Media and Games Invest plc

168 St. Christopher Street
Valletta VLT1467 / Malta

Consolidated Financial Statements

for the year ended 31 December 2019

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1 General information and principal activity

Media and Games Invest plc, ("MGI" or "the Company"), Malta, is a public limited liability company incorporated on 21 March 2011 in Malta. The Company is the parent company of the entities disclosed in Note 2.5.2 to these consolidated financial statements (to be referred collectively as "the MGI-Group" or "the Group"). As of 31 December 2019, Bodhivas GmbH, Düsseldorf, owns 62.38% of the Group.

The Company's shares are listed in the open market segment of Frankfurt Stock Exchange and XETRA in Germany. In October 2019, MGI has a public bond listed in the open market segment of Frankfurt Stock Exchange.

The subsidiary, gamigo AG, has a public bond listed in the open market segment of Frankfurt Stock Exchange and in the regulated segment of the Nasdaq Stockholm in Sweden.

The Company is registered with the Malta Business Registry with registration number C 52332 and registered office at 168 St. Christopher Street, Valletta, VLT1467, Malta.

The Company is a strategic investment holding company focusing on a 'buy-integrate-build-and-improve' strategy, creating fast-growing companies within the media and games segments through acquisitions and growth in operations. New and proven technologies are actively being implemented to create efficiency improvements and competitive advantages.

Furthermore, the Company acquires, holds, and sell 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.

2 Performance review, result and dividends

During the year, net revenues amounted to EUR 83.9 million (2018: EUR 32.6 million), which is an increase of 157% compared to 2018. In 2019, the gaming segment was consolidated for the full 12 months (previous year: 8 months) and for the first-time showed its full revenue and EBITDA effect. In addition, the synergetic media segment was considerably strengthened through several value-generating bolt-on acquisitions which contributed in the second half year of 2019.

EBITDA amounted to EUR 15.5 million (2018: EUR 8.7 million), which is an increase of 80% due to the successful realization of synergy effects in the course of the integration of the acquired gaming assets of Trion and WildTangent. In the media segment, where our buy-and-build strategy started later, we are earlier in the process of integrations and building critical mass, leading to strong revenue growth while not yet showing the full cost and revenue efficiency advantages. As a result of that margins, the media part is still lower, although already positive with 7%. Overall the EBITDA-margin of MGI is strong with 19%.

In the media segment, we completed the acquisitions of ReachHero, AppLift and PubNative, and have thus considerably expanded the media segment. MGI covers now the entire value chain in online advertising and has hereby also extended its value chain for gaming.

We were able to double organic growth in 2019 to 10% (2018: 5%). This was done through successful game launches like ArcheAge Unchained, the relaunch of Desert Operations, more efficient customer acquisition, as well as regular content updates and events in the games in connection with an optimized game/user support system where we were able to reduce the number and processing time of open tickets considerably.

Furthermore, we acquired within the Gaming segment, WildTangent in Q2 2019, including a portfolio of 5,000 casual games and strong partnerships with computer and laptop manufacturers which includes more than 80 million pre-installs of the WildTangent Games on PCs.

The result for the period from 1 January to 31 December 2019 is shown in the consolidated statement of comprehensive income. No dividends are recommended during the reporting period.

3 Post balance sheet events and likely future business developments

After 31 December 2019 the following events occurred:

Acquisition of Verve

On 22 January 2020, gamigo AG took over the assets of the business operations and liabilities of Verve Wireless Inc. via its wholly owned subsidiary newly established for this purpose, Verve Wireless Inc. (Verve). Verve Wireless Inc. was a leading marketing provider of programmatic and open market traffic in Carlsbad, California, USA.

With the takeover, the Group is continuing its series of successful acquisitions and using the consolidation potential of the market. Furthermore, the acquisition will be used to build up the B2B area in the USA in line with the European set up. This results in strategic synergies for the B2B and B2C segment in the USA. These synergy effects are expected to contribute to the Group's further profitable growth.

Increase of the gamigo stake

On 9 March 2020, MGI executed its earlier announced plan to acquire additional gamigo shares, increasing its stake in gamigo AG from 53% to 99%. It is planned to also acquire the remaining gamigo shares. The purchase price of EUR 16.5 million in cash and up to 18.2 million MGI shares represents a valuation of seven times EV/EBITDA based on the 12-month period ending 30 September 2019. The selling gamigo shareholders will receive up to 18.2 million new MGI shares. In return, the company's share capital will be increased by 18.2 million new MGI shares. A lock-up period of around 25 months will apply to approximately 98% of these new shares. The cash portion of the purchase price is financed with a term loan from UniCredit Bank in the amount of EUR 10 million at an interest rate of 5.5% p.a. as well as via free liquidity from MGI.

Increase of the MGI Bonds

Until 6 June 2020, MGI increased its MGI 2019/2024 bond (ISIN DE000A2R4KF3), by a further EUR 8.3 million, as part of a subsequent selective placement, to a total volume of EUR 23.9 million. The free funds from the placement are to be used amongst others for M&A. The bond has a total volume of up to EUR 25 million. The company plans to place further tranches if M&A opportunities arise.

Board of Directors

Elizabeth Para has joined the Board of Directors in January 2020. Elizabeth Para has a 20+ years career in financial markets, with substantial experience in public and private debt as well as equity markets. She worked in investment and client facing roles in both the banking and the investment management industry. Elizabeth holds a master's degree in economics and is a Chartered Financial Analyst [CFA]. Elizabeth was one of the earliest investors in gamigo and is also an MGI shareholder. As a long-time shareholder in both gamigo and MGI she has built up both a strong company specific and sector knowledge on the digital games and media sector. The Board of Directors now consists of Remco Westermann (Executive Chairman), Tobias M. Weitzel and Elizabeth Para. With the completion of the gamigo transaction, René Müller resigned from the Board of Directors as planned.

Capital Increase

On 23 June 2020, a capital increase of EUR 3.9 million was passed. The capital increase is not entered the Maltese Commercial Register yet.

Covid-19

The whole world has been hit by the 'black swan' Covid19, which of course also effects MGI. The overall effect for MGI however is a positive one, which is different than for most other companies. With a big part of the European and N-American population being at home due to the lockdowns, MGI is experiencing increases in player activity, increases in numbers of new players, a better media efficiency and also revenue increases. Also, the Group sees adaption and negative effects; while working from home was easy to implement and not leading to an efficiency loss, gaming fares have been cancelled and also on the media side the Group sees some customer pausing their budgets, while however others are increasing their spend.

Furthermore, there were no events or developments that would have resulted in a fundamental change in the recognition or valuation of the individual assets and debt positions as of 31 December 2019.

4 Directors

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

- René Müller (till 25 May 2020)
- Remco Westermann (appointed on 31 May 2018)
- Tobias Weitzel (appointed on 31 May 2018)
- Elizabeth Para (appointed on 31 January 2020)

5 Corporate development

The principal purpose of the Group is investing in and further pursuing activities in online gaming and media industries, directly and indirectly participating in companies specializing in games (especially publishing online games for PC and console) and in media services (especially online advertising and social media marketing).

The Company currently plans to acquire and hold, buy and/or sell shares, stocks, bonds or securities or other assets of/or in any other company, and to invest these funds, which support the above-mentioned purpose and as deemed appropriate by the Board of Directors.

6 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 as 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:

- adopt the going concern basis unless it is inappropriate to presume that the Group will continue in business;
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on the accrual basis;
- value separately the components of asset and liability items;
- report comparative figures corresponding to those of the preceding accounting period; and
- 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 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.

7 Auditor

RSM Malta is the auditor of the financial statements of the Group for the period from 1 January to 31 December 2019. A resolution to reappoint RSM Malta as auditor of the Group for the consecutive financial year will be proposed at the forthcoming annual general meeting.

Approved by the Board of Directors on 26 June 2020 and signed on its behalf by:

Remco Westermann	**Tobias Weitzel**	**Elizabeth Para**
Director	***Director***	***Director***

Consolidated Statement of Financial Position

ASSETS in kEUR	Notes	2019	2018
Non-current assets			
Intangible assets	6	233,208	204,142
Goodwill		147,339	133,756
Internally-generated intangible assets		12,192	3,727
Other intangible assets		72,669	65,819
Prepayments made on other intangible assets		1,008	840
Property, plant and equipment	7	3,521	4,189
Investments in associated companies	9	6,410	5,359
Other non-current financial assets	9	2,239	0
Deferred tax assets	8	11,215	6,353
Total non-current assets		**256,593**	**220,043**
Current assets			
Trade receivables	11	17,047	5,418
Other receivables		5,825	6,385
Current receivables from income tax		156	96
Other current financial assets	9	427	94
Other current non-financial assets		5,242	6,195
Cash and cash equivalents	12	32,984	4,447
Total current assets		**55,856**	**16,250**
Total shareholders assets		**312,449**	**236,293**

Consolidated Statement of Financial Position

EQUITY & LIABILITIES in kEUR	Notes	2019	2018
Shareholders' equity	14		
Common stock		70,020	59,850
Capital reserves		25,127	4,346
Difference from currency translation		600	143
Gains/ loss from hedging instruments		-237	0
Accumulated retained earnings		2,558	2,881
Equity attributable to shareholders of the parent company		**98,068**	**67,220**
Non-controlling interests		70,490	91,320
Total		**168,558**	**158,540**
Non-current liabilities			
Bonds	18	63,988	24,877
Liabilities to related parties	15	4,563	11,138
Other non-current financial liabilities	15	3,806	2,962
Deferred tax liabilities	20	16,990	14,418
Total non-current liabilities		**89,347**	**53,395**
Current liabilities			
Current provisions	21	12,585	7,031
Trade payables	22	20,274	9,366
Other current financial liabilities	15	6,772	3,595
Other non-financial liabilities	16	14,913	4,366
Total current liabilities		**54,544**	**24,358**
Total shareholders' equity and liabilities		**312,449**	**236,293**

These financial statements as set out on pages 6 to 11 including the notes on pages 12 to 90 were approved by the Board of Directors, authorised for issue on 26 June 2020 and signed on its behalf by:

Remco Westermann	**Tobias Weitzel**	**Elizabeth Para**
Director	Director	Director

