DIRECTOR	TOBIAS M. WEITZEL DIRECTOR	ELIZABETH PARA DIRECTOR	JOHAN ROSLUND DIRECTOR
MARY ANN HALFORD DIRECTOR	FRANCA RUHWEDEL DIRECTOR		

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of MGI - Media and Games Invest SE

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of MGI - Media and Games Invest SE set out on pages 92 - 177, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of MGI - Media and Games Invest SE and its subsidiaries (together, "the Group") as at 31 December 2022, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Companies Act (Cap. 386).

Our opinion is consistent with the additional report to the audit committee in accordance with the provision of Article 11 of the EU Regulation No. 537/2014.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements of both the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Code of Ethics for Warrant Holders in Malta. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Company are in accordance with the applicable laws and regulations in Malta and that we have not provided any non-audit services that are prohibited under Article 18A of the Accountancy Profession Act (Cap. 281).

The non-audit services that we have provided to the Company during the year ended 31 December 2022 are as disclosed in Note 38 to the financial statements.

INDEPENDENT AUDITORS' REPORT - continued

Report on the Audit of the Consolidated Financial Statements - continued

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements, as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accounting for business combinations

During the financial year ended 31 December 2022, the Group completed three acquisitions that have resulted in the Group acquiring controlling interest in AxesinMotion, Dataseat, and PT Portal Bursa Digital. The Group accounted for these acquisitions in accordance with IFRS 3 *Business Combinations*.

We considered the accounting for these acquisitions to be a key audit matter as these were significant transactions during the year and involved significant management judgements regarding the allocation of the purchase price to the assets and liabilities acquired. This exercise also required management to determine the fair value of the assets and liabilities acquired and to identify and value intangible assets acquired in the acquisition which involved significant assumptions and estimation uncertainties.

Our procedures included, amongst others, the following:

- We have read the sale and purchase agreements in relation to these acquisitions to obtain an understanding of the transactions and the key terms.
- We have obtained and reviewed management's workings on the accounting of these acquisitions and assessed whether the appropriate accounting treatment has been applied in accordance with IFRS 3.
- We have assessed the competence, objectivity, independence, and relevant experience of the specialists engaged by management.
- We have reviewed the Purchase Price Allocation (PPA) report and validated that the methodologies used for the estimation of the fair value of assets acquired and liabilities assumed are in accordance with IFRS 3 and industry practices.
- We have checked the considerations paid and their valuations and reviewed the identification of the acquired assets and liabilities by corroborating this identification based on our discussion with management and understanding of the business of acquired entities.
- We have assessed and benchmarked with source data and market data, the key valuation inputs and assumptions such as the underlying opening balances, business plans and discount rates used in the purchase price allocation calculations prepared by management, with the assistance of independent external specialists engaged by management.
- We have also performed audit procedures on the financial information of the acquired entities at the date of acquisition.
- We also assessed the adequacy of the related disclosures in the consolidated financial statements regarding these acquisitions.

INDEPENDENT AUDITORS' REPORT - continued

Report on the Audit of the Consolidated Financial Statements - continued

Key Audit Matters - continued

Impairment assessment of goodwill and other intangible assets

As at 31 December 2022, included in the consolidated statement of financial position are goodwill of kEUR 587,739 and other intangible assets totalling kEUR 203,545.

The Group is required to, at least annually, perform impairment assessments of goodwill and intangible assets that have an indefinite useful life. For intangible assets with useful lives, the Group is required to review these for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable, and at least annually, review whether there is any change in their expected useful lives. For the purpose of performing impairment assessments, all intangible assets including goodwill have been allocated to groups of cash generating units ("CGUs"). A value in use model was used for this assessment which requires the use of assumptions in estimating and discounting future cash flows. Management concluded that the intangible assets including goodwill were not impaired as of 31 December 2022.

These impairment assessments were a key audit matter because there is considerable estimation uncertainty related to the projection of future cash flows.

Our procedures included, amongst others, the following:

- We have assessed the Group's definition and determination of cash generating units (CGUs).

- We obtained management's five-year plan and future cash flow forecasts per segment and tested the mathematical accuracy of the underlying value-in-use calculations. We also compared historical actual results to those budgeted to assess the quality of management's forecasts.

- We compared the methodology used (value-in-use calculations based on future discounted cash flows) by the Group to market practice.

- We assessed the reasonableness of key assumptions used in the calculations comprising gross profit margin, EBITDA margin and discount rates with the help of our internal valuation specialist. When assessing these key assumptions, we discussed them with management to understand and evaluate management's basis and benchmarked them to external industry outlook reports and economic growth forecasts from a number of sources. We also assessed the reasonableness of the discount rates used by management by comparing the discount rates used to entities with similar risk profiles and market information.

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INDEPENDENT AUDITORS' REPORT - continued

Report on the Audit of the Consolidated Financial Statements - continued

Key Audit Matters - continued

Issuance of public bonds in the Open Market of Frankfurt Stock Exchange and in NASDAQ Stockholm

The Group has a total bonds framework amounting kEUR 350,000 with Media and Games Invest SE as the issuer which is a 5.75% secured coupon bond of EUR 1,000 each, due on 27 November 2024 with call option beginning 27 November 2022, and traded in the open market of the Frankfurt Stock Exchange and in NASDAQ Stockholm (ISIN: SE0015194527). The initial bond issue amounted to kEUR80,000 was issued in November 2020 and the subsequent bond issues amounted to kEUR40,000, kEUR150,000, and kEUR80,000 were issued in March 2021, May 2021 and August 2021, respectively.