Consolidated Statement of Profit or Loss

in kEUR	Notes	2019	2018
Revenue	25	**83,893**	**32,621**
Other own work capitalised	26	10,187	2,791
Other operating income	27	4,636	6,506
Purchased services	28	-45,803	-12,699
Employee benefits expenses	29	-27,359	-10,438
Wages and salaries		-22,928	-8,969
Social security		-4,431	-1,469
Other operating expenses	30	-10,012	-10,135
Earnings before interest, taxes, depreciation, and amortisation (EBITDA)		**15,542**	**8,646**
Depreciation and amortisation	31	-10,543	-6,318
Earnings before interest and taxes (EBIT)		**4,999**	**2,328**
Financial expense	32	-5,841	-1,725
Financial income	32	83	84
Earnings before taxes (EBT)		**-759**	**687**
Income taxes	33	2,012	895
Result from continuing operations, net of income tax		**1,253**	**1,582**
Discontinued operations			
Result from discontinued operations		**0**	**3,673**
Consolidated profit		**1,253**	**5,255**
Attributable to:			
Owners of the Company		-324	4,323
Non-controlling interests		1,577	932
Earnings per share	34		
From continuing and discontinued operations		-0.01	0.09
From continuing operations		-0.01	0.01

Consolidated Statement of Comprehensive Income

in kEUR	Notes	2019	2018
Consolidated profit		**1,253**	**5,255**
Items that will be reclassified subsequently to profit and loss under certain conditions:			
Exchange differences on translating foreign operations		457	151
Profit / Loss of hedging instruments		-237	0
Other comprehensive income, net of income tax		**220**	**151**
Total comprehensive income		**1,473**	**5,406**
Attributable to:			
Owners of the Company		**-104**	**4,474**
Non-controlling interests		**1,577**	**932**

Consolidated Statement of changes in Shareholders Equtiy

	Common stock		Treasury shares		Preferred shares		Capital reserves	Retained earnings/ accumulated losses (-)	Amounts recognised directly in equity	Shareholders' equity attributable to owners of the parent	Non-controlling interests	Total shareholders' equity
	Shares thousands	Amount kEUR	Amount kEUR	Amount kEUR	Amount kEUR	Amount kEUR	Amount kEUR	Amount kEUR	Amount kEUR	Amount kEUR	Amount kEUR	Amount kEUR
Balance at 1 January 2018	40,800	**40,800**	**0**	**0**	**0**	**0**	**6**	**-4,354**	**-8**	**36,444**	**3,515**	**39,959**
Consolidated profit								4,323		4,323	932	5,255
Other comprehensive income									151	151		151
Total comprehensive income			**0**	**0**	**0**	**0**	**0**	**4,323**	**151**	**4,474**	**932**	**5,406**
Capital increases	19,050	19,050					742			19,792		19,792
Disposal of subsidiaries							-5			-5	-3,364	-3,369
Acquisition of subsidiaries											96,324	96,324
Addition of non-controlling interests due to acquisition of projects												
Addition of non-controlling interests due to disposal of subsidiaries												
Disposal of non-controlling interests due to disposal of subsidiaries												
Changes in scope of consolidation								2,912		2,912	-2,484	428
Transfer of ownership interest in gamigo AG							3,603			3,603	-3,603	
Proceeds from an unregistered capital increase												
Capital increase												
Balance at 31 December 2018	59,850	**59,850**	**0**	**0**	**0**	**0**	**4,346**	**2,881**	**143**	**67,220**	**91,320**	**158,540**
Balance at 1 January 2019	59,850	**59,850**	**0**	**0**	**0**	**0**	**4,346**	**2,881**	**143**	**67,220**	**91,320**	**158,540**
Consolidated profit								-324		-324	1,577	1,253
Other comprehensive income									220	220		220
Total comprehensive income			**0**	**0**	**0**	**0**	**0**	**-324**	**220**	**-104**	**1,577**	**1,473**
Capital increases	10,170	10,170					1,071			11,241		11,241
Disposal of subsidiaries												
Acquisition of subsidiaries												
Addition of non-controlling interests due to acquisition of projects											2,304	2,304
Addition of non-controlling interests due to disposal of subsidiaries												
Disposal of non-controlling interests due to disposal of subsidiaries												
Changes in scope of consolidation							19,711			19,711	-24,711	-5,000
Transfer of ownership interest in gamigo AG												
Proceeds from an unregistered capital increase												
Capital increase												
Balance at 31 December 2019	**70,020**	**70,020**	**0**	**0**	**0**	**0**	**25,127**	**2,557**	**363**	**98,068**	**70,490**	**168,558**

Consolidated Statement of Cash Flows

in kEUR	2019	2018
Consolidated profit/loss for the year (including Share of profit of non-controlling interests)	1,253	5,255
+ Depreciation, amortization and write-downs of intangible assets, tangible assets and financial assets	10,543	6,318
+ Losses from the disposal of Property, plant and equipment	0	
+/- Increase/decrease in provisions	673	1,609
- Other non-cash expenses	-5,752	-11,795
+ Increase in receivables from trade receivables and other assets that cannot be attributed to investment or financing activities	764	-8,083
+/- Increase in receivables from trade payables and other liabilities that cannot be attributed to investment or financing activities	3,928	12,892
+/- Booked income taxes	-822	-895
+/- Booked financial expenses	0	-84
-/+ Income taxes paid/received	0	0
-/+ Interest paid/received	5,612	1,725
Cash flow from operating activities	**16,199**	**6,942**
- Payments made for investments in intangible assets	-12,606	-11,042
+/- Deposits/Payments made for investments in tangible assets	-5	360
+/- Deposits/Payments for other assets	-3,290	0
+ Deposits for the acquisition of business units	9,045	0
+ Deposits for the sale of business units	0	488
- Payments made for the acquisition of business units	-6,214	-3,919
Cash flow from investment activity	**-13,070**	**-14,113**
+ Proceeds from issuing equity instruments of the company	8,845	3,793
+ Deposit from borrowing	-12,011	-20,569
- Payments made for the repayment of financial loans	0	4,577
+ Deposits from the issue of bonds	38,699	25,800
- Payments for the acquisitions of non-controlling interest	-5,000	0
+/- Change in currency reserve	457	182
+/- Change in hedging instruments	-237	0
- Interest paid	-5,345	-2,685
Cash flow from financing activities	**25,408**	**11,098**
Changes in cash and cash equivalents	**28,537**	**3,927**
+/- Currency-related changes in cash and cash equivalents	0	114
+ Cash and cash equivalents at the beginning of the period	4,447	406
Cash and cash equivalents at the end of the period	**32,984**	**4,447**

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1. General Information

Media and Games Invest plc (“MGI”, “the Company” or “the Parent Company”), formerly Blockescence plc, Malta, is a public limited liability company incorporated on 21 March 2011 in Malta with registration number C 52332 and registered office address at 168 St. Christopher Street, Valletta, VLT1467, Malta. As of 31 December 2019, Bodhivas GmbH, Duesseldorf, owns 62,38% of MGI.

The Company’s shares are listed in the open market segment of Frankfurt Stock Exchange and XETRA in Germany. In October 2019, MGI has a public bond listed in the open market segment of the Frankfurt Stock Exchange. gamigo AG, one of the subsidiaries of MGI, also has a public bond listed in the open market segment of Frankfurt Stock Exchange as well as in the regulated segment of the Nasdaq Stockholm in Sweden.

MGI is a strategic investment holding company focusing on a ‘buy-integrate-build-and-improve’ strategy, creating fast-growing companies within the media and games segments through acquisitions and growth in operations. New and proven technologies are actively being implemented to create efficiency improvements and competitive advantages.

Furthermore, the MGI acquires, holds, and sell 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, with its portfolio of subsidiary companies (together, “the MGI-Group” or “the Group”), is engaged in providing business-to-customer (B2C) gaming and business-to-business (B2B) advertising/media services. In its B2C segment, the Group publishes games and currently offers 30 massively multiplayer online games and over 5,000 casual games. While in the B2B segment, the Group offers online performance marketing, influencer marketing agency, influencer marketplace platform services, supply side performance platform and global app performance agency services.

2. Significant Accounting Policies

2.1. Basis of preparation

The consolidated financial statements of the Media and Games Invest-Group 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.

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 realised or settled within twelve months after the reporting date.

The consolidated statement of profit or loss is classified according to the nature of expense formant.

The line items of the consolidated financial statements represent the aggregated information of the Group's financial transactions with similar natures. The detailed composition of each material line item is provided in the notes to the consolidated financial statements.

The consolidated financial statements have been prepared using historical cost basis, except for the revaluation of certain financial instruments that are measured at revalued amounts or fairs value at the end of each reporting period as explained in the accounting policies below.

Historical cost is based on the fair value of the consideration made in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

When determining the fair value of an asset or liability, the Group considers 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. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such basis, except for:

- 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*.

Fair value is not always available as a market price. It often must be determined on the basis of difference measurements. Depending on the availability of observable inputs and the significance of these inputs for determining the fair value as a whole, the fair value is assigned to levels 1, 2, or 3. The subdivision is based on the following:

- Level 1 input are quoted prices (unadjusted) on active markets for identical assets or liabilities, which the Group can access on the valuation date.
- Level 2 input are 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 inputs for the asset or the liability.

The preparation of the consolidated financial statements requires management to make discretionary 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.

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 2019

The following new and amended IFRSs are required to be applied for the first time in the financial year beginning on 1 January 2019:

- IFRIC 23 Uncertainty regarding income tax treatment
- Changes to IFRS 9 Prepayment rules with negative compensation
- Changes to IAS 28 Long-term investments in associated companies and joint-venture companies
- Changes to IFRS 19 Plan changes, reductions and settlements
- Annual improvements to the IFRS standards cycle 2015–2017 (Changes to IFRS 3, IFRS 11, IAS 12 and IAS 23)

The initial application of the adopted IFRSs has no significant impact on the Group and the presentation of the consolidated financial statements. IFRS 16 *Leases*, which is required for financial period beginning on 1 January 2019, has been early adopted by the Group in the previous year.

2.3. Standards, interpretations and changes to published standards which are not yet mandatory in the financial year and are not applied early by the Group

For the year ended 31 December 2019, the Group early adopt the following accounting standards, which were already adopted by IASB, but not yet effective for the current financial period.

Standard	***Time of application***	***Expected effects***
Changes to the references to the framework concept in the IFRS standards	01/01/2020	To be analysed
Changes to IFRS 3 Definition of a business	01/01/2020	See analysis below
Changes to IAS 1 and IAS 8	01/01/2020	No effects expected
IFRS 17 Insurance contracts	01/01/2023	No effects expected

2.4. Changes to IFRS 3 Definition of a business

The changes to IFRS 3 *Business Combinations* clarify the definition of a business.

A business is still defined by the three elements, input factor(s), processes and output. The input factors and processes applied to them should be used in such a way that they can contribute to generating output. The changed definition of output places the focus on the provision of goods and services to the customer, but also includes investment income such as dividends, interest and other income. On the other hand, cost reductions no longer serve as a characteristic of output.

The changes make clear that for a business to exist, an acquisition must include at least one input factor and a substantial process, which together contribute significantly to the ability to generate output. Ultimately, the existence of processes is the difference between the acquisition of a business and the acquisition of a group of assets. The test depends on whether output is already generated with the acquired group of activities and assets.

In addition, a so-called concentration test was introduced as a transaction-related option, which enables a simplified assessment whether an acquired bundle of activities and assets does not constitute a business. This is the case when the fair value of the acquired gross assets is “substantially all” concentrated in a single identifiable asset (or a group of comparable identifiable assets).

The changes are to be applied for the first time to transactions whose acquisition date is at the beginning or after the start of financial years which start on or after 1 January 2020 (prospective application). Early application is permitted and must be disclosed accordingly.

The changes to IFRS 3 *Business Combinations* can have an impact on the consolidated financial statements if corresponding transactions occur in the future.

2.5. Basis of Consolidation

2.5.1. Subsidiaries

The consolidated financial statements include the financial statements of the Parent Company and the entities it controls, including structured entities (its subsidiaries). The Parent Company gains control if:

- it can exercise power over the investee,
- it is exposed, or has rights, to variable returns from its involvement in the investee, and
- it has the ability to use its power to affect its return.

The Parent Company will reassess whether it controls an investee or not if facts and circumstances indicate that one or more of the above-mentioned control criteria have changed.

When the Parent Company does not have a majority of voting rights, it still controls the investee if it has the practical ability to determine the relevant activities of the investee unilaterally through its existing voting rights. The parent company considers all relevant facts and circumstances in assessing whether the its voting rights in an investee are sufficient to give it power, 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 pattern 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 ceases. The results of the subsidiaries acquired or sold in the course of the year are recorded in the consolidated profit or loss from the actual date of acquisition or until the actual date of disposal.

Consolidated profit or loss and other comprehensive income must be attributed to the shareholders of the Parent Company and the non-controlling shareholders. This applies even if this results to a deficit balance in non-controlling interests.

When necessary, the annual financial statements of the subsidiaries are adjusted to align with the Group's accounting policies.

All intercompany assets, liabilities, equity, income, expenses and cash flows in connection with business transactions between the members of the Group are eliminated on consolidation.

b) *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 equity transaction. The carrying amounts of the Group's interests and the 0non-controlling interests are adjusted in such a way that they reflect the changes in their respective interest in the subsidiaries. Any difference between the amount by which the non-controlling interests 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.

When the parent company loses control of a subsidiary, the gain or loss on disposal is recognised in profit or loss at the amount of difference between:

- the total amount of the fair value of the consideration received and the fair value of retained interests, and
- the book value of the assets (including goodwill) less the liabilities of the subsidiary company and any non-controlling interests.

All amounts previously reported in consolidated other comprehensive income in relation with that subsidiary are accounted similarly to the Group's disposal of assets and liabilities (i.e. reclassification into the consolidated profit or loss or directly transferred to retained earnings).

Any investments retained in the former subsidiary is measured at fair value determined at the date when the control is lost. This value represents the fair value at initial recognition which is subsequent measured in accordance with applicable provisions of IFRS 9 *Financial instruments* or the cost on initial recognition of an investment according to the provisions for associated companies or joint ventures.

c) *Acquisition of subsidiaries*

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

The acquired identifiable assets and liabilities assumed are valued 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 interests 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. When a negative difference is made, even after repeated assessment, it is immediately recognised as income.

Non-controlling interests in subsidiaries are shown separately in the Group's equity. The interests that represent ownership rights and, in the event of liquidation, grant the holder the right to receive a proportional share in the subsidiary's net assets are measured initially either at fair value or at the corresponding proportionate share of the fair value of the subsidiary's identifiable net assets. The measurement option is made for each business combination. Other non-controlling interests are valued at their fair values or at other measurement result based from other standards. Subsequent to acquisition, the carrying amount of the non-controlling interests is the amount at initial recognition plus the share of non-controlling interests in the subsequent changes in equity of the subsidiary. The total comprehensive income is allocated to the non-controlling interests even if it results to a deficit balance.

When a contingent consideration is included in the total consideration transferred, the contingent consideration is measured at fair value at the time of acquisition. Changes in the fair value of the contingent consideration within the valuation period are corrected retrospectively and recorded against goodwill. Measurement period 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 subsequent accounting of changes in the fair value of the contingent consideration which do not constitute measurement period adjustments varies on how the contingent consideration is classified. When the contingent consideration is classified as equity, the contingent consideration is not remeasured at subsequent reporting dates and its settlement is accounted within equity. Other contingent consideration is measured at fair value at subsequent reporting dates and any changes in fair value is recognised in the consolidated profit or loss.

In the event of a successive business combination, 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 gain or loss is recognised in the consolidated profit or loss.

Changes in value of the equity interests previously held in the acquiree before the acquisition date that has been recognized in consolidated other comprehensive income, are transferred to consolidated profit or loss when the Group obtains control of the acquiree.

When the initial accounting of a business combination has not yet been completed at the end of the reporting period, the Group provides provisional amounts for the incomplete items.

When new information becomes available within the valuation period that reflects the circumstances at the time of acquisition, the provisional amounts are adjusted or additional assets or liabilities are recognized, if necessary.

2.5.2. Scope of consolidation

The scope of consolidation as of 31 December 2019 comprises the following:

Fully consolidated subsidiaries	Registered office	Capital share %
Direct consolidated entities		
Media & Games Invest plc.	Valleta, Malta	
Media & Games Services AG CH	Zug, Switzerland	100%
blockescence DLT Solutions GmbH	Berlin, Germany	100%
Samarion SE	Düsseldorf, Germany	100%
Vajrapani Ltd.	Valleta, Malta	100%
Persogold GmbH	Hamburg, Germany	100%
ReachHero GmbH	Berlin, Germany	67,38%
ReachHero GmbH itself holds the following ownership interest in the following company:		
Avocado Digital UG	Berlin, Germany	100%

AppLift GmbH	Berlin, Germany	100%

AppLift GmbH itself holds the following ownership interest in the following companies:

PubNative GmbH	Berlin, Germany	89,20%
PubNative China WFOE	Shanghai, China	89,20%
Applift Japan K. K	Tokyo, Japan	100%
Applift Brazil Limitada	Sao Paulo, Brazil	99%
Applift Inc.	New York, USA	100%
Applift Asia Pacific Inc.	Singapore, South Korea	100%
Applift India Technologies Privated Ltd.	Bangalore, India	99,99%
Applift Shanghai Ltd.	Shanghai, China	100%

Indirect consolidated entities

gamigo AG	Hamburg, Germany	52,63%

gamigo AG itself holds the following ownership interest in the following companies:

adspree media GmbH	Berlin, Germany	100 %
Aeria Games GmbH	Hamburg, Germany	100 %
Aeria Interactive GmbH	Cologne, Germany	100 %
gamigo Advertising GmbH	Hamburg, Germany	100 %
gamigo Inc.	Wilmington, DE, USA	100 %
gamigo Portals GmbH	Hamburg, Germany	100 %
gamigo Publishing GmbH	Hamburg, Germany	100 %
gamigo US Inc.	Dover, DE, USA	100 %
Mediakraft GmbH	Cologne, Germany	100 %
Mediakraft Networks GmbH	Cologne, Germany	100 %
Mediakraft PL Sp.z o.o.	Warsaw, Poland	95 %

Mediakraft Turkey Yayin Hizmetleri A.S.	Istanbul, Turkey	80 %
Media Elements GmbH, Cologne (formerly MK Productions GmbH)	Cologne, Germany	100 %

In addition to the parent company, the scope of consolidation of the Group includes 32 subsidiaries (2018: 18 subsidiaries).

On 24 October 2019, MK Productions GmbH was renamed Media Elements GmbH in accordance with the articles of association.

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

Company	Registered office	Capital share % 31/12/2019
highdigit GmbH, Münster	Münster, Germany	100 %
Just Digital GmbH, Hamburg	Hamburg, Germany	100 %
Gamigo CA Inc.	Brunswick, Canada	100 %
Gorillabox LLC	Delaware, USA	19%

The liquidation of the following company was decided on 23 February 2018, but was not yet completed by 31 December 2019:

- Aeria Games Inc., Wilmington, DE, USA

2.6. Foreign currency

When preparing the financial statements of each member of the Group, business transactions that are denominated in currencies other than the functional currency of the Group (foreign currencies) are translated at the rates of exchange on the dates of the transactions. At each reporting date, monetary assets and liabilities in foreign currencies are translated using rates of exchange at that date. Non-monetary items in foreign currencies that are measured at fair value are translated using the rate of exchange at the date the fair value was determined. Non-monetary items valued at cost are translated using the rate of exchange at the date of their initial recognition.

Translation differences from monetary items are recognised in the consolidated profit or loss in the period in which they occur except for the following:

- translation differences from borrowings denominated in foreign currencies that occur in relation to assets under construction for future productive use. These are added to the cost of the assets when they represent adjustments to the interest expense from 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 from or paid 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 consolidated other comprehensive income and are reclassified on disposal from equity to consolidated profit and loss.

To prepare the consolidated financial statements, the assets and liabilities of the Group's foreign operations are converted into euro (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 which 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 consolidated 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 consolidated profit or loss. 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.