In June 2022, MGI successfully places €175million of new senior secured bonds at 98.00% of par with a floating rate coupon of EURIBOR + 6.25% and repurchases €115 million of existing senior secured bonds.

As at 31 December 2022, the carrying amount of these bonds in the consolidated statement of financial position was kEUR 389,386. We have considered the issuance and redemption of these bonds to be a key audit matter as this was a significant business transaction of the Group.

Our procedures included, amongst others, the following:

- We checked the initial measurement of the bonds on their respective issuance dates and their subsequent measurement using the effective interest method up until 31 December 2022 in line with IFRS 9 requirements. An assessment of the terms and conditions of the issued bonds, including the examination of the termination options at the discretion of the Group was performed.
- We reviewed the derecognition of the bonds redeemed by the Group and the corresponding impact in the profit or loss during the year.
- We reviewed the presentation of these bonds in the consolidated financial statements as non-current financial liabilities and the anticipated interest expenses that were accrued.
- We have tested and verified the transaction costs incurred on the issuance of the bonds and assessed their accounting treatment.

INDEPENDENT AUDITORS' REPORT - continued

Report on the Audit of the Consolidated Financial Statements - continued

Key Audit Matters - continued

Accounts receivable securitisation program

On 9 December 2022, the Group entered into an accounts receivable securitisation program where trade receivables held by the Group are sold on a non-recourse revolving basis to a structured non-controlled entity at an agreed upon purchase price. As of 31 December 2022, the total amount of sold receivables was kEUR 61,080. Part of the consideration is received upfront in cash and part is deferred in the form of senior subordinated notes issued by the structured entity (carrying amount as of 31 December 2022: kEUR 11,148) and the retained equity portion (carrying amount as of 31 December 2022: kEUR 190). We have considered the accounts receivable securitization to be a key audit matter as this was a significant business transaction of the Group.

Our procedures included, amongst others, the following:

- We reviewed the contracts and evaluated the assumptions made in the model to assess control over Special Purpose Entity (SPE) with the help of our internal specialist.
- We checked that the initial measurement and judgements made are in line with IFRS 9 and IFRS 10 requirements.
- We checked the accounts receivables sold to the SPE, including the reconciliation of balances, verification with the third-party reports and re-computation of balances.
- We reviewed the derecognition of the receivables sold by the group and the corresponding impact in the profit or loss during the year.
- We also assessed the appropriateness of the related presentation of the senior subordinated notes in the consolidated financial statements as current financial asset.

INDEPENDENT AUDITORS' REPORT - continued

Report on the Audit of the Consolidated Financial Statements - continued

Other Information

The directors are responsible for the other information. The other information comprises the following sections:

- 2022 Highlights
- Thoughts from the CEO
- MGI's Products and Services
- EU Taxonomy
- Corporate governance report and,
- Directors' report 2022

Our opinion on the consolidated financial statements does not cover the other information, except as explicitly stated under *Report on Other Legal and Regulatory Requirements*.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Under Article 179(3) of the Companies Act (Cap. 386), we are required to consider whether the information given in the directors' report is compliant with the disclosure requirements of Article 177 of the same Act.

Based on the work we have performed, in our opinion:

- the directors' report has been prepared in accordance with the Companies Act (Cap. 386);

- the information given in the directors' report for the financial year on which the consolidated financial statements had been prepared is consistent with those in the consolidated financial statements; and

- in light of our knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

Responsibilities of the Directors for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and the requirements of the Companies Act (Cap. 386), and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITORS' REPORT - continued

Report on the Audit of the Consolidated Financial Statements - continued

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. 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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, 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 opinion. 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 control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, 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.

INDEPENDENT AUDITORS' REPORT - continued

Report on the Audit of the Consolidated Financial Statements - continued

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements - continued

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Report on the Corporate Governance Report

The Swedish Corporate Governance Code ("Code") issued by the Swedish Corporate Governance Board requires the directors to prepare and include in their Annual Report a corporate governance report providing explanation of the extent to which they have adopted the Code and effective measures that they have taken to ensure compliance throughout the year with those principles.

The Code also requires the auditors to report on the corporate governance report prepared by the directors.

We read the corporate governance report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements included in the Annual Report. Our responsibilities do not extend to considering whether this statement is consistent with any other information included in the Annual Report.

We are not required to, and we do not, consider whether the directors' statements or internal control included in the corporate governance report cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risks and control procedures.

In our opinion, the corporate governance report has been properly prepared in accordance with the requirements of the Code.

INDEPENDENT AUDITORS' REPORT - continued

Report on Other Legal and Regulatory Requirements - continued

Other Matters on which we are Required to Report by Exception

Pursuant to Articles 179(10) and 179(11) of the Companies Act (Cap. 386), we are required to report to you if in our opinion:

- proper accounting records have not been kept; or
- proper returns have not been received from branches we have not visited; or
- the consolidated financial statements are not in agreement with the accounting records and returns; or
- we were unable to obtain all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

We have nothing to report on this regard.

Appointment

We were first appointed as auditors of the Group for the period ended 31 December 2013. We were subsequently reappointed by the shareholders at the Group's general meeting for the financial years thereafter. The period of uninterrupted engagement as auditor of the Group is of ten financial years.

This copy of the audit report has been signed by
Roberta West Falzon *(Principal)*
for and on behalf of

RSM Malta
Certified Public Accountants

28 April 2023