When parts of a subsidiary, that includes a foreign business operation, are sold without a loss of the control, the proportionate share of the sold interest in the amount of the translation differences is allocated to non-controlling interests from the date of disposal. In the case of a partial sale of investments in associated companies or joint agreements that do not result to loss of significant influence or joint control, the proportionate share in the amount of the translation differences is reclassified to consolidated profit or loss.

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 of exchange on the reporting date. The resulting translation differences are recorded in the currency translation reserve.

The following rates were used to convert major foreign currency transactions into euro:

Currency	Assets and Liabilities Closing rate on 31/12		Income and expenses Average rate	
	2019	2018	2019	2018
US dollar (USD)	1.12340	1.14097	1.11959	1.18769
Turkish lira (TRY)	6.68430	6.05880	6.356	6.35696
Polish zloty (PLN)	4.25680	4.30140	4.29750	4.25972
Korean won (KRW)	1.296	n/a	1.304	n/a
Brazil real (BRL)	4.515	n/a	4.413	n/a
India rupee (INR)	80.187	n/a	78.849	n/a
Chinese Yen (CNY)	7.820	n/a	7.733	n/a
Japanese yen (JPY)	121.94	n/a	122.055	n/a
Swiss franc (CHF)	1.085	n/a	1,115	n/a

2.7. Revenue recognition

The Group generates turnover from the income from online, console and mobile games (including casual games, roleplay games and strategy games) as well as from B2B services (platform and advertising services).

The 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 turnover 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.

B2B services sales refers to media and platform services for business customers. The service is called up by the customer using a service contract. The turnover 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 licenses includes a determinable sub-amount for several or consecutive services, the attributable revenues incurred on this are delimited and reversed over the term of the licenses. The reversal is usually done in accordance with the provision of the service.

The revenue is fundamentally recognised after deduction of turnover taxes and other taxes as well as after deduction in revenues such as bonuses or discounts at the fair value to be applied of the service in return received or to be received.

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 profit or loss, unless they are related to items that are recognised either in consolidated 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 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 book values of assets and liabilities in the consolidated financial statements and the corresponding taxable values 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 claims 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 claims is checked every year on the balance sheet date 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 tax claims 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 claims and tax 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 reporting 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 *Leases*.

The Group as lessee

When the 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 are 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.

Leasing liabilities are shown as a separate item 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);
- 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[1].

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 short-term leases with terms of 12 months or less and 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 definable useful life are recognised at acquisition cost less accumulated amortization and impairment. Amortization is recognised in the consolidated profit or loss on a straight-line basis over the expected useful life. The expected useful life and the amortization 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 amortization duration for industrial property rights and licenses is a maximum of five 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 impairment testing, the goodwill on acquisition is allocated to cash-generating units (or Groups thereof) of the Group that are expected to benefit from the synergies of the merger.

[1] in accordance with the former standard IAS 17 *Leases*, this concerns operating lease liabilities

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 sales costs.

Any impairment loss on goodwill is recognised directly in the consolidated 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 considered when determining the profit on disposal.

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 asset exists.

The initial capitalizable amount of an internally generated intangible asset is the sum of the costs incurred from the day on which the intangible asset meets the above conditions. When an internally generated intangible asset cannot be capitalised or when there is no intangible asset, the development costs are recognised in the consolidated profit or loss 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 amortization and impairment. Capitalised development costs are generally amortised on a straight-line basis over a useful life 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 depreciation 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 income statement at the time the asset is derecognised. It is shown in “Other income” or “Other expenses” line items.

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 or the revaluation amount 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 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, the property, plant and equipment will be depreciated using the straight-line method.

A 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 net selling price and the book value of the asset and is recognised in the consolidated profit or loss.

2.12. Impairment of property, plant and equipment and intangible assets (other than goodwill)

At each reporting date, the Group reviews the carrying amounts of property, plant and equipment and other intangible assets to determine whether there are indications of impairment on these assets. When such indications are observed, 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. When an appropriate and steady basis for allocation can be determined, the corporate assets are allocated to the individual cash-generating units. Otherwise, they are allocated to the smallest group of cash-generating units for which an appropriate and steady basis of the allocation 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 sales costs 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 consolidated profit or loss, unless the corresponding asset is recognised at its revaluation amount. In such a case, the impairment loss should be treated as a reduction in the revaluation reserve.

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 consolidated profit or loss, unless the asset is recognised at its revaluation amount. In such a case, the reversal should be treated as an increase in the revaluation reserve.

2.13. Financial assets

Financial assets are recognised when the Group 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 (FVTPL) 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 income statement.

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 financial assets 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. The Group does not classify any equity instruments in this category in the financial year.

Equity instruments measured at fair value through other comprehensive income are recognised at fair value plus transaction costs at the date of acquisition. As a result, gain or loss from changes in the fair value are recognised in consolidated other comprehensive income. The accumulated gains or losses are not reclassified to the consolidated profit or loss when the equity instrument is disposed but are transferred to retained earnings.

Dividends from these equity instruments are recognised in the consolidated profit or loss in accordance with IFRS 9 *Financial instruments*, unless the dividends clearly represent a partial repayment of the cost of the equity instruments. Dividends are recognised in the item “Other financial income” in the consolidated profit or loss.

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 on the balance sheet 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 income statement under “Other income” line item.
- For financial investments in equity instruments that are measured at fair value and recognised in equity, translation differences are recognised in consolidated other comprehensive income.

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 balance sheet date, and while taking into account, if necessary, the current value of money. No default risks were identified for trade receivables and contract assets, and therefore no expected losses were recorded in the financial year.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months.

Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

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 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 retained interest 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 consolidated profit or loss. In addition, when a financial investment is derecognised in a debt instrument that is classified at fair value through other comprehensive income, the gain or loss previously accumulated in the revaluation reserve for financial investments is reclassified to the consolidated profit or loss. In contrast, when a financial investment is derecognised in an equity instrument that the Group designated as to be recognised at fair value through other comprehensive income when it was initially recognised, the cumulative gain or loss previously in the revaluation reserve for financial investments is not reclassified to the consolidated profit or loss 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. Shareholder's 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. Short-term and Other Long-term Employee Benefits

For short-term 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 short-term 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 long-term 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 reporting date.

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 the Group becomes a party to the contractual provisions of the instrument. These are measured at amortised cost using the effective interest method or at FVTPL.

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 profit and loss.

a) Financial Liabilities Measured at FVTPL

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

The Group did not identify any financial liabilities measured as at FVTPL in the financial year.

b) Financial Liabilities Measured Subsequently at Amortised Cost

Financial liabilities that are not 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 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 cashflows 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 cashflows after modification should be recognised in consolidated profit or loss as the modification gain or loss within "Other income" line item.

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with IAS 37 Provisions, Contingent *Liabilities and Contingent Assets* and the amount recognised initially less, where appropriate, the cumulative amortisation recognised in accordance with the principles of IFRS 15 *Revenue from Contracts with Customers.*

2.20. Consolidated Statement of Cash Flows

Cashflows 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. Cashflows 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.

Financial liabilities are all liabilities due to banks and interest-bearing loans granted by shareholder or suppliers. Interest and dividend income are disclosed in the cashflows from operating activities, whereas interest paid or received are disclosed in the cashflows from financing activities. Tax payments are shown in the cashflows 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 consolidated cash flows and the voluntary disclosure options remain unchanged compared to the prior year.

2.21. Estimation Uncertainty 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.

a) 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.

b) 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 12,192 in the consolidated statement of financial position as at 31 December 2019 (2018: kEUR 3,727).

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.

c) Impairment of goodwill

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 147,339 as at 31 December 2019 (2018: kEUR 133,756). In 2019 and 2018, there was no risk of loss and therefore no impairment requirement.

d) Taxation Provisions

The Group's current tax provisions at 31 December 2019 of kEUR 2,341 (2018: kEUR 293) relate to the executive board's assessment of the amount tax payable in respect of tax returns that have not yet been assessed. Uncertain tax items relate principally to the interpretation of tax legislation regarding arrangements entered into by the Group. 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.

e) Deferred Tax Assets on Loss Carry-forwards

Income tax is to be estimated for each individual tax jurisdiction in which the Group operates. The expected actual income tax and the temporary differences from the divergent treatment of specific items recognised in the consolidated statement of financial position pursuant to IFRS and the corresponding tax bases. To the extent that temporary differences arise, these differences principally result in the recognition of deferred tax assets and liabilities in the consolidated financial statements. 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 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 consolidated profit and loss.

No deferred tax assets were recognised on certain corporation income and trade tax loss carry-forwards of kEUR 68,018 (2018: kEUR 58,613) and kEUR 56,437 (2018: kEUR 53,253), respectively, as at 31 December 2019 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 loss carry-forwards can be utilised for an indefinite period.

f) 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 Group of the material assets of WildTangent Inc., 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 date of acquisition of 03 April 2019, the market value of the contingent consideration to be paid in the future was required to be determined under the pertinent Standard, IFRS 3 *Business Combinations*. For this purpose, the Group has recognised an amount of kEUR 1,457 as liabilities.

See note 3 for details on the measurement methods applied and inputs in determining the fair values of the various assets and liabilities.

3. Acquisition of subsidiaries

3.1. Acquisition of the material assets of WildTangent Inc.

On 3 April 2019, gamigo Inc., a subsidiary company within the gamigo sub-group with gamigo AG being the immediate parent company, took over the assets of business operations and the liabilities of WildTangent Inc. (WildTangent). WildTangent is a leading publisher of casual games based in Bellevue, Washington, USA.

The assets were acquired because the purchase price was lucrative compared to sales. With the acquisition, the Group has the potential to increase EBITDA. The gamigo AG is consistently pursuing its acquisition strategy and contributing its expertise in the area of sustainable monetization of online games, which is aligned with the Group's acquisition strategy.

The acquisition by gamigo Inc. of the assets of WildTangent with partial assumption of liabilities and taking over of the qualified personnel of WildTangent to continue the business is a business combination within the meaning of IFRS 3 *Business Combinations*.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft ("PwC") carried out the initial assessment of the assets and liabilities. The results were disclosed in a separate valuation report. The report differentiates between intangible assets and property, plant and equipment. The WildTangent platform, customer relationships and the "WildTangent" brand were identified as intangible assets in the business combination and were recognised at fair value. Office and IT equipment (e.g. servers, computers) were identified as tangible assets and taken over at book values. In addition, trade receivables and individual trade payables were identified and carried at book value.

The customer relationships were divided into B2C and B2B and were determined to have a fair value totalling kEUR 2,171. The stand-alone planning of the acquired business unit was used for the evaluation. This planning is part of the Group planning of the gamigo group. The planning was based on extensive experience of the gamigo group with casual games platforms, such as the Deutschlandspielt.de platform, which has been part of the gamigo group for several years. In addition, historical data from WildTangent Inc. were consulted and verified by PwC. The main costs are the cost of sales, which include the technology costs. In addition, personnel, marketing and IT costs were included and are deducted from sales and determined as EBITDA. The planning was done in USD.

The platform was identified as an additional and significant intangible asset. The WildTangent platform is the central system for all transactions and payments. On the platform, the customer can choose from over 5,000 games for PC and mobile devices. Customers have the option to buy or rent games on the platform.

In order to determine a reliable fair value for the platform, the independent expert PwC checked which costs arose historically for the development of the platform. The actual wages and salaries of the platform's development team were used as the basis for the costs. In accordance with thereproduction cost method, a fair value of the platform of kEUR 4,445 was determined.

Most recently, the "WildTangent" brand was determined as having a fair value of kEUR 551 based on the relationships with the game developers and publishers. The brand is considered established in the casual games area for the United States market.

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

	in kEUR
Identifiable intangible assets	7,166
Property, plant and equipment	22
Financial assets	5,759
Financial liabilities	-4,026
Deferred tax liabilities	-834
	8,087
Total consideration	
Fulfilled by:	
Payment methods	4,011
Contingent consideration	1,917
Cash received	-4,970
Total consideration transferred	958
Net cash outflow from the acquisition:	
Consideration paid in the form of cash	958

The fair value of the financial assets includes trade receivables with kEUR 669, advance payments and a bank balance with a fair value of kEUR 5,759. The best possible estimate of the contractual cash flows not to be received at the time of acquisition is nil. The gross value of the trade receivables and the bank balance corresponds to the net value; as at reporting date all receivables were fully received.

The total consideration for the acquisition of the assets and liabilities consists of a fixed cash component (kEUR 4,011) and a contingent consideration. The agreement on the contingent consideration provides for an additional purchase price if the future sales exceed a certain amount. The maximum additional purchase price is kUSD 2,500. The potential undiscounted amount of all future payments which the group has to make under the agreement on contingent consideration is between kUSD 0 and kUSD 2,000. The Group determined an amount of kUSD 1,650 (kEUR 1,471) as contingent consideration as of 3 April 2019 based on planning. The probability of occurrence is classified as a medium. The corresponding amount was recognised as another financial liability. No further contingent liabilities are to be recorded from the purchase of the assets and liabilities.

The gamigo group, with gamigo AG as the immediate parent, had been interested in taking over WildTangent Inc. for years. In the second quarter of 2019, the WildTangent's assets were then acquired at a comparatively low purchase price. Restructuring costs were largely avoided due to the asset deal. The acquisition-related costs (included in the administrative costs in the 2019 consolidated profit or loss) amounted to kEUR 120. It was possible to conclude the acquisition of business operations from WildTangent at a purchase price below the market value (bargain purchase).

The bargain purchase was recognised in "Other operating income" line item and amounts to kEUR 2,160. The reason for the bargain purchase is mainly the result of identified intangible assets less deferred taxes due on them totaling kEUR 7,166. This emerges from an independent expert opinion from PwC. Accordingly, the difference between the purchase price and the valued intangible assets must be booked as a bargain purchase. There is no goodwill resulting from the acquisition. After a renewed review of the corresponding framework conditions and the overall facts in accordance with IFRS 3 *Business Combinations*, there have been no changes in the initial valuation..

3.2. Acquisition of ReachHero GmbH

On 17 May 2019, MGI acquired the majority of ReachHero shares. ReachHero is a Berlin based start-up founded in 2014. It acts as agent for product placement opportunities between brand owners and influencers operating online video channels. For the purpose of its business activities, ReachHero operates a self-owned, highly automated online platform for the brand owners to set up their social marketing campaigns, book registered influencer, and analyses the impact and coverage of such influencer marketing activities. Additionally, ReachHero offers agency services, i.e. the client's entire campaign can be managed by ReachHero professionals. For deeper insight and enhanced functionality, ReachHero recently started offering its customer a software-as-a-service (SaaS) package. ReachHero has over

70,000 registered influencers with more than 750 million subscribers and approximately 1.3 billion views per month on YouTube. The acquisition of the shares of ReachHero is a business combination within the meaning of IFRS 3 *Business Combinations*.

PwC was engaged and prepared an independent purchase price allocation report for identifying acquired tangible and intangibles and liabilities of Reachhero. They provide estimates of fair value for those assets, as defined below, as at 17 May 2019. For the purpose of the purchase price allocation (PPA), the management provided PwC a business plan of ReachHero which was used by the management to derive the purchase price offer. The report differentiates between intangible assets and property, plant and equipment. The trademark "ReachHero", the ReachHero platform, customer relationships, influencer network and non-compete agreements were identified as intangible assets and recognised at fair value. Tangible assets like fixed assets and the book value of shares in associated companies were identified at book value. Shares in associated companies for Avocado Digital UG was reduced to nil since no future benefits are expected regarding this shareholding.

ReachHero maintains customer relationships to brand owners, i.e. companies placing influencer marketing content for their brands, products etc. via ReachHero. The fair value of the costumer relationship amounts to kEUR 591. ReachHero serves as a broker of product placement opportunities between brand owners and operators of online video channels. For the purposes of its business ReachHero developed an influencer network valued at kEUR 335. A highly automated IT-system in form of an online marketplace is the ReachHero platform. Brand owners are able to place and manage their influencer marketing campaigns. For the platform is an amount of kEUR 1,579 recognised.

MGI acquired 67,4% of the shares of ReachHero GmbH. In the course of the transaction, MGI has acquired the total amount of shares previously owned by strategic investors and a substantial amount of the shares owned by the managing directors of the company, i.e. founders. They keep a minority interest of 32,6%. The minority interest fair is kEUR 1,679.

The total purchase price for the 67,4% stake amount to kEUR 3,987 as at the valuation date and comprises the share and cash considerations paid. Additional to the purchase grants the management sellers performance based earn-out payments for the years 2019 to 2021 up to kEUR 759. There is a transfer back agreement in place with respect to the 10% share premium initially paid to the management sellers. As outlined in the SPA, the 10% additional shares must be transferred back from the management of ReachHero to the buyer in case the MGI stock exceeds the future liquidity threshold (trading volume) as defined in the SPA. MGI has a buy back option for 50% of the MGI stocks initially transferred to the sellers.

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

	in kEUR
Identifiable intangible assets	2,949
Property, plant and equipment	9
Current assets	789
Current liabilities and provisions	-735
Deferred tax liabilities	-899
	2,113
Total consideration	
Fulfilled by:	
Payment methods	500
Contingent consideration	791
Cash received	-736
Total consideration transferred	555
Net cash outflow from the acquisition:	
Consideration paid in the form of cash	555
Consideration to investor sellers and to management sellers via MGI share transfer	2,396
Capital increase	300
Net Consideration transferred	3,251

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 of transferred is higher than the fair value of net assets acquired, this difference is accounted for as goodwill. Goodwill recognised from the acquisition of ReachHero amounted to kEUR 3,067. The trade receivables has a book value of kEUR 455 and received cash at kEUR 736.

The acquired business of Reachhero contributed of kEUR 4,288 and a profit after tax kEUR 233 for the period 17th May 2019 to 31st December 2019. If the acquisition occurred on 1st January 2019 to the full year contributions would have been revenues of kEUR 5,859 and a profit after tax kEUR 182.

With acquisition of ReachHero, MGI is moving forward with increasing and product diversification in the B2B segment Media. The platform, influencer network and customer relationship of ReachHero is an opportunity to increase MGIs market share in influencer marketing. This has significant synergies to the B2B segment of gamigo which increase their product portfolio with this sister company.

3.3. Acquisition of Applift Group including Pubnative Group

On 12 June 2019, the Group acquired 100% of the shares in AppLift GmbH ("Applift"), Berlin, Germany for a consideration price of kEUR 5,960. The consideration was partly paid by cash and promissory notes. Applift is a leading international mobile performance agency concentrating on supporting app publisher in branding of their apps as well as customer acquisition for their apps. The majority ownership of Applift to Pubnative was part of the acquisition deal. PubNative runs a supply side platform that supports application publishers in selling their advertising space in their applications for the best price via bidding mechanisms.

The acquisition of the shares of Applift is a business combination within the meaning of IFRS 3 *Business Combinations*. For purpose of purchase price allocation, the management prepared a business plan which was used for the purchase price offer as well. As result, MGI identified a goodwill of kEUR 10,515. MGI took over substantial current assets, i.e. trade receivables, and liabilities, i.e. trade payables of the ongoing business.

MGI acquires tangible assets kEUR 353, trade receivables kEUR 8,965 and other receivables kEUR 1,514 at book value. The deferred tax assets amount at kEUR 841. MGI received cash at bank kEUR 3,411. On the other hand, the share deal includes other accruals of kEUR 2,020 and trade payables of kEUR 17,495.

Applift GmbH has a majority share of 89,15% for Pubnative Group. The minority share of 10,85% has a fair value of kEUR 373.

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

	in kEUR
Identifiable intangible assets	10,765
Property, plant and equipment	353
Current assets	10,479
Deferred tax assets	841
Current liabilities and provisions	-19,515
	2,923
Total consideration	
Fulfilled by:	
Payment methods	1,460
Cash received	-3,411
Total consideration transferred	-1,951
Net cash outflow from the acquisition:	
Consideration paid in the form of cash	-1,951
Consideration to investor sellers and to management sellers via MGI share transfer	4,500
Net Consideration transferred	2,549

The acquired business of Applift Group contributed of kEUR 21,283 and a profit after tax kEUR 266 for the period 12th June 2019 to 31st December 2019. If the acquisition occurred on 1st January 2019 to the full year contributions would have been revenues of kEUR 45,678 and a loss after tax kEUR 1,589.

Applift and its subsidiaries are a major element to increase the market share of media business. With the product of mobile advertising, MGI is able to use their own advertising for the gaming business and has the possibility increasing their gaming revenue and media revenue with this acquisition.

3.4. Acquisition of main assets of Verve Wireless Inc.

On 22 January 2020, gamigo AG a subsidiary of Media and Games Invest plc took over the assets of the business operations and liabilities of Verve Wireless Inc. via its wholly owned US subsidiary newly established for this purpose, Verve Group Inc. (Verve). Verve Wireless Inc. was a leading marketing provider of programmatic and open market traffic in Carlsbad, California, USA.

With the takeover, the MGI group is continuing its series of successful acquisitions and using the consolidation potential of the market. Furthermore, the acquisition will be used to build up the B2B area in the USA in line with the European model. This results in strategic synergies for the B2B and B2C segment in the USA. These synergy effects are expected to contribute to the group's further profitable growth.

Verve Wireless assets were acquired in January 2020. The purchase price was kUSD 6,500. At the time the consolidated financial statements were drawn up, a large number of gamigo group's employees were involved in integrating them into the group and analysing and evaluating the assets and liabilities acquired.

4. Interests in subsidiaries

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

			Parent		direct non-controlling interest	
Name	Country of incorporation	Principal activities	Ownership interest 2019 %	Ownership interest 2018 %	Ownership interest 2019 %	Ownership interest 2018 %
Gamigo AG	Germany	Online Games	52.63	38.84	47.37	61.16
Reachhero GmbH	Germany	Influencer Platform	67.38	-	32.62	-

			Parent		indirect non-controlling interest	
Name	Country of incorporation	Principal activities	Ownership interest 2019 %	Ownership interest 2018 %	Ownership interest 2019 %	Ownership interest 2018 %
Held by gamigo group						
Mediakraft PL Sp.z.o.o.	Poland	Social marketing	95.00	95.00	5.00	5.00
Mediakraft Turkey Yayin Hizmetleri A.S.	Turkey	Social marketing	80.00	80.00	20.00	20.00

Held by Applift group

PubNative GmbH	Germany	Adtech	89.20	-	10.80	-
Applift Brazil Limitada	Brazil	Adtech	99.00	-	1.00	-
Applift India Technologies Privated Ltd.	India	Adtech	99.99	-	0.01	-

Summarised financial information

Summarised financial information of the subsidiary with non-controlling interest that are material to the MGI Group set out below:

Summarised statement of financial position	*Gamigo Group*	
in kEUR	2019	2018
Current assets	15,681	15,655
Non-current assets	36,102	40,522
Total assets	51,783	56,177
Current liabilities	14,344	14,239
Non-current liabilities	22,869	24,491
Total liabilities	37,213	38,730
Net assets	**14,570**	**17,447**

Summarised statement of profit or loss and other comprehensive income

in kEUR	2019	2018
Revenue	22,883	18,466
Expense	-22,098	-18,081
Profit before income tax	785	385
Income taxes	322	547
Profit after income tax	1,107	932
Other comprehensive income	0	0
Total comprehensive income	**1,107**	**932**

Other financial information		
Profit attributable to non-controlling interest	1,107	932

Due to the reason of intra-year acquisition of Applift Group and Reachhero the non-controlling interests are not material to summarise the financial information.

5. Segment Information

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

Under IFRS 8 *Operating Segments*, 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 B2C/Game Publishing and B2B/Media and Platform Services.

B2C/Game Publishing

In the B2C/Game Publishing division, online and mobile games are made available to end customers, supported, operated and sometimes developed internally. The Group offers and operates a broad portfolio of online and console games, including casual games, role-play games and strategy games. It markets its products and services to gamers in Europe, North and South America and Australia with the focus being on Europe and North America. The games are licensed exclusively, either worldwide or for certain regional territories. In Asia, the Group does not market its product directly but makes the games available in cooperation with license partners.

The so-called free-to-play Massively Multiplayer Online Games (MMOGs) account for the most important share of revenue in the Group portfolio. Free-to-play means that the consumers in general play free of charge but can acquire goods for a fee (so-called “items”) that increase the gaming experience and/or facilitate faster success, in particular, by adding new equipment or new functions for the game characters. By means of this business model, revenue has the potential to scale better as customers usually do not just pay once but, thanks to various incentives in the games, are motivated to invest money in the games on a continuous basis and over a longer period of time. MMOG means that, often, several thousands of players meet and interact with one another in an arena or server environment. Due to the large number of co-players who play the game at different times and are frequently linked to one another through gamers communities (so-called “guilds” or “clans”), in most cases, the users play a game over several months or even years. Within the MMOGs, there is a technical difference between browser games (games are played in the browser online), client games (games are first downloaded, and the client is saved on the PC. However, during the game, players must be online in order to be able to communicate with the server) and console games (games are played online on consoles such as Xbox and PlayStation). In addition, the portfolio includes games that can be played on Facebook and/or on mobile end devices (iOS and Android). In these types of games, apart from the items that can be paid for, advertisements and advertising videos are also shown.

The Group has various MMOGs, especially anime and fantasy role plays, strategy and shooter games. The casual games that are also marketed by the Group, typically are simpler games which are not that intensive and are mostly played for shorter periods of time (these especially comprise puzzles, quizzes and skill games).

Currently, the Group offers over 30 MMOGs and more than 5,000 casual games. These include various MMOGs, e.g. Fiesta Online and Shaiya, which have been on the market for many years now. The revenue generated by these games, if the games are well supported and marketed, usually shows only slight churn, but by optimising marketing and improving the game content revenue can be stabilized or returned to growth.

The Group has driven its growth in the Game Publishing business division to a large extent by market consolidation. The acquisition of new customers for the games offered by the Group is done via marketing to the Group’s own customer base and on portals. In addition, the Group’s games are offered via the B2B advertising companies of the Group and, among others, on their portals or through other advertising measures. In selling its games, the Group also works with a large number of third-party customer acquisition and sales channels (including partner websites, TV broadcasting companies, print media, telecommunications providers and marketing partners).

B2B/Media and Platform Services

Besides the B2C/Game Publishing division, the Group has been developing the B2B/media and platform services that are offered to business customers. For the most part, the same systems and infrastructures are used in the background of the platform services that are used in the context of game publishing. Media (online advertising, own portals, influencers and social marketing) services are offered to third parties but are also used for the own B2C/Gaming companies. While the platform modules were primarily used for Group's own activities in 2019, there are future plans to make the services available on a 'software-as-a-service' basis to other games publishers and developers.

The Group particularly provides marketing and sales opportunities within the Media and Platform Services division. To a lesser extent, 'platform-as-a-service' products continue to be offered. The Group also in this segment created further synergies driven by acquisitions. Based on further acquisitions, there was a broad offering of payment services, which resulted in the decision that the 100% equity investment in Mobile Business Engine GmbH was no longer required. Owing to the enhanced synergies, the Group is in a position to offer its customers comparable and better payment solutions.

In the Media Marketing and Sales division, services are now concentrated in the Verve Group. It's a group of AppLift GmbH, PubNative GmbH, Verve Group Inc. adspree media GmbH, Mediakraft Networks GmbH and ReachHero GmbH.

Adspree media GmbH is an international 360-degree marketing agency for gaming companies and controls the acquisition of new users or players in a performance-oriented and efficient manner, using major channels, including search engine optimisation (SEO), search engine advertising (SEA), Facebook marketing, programmatic/real-time media buying, real-time advertising, influencer marketing, affiliate marketing and TV advertising. In addition, adspree media GmbH has a large number of game portals of its own that are used to address players. These also include SEO-oriented content portals and SEA-based portals.

Mediakraft Networks GmbH is a group of companies acquired in 2017 that is active in Germany, Poland and Turkey in the fields of online video, social marketing and influencer marketing with a strong market position in those countries. The Mediakraft Group manages complete YouTube channels for companies, supports YouTube stars and influencers and designs and implements influencer campaigns. Their own YouTube channels were shut down or handed over to partners at the end of the year due to low or uncertain advertising revenues. Alongside gaming channels and gaming-oriented stars, the Mediakraft Group also owns content in other areas.

ReachHero offers product placement opportunities between brand owners and influencers operating online video channels. ReachHero operates a self-owned, highly automated online platform for the brand owners to set up their social marketing campaigns, book registered influencer, and analyses the impact and coverage of such influencer marketing activities. Additionally, ReachHero offers agency services, i.e. the client's entire campaign can be managed by ReachHero professionals. For deeper insight and enhanced functionality, ReachHero recently started offering its customer a software-as-a-service (SaaS) package. ReachHero has over 70,000 registered influencers with more than 750 million subscribers and approximately 1.3 billion views per month on YouTube.

On the one hand, synergies are boosted on the sales side at Verve Group, such as servicing adspree gaming customers through Mediakraft campaigns and influencer campaigns through Reachhero or addressing gaming target groups through adspree media GmbH for Mediakraft customers. On the other hand, the online video production expertise of the Mediakraft Group is also used for adspree campaigns, ReachHero campaigns and to generate video content for gaming portals. Parallel starts the Media and Games Invest Group conquer the mobile advertising market with the latest acquisition of Verve Wireless Inc (asset deal) and Applift Group with their supply side platform Pubnative as part of the group. Within the B2B segment MGI increases their market share in media business and diversify their product placement with mobile advertising. On the base of these new acquisitions MGI increase their revenue in B2B for 2019. Verve Group offers the B2B customer a wide product portfolio worldwide. Through Applift Group the B2B segment has new opportunities to reach customers in North- and South America, Asia and Europe.

b) *Segment revenues and segment results*

	B2C 31-Dec-19 kEUR	B2B 31-Dec-19 kEUR	Consolidated 31-Dec-19 kEUR
Revenues	**43,132**	**40,761**	**83,893**
EBITDA (without corporate expenses)	**12,621**	**2,921**	**15,542**
Depreciation and amortization			-10,543
Financing income			83
Financing expenses			-5,841
Earnings before taxes (EBT)			**-759**
Income taxes			2,012
Net result from continuing operations			**1,253**

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

Due to the structure of customers in the B2C segment, there are no customers that constitute a proportion of more than 10 percent of the Group's revenues. The B2B segment in general is characterised by less small scaled customers. There are no customers that are responsible for more than 10 percent of Group's revenues.

The accounting policies of the reportable segments correspond to the Group accounting policies described above. The segment result represents the result that each segment generates without allocation of the share of the result of associated companies and joint ventures, the central administrative costs including the remuneration of the Management Board, the financial result, the non-operating profits and losses from financial instruments and financing costs as well as the income tax cost. The segment results is reported to the Group's chief operating decision maker for the purpose of resource allocation to the segments and the assessment of segment performance.

c) *Segment assets*

	31-Dec-19 in kEUR	31-Dec-18 in kEUR
B2C	251,753	192,096
B2B	60,696	44,197
Total segment assets	**312,449**	**236,293**
Consolidated total segment assets	**312,449**	**236,293**

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.

6. Intangible assets

The Group's intangible assets consist of the following:

	31-Dec-19 kEUR	31-Dec-18 kEUR
Internally generated intangible assets	12,192	3,727
Other intangible assets	72,669	65,819
Advance payments on intangible assets	1,008	840
Goodwill	147,339	133,756
Total	**233,208**	**204,142**

The development of book values was as follows:

	Internally generated intangible assets	Other intangible assets	Advance payments on other intangible assets	Goodwill	**Total**
	kEUR	kEUR	kEUR	kEUR	kEUR
Balance as of 1 Jan 2019	**3,727**	**65,819**	**840**	**133,756**	**204,142**
Additions	10,179	12,872	178	13,583	36,812
Amortisations	-1,714	-6,022	-10	0	-7,746
Disposals	0	0	0	0	0
Balance as of 31 Dec 2019	**12,192**	**72,669**	**1,008**	**147,339**	**233,208**

	2019	2018
Goodwill	147,339	133,756
less impairment	0	0
	147,339	133,756
Internally generated intangible assets	14,022	3,843
less accumulated amortisation	-1,830	-116
	12,192	3,727
Other intangible assets	83,879	71,007
less accumulated amortisation	-11,210	-5,188
	72,669	65,819
Advance payments on other intangible assets	1,020	842
less accumulated amortisation	-12	-2
	1,008	840

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

	31-Dec-19	31-Dec-18
	kEUR	kEUR
B2C	100,317	100,317
B2B	47,022	33,439
	147,339	**133,756**

The intrinsic value of this goodwill was confirmed by the intrinsic value tests carried out on the reference date for the annual financial statements. The goodwill is tested at the level of the business segments B2B and B2C, as this corresponds to the approach of the internal control of the group. The cash-generating units consist of the “Business to Consumer” (B2C) and “Business to Business” (B2B) business segments. The intangible assets including Internally generated intangible assets with useful lives over 4 years. Other intangible assets have useful lives up to 7 years.

The intrinsic value tests are based on the calculation of the amount that can be generated by the cash generating units on the basis of their utility value. For this calculation, 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. Due to the long-term volatility of the online gaming business, growth rates were not expected. Gross margins of more than 50 % and EBITDA margins of more than 30 % 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 8.1 %. 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).

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:

	31-Dec-19	31-Dec-18
	kEUR	kEUR
Property, plant and equipment	3,521	4,189

The development of book values was as follows:

	Property, plant and equipment kEUR
Balance at 31 Dec 2018	**4,189**
Additions	1,745
Acquisitions through business combination	384
Depreciation	-2,797
Disposals	0
Balance at 31 Dec 2019	**3,521**

Property, plant and equipment primarily consists of operating and business equipment as well as IT equipment, which also relate to the main additions. The acquisitions through business combination are part of the RoU assets in accordance with IFRS 16.

8. Deferred tax assets

The accrual/deferral of deferred taxes is done pursuant to the liability method pursuant to IAS 12 *Income taxes*. The tax rates that apply and/or have been agreed upon and are known on the reporting date of the consolidated financial statements are used.

The deferred tax assets in the amount of kEUR 15,247 (2018: kEUR 10,826) relating to the probable future utilisation of tax loss carry-forwards. Deferred tax assets and liabilities were netted for identical tax subjects, resulting in total deferred tax assets of kEUR 11,215 (2018: kEUR 6,353). Further explanations on the deferred taxes can be found in the sections Income taxes and Deferred tax liabilities.

9. Financial assets

The Group discloses at 31 December 2019 long-term financial assets of kEUR 8,649 (2018: kEUR 5,359) and other short-term financial assets of kEUR 427 (2018: kEUR 94).

As at 31 December 2019, the Group had financial investments in equity instruments amounting to kEUR 6,410 (2018: kEUR 5,359). They are relating to the Investment in an US-based LLC and in a Germany based GmbH for technique improvements and collaborative partnership.

Both the non-current financial assets and the other short-term financial assets (mainly receivables due from employees and other parties and security deposits) are held by the Group in a business model whose objective is to hold financial assets to collect the contractual cash flows and whose contractual terms exclusively represent interest and principal payments on the outstanding nominal amount. Accordingly, all these financial assets are measured at amortized cost.

Additional information for financial instruments is under Note 17.

10. Impairment of financial assets

There is no default risk in determining the value adjustments of loans to related parties.

In the current reporting period, there were no changes in the estimation methods or significant assumptions regarding the determination of the value adjustments.

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 is subject to enforcement measures.

The value adjustments on trade receivables developed as follows:

		Past due			
	Current	1 - 30 days	31 - 180 days	more than 180 days	Book values
	kEUR	kEUR	kEUR	kEUR	kEUR
31 Dec 2019	12,501	2,707	1,429	470	17,047
31 Dec 2018	3,070	1,191	1,071	86	5,418

With regard to the receivables, there is no indication based on the credit history and the current credit rating classifications that the customers are not able to meet their obligations.

Other receivables amounted to kEUR 5,825 (2018: kEUR 6,385) and includes kEUR 3,340 (2018: 195) prepaid expenses.

12. Cash and cash equivalents

Cash and cash equivalents amounted to kEUR 32,984 as at 31 December 2019 (2018: kEUR 4,447).

13. Non-cash transactions

Significant non-cash transactions result from the application of IFRS 16 *Leases* and from the acquisition of the material assets and liabilities of Wild Tangent, acquisition of shares Reachhero, Applift Group and increase in shareholders' capital.

14. Shareholders' equity

The Company has an authorised capital of 300,000,000 ordinary shares as at 31 December 2019 with a nominal value of EUR 1.00 which do not entitle the subscriber to a fixed profit. As at 31 December 2019, 70,020,000 ordinary shares (2018: 59,850,000) were issued and fully paid.

	Number of shares		Common stock		Additional paid-in capital	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
	thousand	thousand	kEUR	kEUR	kEUR	kEUR
Issued and fully paid-in capital: ordinary shares of par value EUR 1.00	**70,020**	**59,850**	**70,020**	**59,850**	**25,127**	**4,346**

During the year ended 31 December 2019, the Parent Company increased its by kEUR 10,170 to kEUR 70,020. The premium associated with the capital increase amounted to kEUR1,071 in 2019 which resulted to the increase in the capital reserve by the same amount. Additional transaction was performed by exchanging shares in gamigo AG between non-controlling interests and the Company leading to an increase of capital reserves of kEUR 19,711, and a decrease in non-controlling interests at the same amount. Furthermore the payment of kEUR 5,000 from Blockesence DLT Solution GmbH decrease the non-controlling interest for gamigo AG and increase the capital reserve.

For the year ended 31 December 2019, the Group did not grant any share-based options or payments to the employees of the Group. On 9 May 2018, the Company granted to Bodhivas GmbH the option to acquire 20,000,000 shares of the Company for a purchase price of EUR 1.20 per share. The option will end on 5 May 2020.

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 accounting capital 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 merger and acquisitions (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.

15. Financial liabilities

The financial liabilities are divided into the following classes:

	31-Dec-19	31-Dec-18
	kEUR	kEUR
Leasing liabilities (current)	1,409	39
Leasing liabilities (non-current)	914	986
Bonds	63,988	24,877
Other financial liabilities (current)	5,363	3,556
Other financial liabilities (non-current):		
Liabilities due to related parties	4,563	11,138
Remaining liabilities	2,892	1,976
	79,129	**42,572**

Regarding the bonds, we refer to Note 17. In addition, the MGI Group was able to close two separate debt financing deals with a total volume of EUR 13 million. The subsidiary Blockescence DLT solutions GmbH has entered into a loan agreement with the UniCredit Bank AG in the amount of EUR 10 million, with an interest rate of 5.5 % and a term of three years. The term-loan was undrawn on 31 December 2019. The acquired PubNative GmbH has been increased its working capital facility with Billfront GmbH - a financing company specialized on media companies - from the amount of EUR 2 million to up to EUR 3 million.

The development of financial liabilities as at 31 December 2019 is as follows:

	31-Dec-18	Additions / Proceeds	Payment	Interest accretion	31-Dec-19
	kEUR	kEUR	kEUR	kEUR	kEUR
Leasing liabilities (current)	39	1,409	-39		1,409
Leasing liabilities (non-current)	986	379	-451		914
Bonds	24,877	38,699		412	63,988
Other financial liabilities (current)	3,556	5,363	-3,556		5,363
Other financial liabilities (non-current):					
Liabilities due to affiliated companies	11,138		-6,575		4,563
Remaining other liabilities	1,976	916			2,892
	42,572	**46,766**	**-10,621**	**412**	**79,129**

The maturity analysis of the financial liabilities as at 31 December 2019 is as follows:

	up to 1 year	1 to 5 years
	kEUR	kEUR
Leasing liabilities (current)	1,409	0
Leasing liabilities (non-current)	0	914
Bonds	0	63,988
Other financial liabilities (current)	5,363	0
Other financial liabilities (non-current):		
Liabilities due to related parties	0	4,563
Remaining liabilities	0	2,892
	6,772	**72,357**

The weighted average effective interest rate is as follows:

	31 Dec 2019	31 Dec 2018
	%	%
Bank loans	2.75	5.8
Loans from affiliated companies or persons	4.0	4.0
Other loans	9.5	2.0
Bonds	10.5	n/a

Analysis of other financial liabilities by currency as at 31 December 2019:

	In EUR kEUR	In USD kEUR	Others kEUR	Total kEUR
Leasing liabilities (current)	100	1,309	0	1,409
Leasing liabilities (non-current)	914	0	0	914
Bonds	63,988	0	0	63,988
Other financial liabilities (current)	3,748	1,615	0	5,363
Other financial liabilities (non-current):				
Liabilities due to related parties	4,563	0	0	4,563
Remaining liabilities	2,892	0	0	2,892
	76,205	**2,924**	**0**	**79,129**

Analysis of other financial liabilities by currency as at 31 December 2018:

	In EUR kEUR	In USD kEUR	Others kEUR	Total kEUR
Leasing liabilities (current)	39	0	0	39
Leasing liabilities (non-current)	986	0	0	986
Bonds	24,877	0	0	24,877
Other financial liabilities (current)	3,556	0	0	3,556
Other financial liabilities (non-current):				
Liabilities due to related parties	11,138	0	0	11,138
Remaining liabilities	1,976	0	0	1,976
	42,572	**0**	**0**	**42,572**

16. Other non-financial liabilities

	31-Dec-19 kEUR	31-Dec-18 kEUR
Liabilities from taxes	3,479	1,881
Liabilities to employees and social securities	592	187
Purchase price liabilities	4,291	0
Miscellaneous other liabilities	1,990	601
Deferred income	4,561	1,697
	14,913	**4,366**

17. Reporting on financial instruments

Classes and categories of financial instruments and their fair values

The following table provides information about classes of financial instruments based on their nature and characteristics, as well as the carrying amounts of financial instruments. The carrying amounts of the financial instruments listed below correspond to the fair values of the financial instruments. As at 31 December 2019, the Group does not hold any financial instruments whose carrying amounts differ materially from their fair values, so that fair values are not disclosed. The hierarchy levels as at 31 December 2019 are therefore not indicated in the values listed below.

	Carrying amount				
	Financial assets			Financial liabilities	
	At fair value through profit and loss	At fair value through equity	Amortised cost	At fair value through proft or loss	Amortised costs
	kEUR	kEUR	kEUR	kEUR	kEUR
31-Dec-19					
Cash and bank			32,984		
Trade receivables and other receivables			22,872		
Financial assets		6,410	2,239		
Bond					63,988
Leasing liabilities					2,323
Other financial liabilities (current)					5,363
Other financial liabilities (non-current):					
Liabilities due to related parties					4,563
Remaining liabilities					2,892
Trade payables					20,274
31-Dec-18					
Cash and bank			4,447		
Trade receivables and other receivables			11,803		
Financial assets		5,359			
Bond					24,877
Leasing liabilities					1,025
Current financial liabilities					3,556
Other financial liabilities (non-current):					
Liabilities due to related parties					11,138
Remaining liabilities					1,976
Trade payables					9,366

Risks from Financial Instruments

Typical risks from financial instruments are the credit risk, the liquidity risk and the individual market risks. 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. There are no changes from the previous period.

Concentration Risk

Due to expansion strategy of MGI the geographical concentration risk is low. The management reviews every transaction for geographical concentration, market and product diversification. There are no significant concentration of credit risks, whether through exposure to individual customers, specific industry sectors or regions.

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. Proving of solvency of customer will managed together with credit agency and other information resources. For reducing expected credit risk most of the customer pay through the well-known payment service provider with deposit protection. The maximum default risk results from the carrying amounts of the financial assets recognised in the consolidated statement of financial position. If any credit loss is recognized, the Group will write off the credit. Due to different reviews during the process is the credit risk low.

Liquidity Risks

The operational liquidity management encompasses a cash controlling atmosphere 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 32,984 (2018: kEUR 4,447) are available to cover the liquidity requirements. For validation purposes the management receive on a monthly basis a maturity analysis. 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. Market risks will reduce by sensitivity analysis in case of interest rate, foreign exchange and ageing analysis of credit risk. The controlling and finance department prepare on a monthly basis a controlling report for the management. It includes ageing analysis of credit risk, visibility on foreign exchange and information of interest rate. There no change from the previous period.

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 subsidiaries gamigo Inc. and gamigo US Inc. generate income and expenses in US dollars. For this reason, there was no hedging of currency. With the acquisition of Applift Group there is also a low risk recognized for currency exchange for business activity in Brazil with BRL.

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 euros 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 substantial due to the bond, meaning that the risk resulting from volatile interest rates is significant. Against this backdrop, an interest rate hedge was contracted for the floating rate bond.

18. Bond

On 11 October 2018, the Group, through gamigo AG, issued a senior secured bond loan of EUR 32 million, within a total framework amount of EUR 50 million, primarily on the Swedish and continental European bond market. Investors subscribed further bonds and the group issued new bonds up to a total volume of EUR 50 million per June 2019. The bonds with ISIN SE0011614445 carry a floating interest rate of EURIBOR 3 months +7.75% per annum (EURIBOR floor at 0.00% applies) and matures on 11 October 2022. The bond is traded at the regulated market of Nasdaq Stockholm and at the open market (quotation board) in Frankfurt/Germany.

On 10 October 2019, the Group, through MGI (ISIN: MT000000580101; Symbol: M8G) issued an unsecured bond loan with a total framework of EUR 25 million in a well-chosen private placement, primarily on the continental European bond market. The bond has a total volume of up to EUR 25 million and had an outstanding balance of EUR 15.3 million on 31 December 2019. If further financing is required, such as M&A, it is planned to issue further tranches. The proceeds are intended to be used to optimize the investment structure, further M&A and general corporate purposes. The bearer bonds have a nominal amount of EUR 1,000. The interest coupon amounts to 7.00 percent p. a. with a quarterly interest payment, for the first time in January 2020. The bond has a term until 11 October 2024 at the latest. An early repayment by the issuer is possible as a whole or in part for the first time in October 2021 at 103 percent of the nominal value. Other early repayment possibilities exist in October 2022 (102 percent) and in October 2023 (101 percent). The covenants of the bond provide for a minimum equity ratio of MGI of 25 percent. The bond is listed for trading in the open market of the Frankfurt Stock Exchange since 11 October 2019. The transaction was accompanied by the ICF BANK AG as Sole Lead Manager.

19. IFRS 16 Leases

The Group leases various assets including buildings, operating and office equipment and software licenses. The average lease term is four years.

RoU assets

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

	Carrying amount 1 Jan 2019	Additions	Write-downs	Carrying amount 31 Dec 2019
	kEUR	kEUR	kEUR	kEUR
RoU from building rental	2,288	1,979	-1,998	2,269
RoU from IT equipment rental	66	0	-12	54
RoU from vehicle leasing	11	0	-11	0
	2,365	**1,979**	**-2,021**	**2,323**

The RoU are include in the other intangible assets.

Lease liabilities

	31 Dec 2019	31 Dec 2018
	kEUR	kEUR
Long-term	914	986
Short-term	1,409	39
	2,323	**1,025**

Maturity analysis

	31 Dec 2019	31 Dec 2018
	kEUR	kEUR
Up to 1 year	1,409	39
More than 1 year and up to 5 years	914	986
More than 5 years	0	0
	2,323	**1,025**

The implicit interest rate for the lease liabilities cannot be determined easily. Therefore, on 1 January 2019, the Group applied the weighted average value of the Group's marginal borrowing rate of 5.9%. Interest expenses on leasing liabilities amounted to kEUR 1,995 (2018: kEUR 215). Rental expenses for short-term leases amount to kEUR 404 (2018: kEUR 60). The group has no sale and leaseback transactions. This was determined on the basis of the financing loans with a comparable term, which would be available to the Group for the acquisition of the assets.

20. Deferred tax liabilities

Deferred tax liabilities relate to timing differences that have emerged between the fair values of the intangible assets and their fiscal values (2019: kEUR 16,990; 2018: kEUR 14,418) within the framework of the initial consolidation of the companies acquired, and timing differences between the valuation of the bond under IFRS, and its fiscal valuation (2019: kEUR 467; 2018: kEUR 359). Deferred tax liabilities of kEUR 2,453 (2018: EUR 1,044) were recognised on timing differences between the valuation of internally generated intangible assets in accordance with IFRS and the tax balance sheet, and kEUR 685 (2018: kEUR 739) due to the measurement of leases in accordance with IFRS 16 *Leases*. The deferred tax liabilities were netted off against the respective deferred tax assets for identical tax items, resulting in deferred tax liabilities in an amount of kEUR 1,944 (2018: kEUR 1,774) after netting.

21. Short term provisions accruals

	31-Dec-18	Initial consolidation ReachHero and Applift	Utilisation	Release	Additions	31-Dec-19
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Personnel-related obligations	577	206	-691	0	933	1,025
Audit and closing costs	240	101	-338	0	357	360
Tax accruals	293	2,007	-396	0	437	2,341
Remaining provisions	5,921	484	-6,158	-6	8,618	8,859
	7,031	**2,798**	**-7,583**	**-6**	**10,345**	**12,585**

Provisions 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 provision is re-versed accordingly and the income is posted in the area that was originally charged with the expense when the provision was formed.

Other provisions include litigation obligations, obligations for license costs and revenue shares, as well as milestone payments for various games.

All provisions have a term of up to one year.

22. 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.

23. 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 have not been 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 make accounting 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. On each reporting date, the internal and external legal advisors determine the 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 considered 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 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 185 for disputes due to non-payment of claims by IT service providers and other service providers; as well as in the amount of kEUR 838 for proceedings based on corporate transactions with former service providers of the acquired company; as well as in the amount of kEUR 227 for further procedural risks from corporate transactions.

24. Other financial commitments

All contracts that lead to other financial obligations are classified as leases in accordance with IFRS 16 *Leases* and considered in the consolidated statement of financial position.

25. Revenues

Revenues are generated from online sales, console and mobile games (casual games, roleplay games and strategy games) as well as B2B services (platform and advertising services). This is consistent with the revenue figures disclosed for each reportable segment in accordance with IFRS 8 *Business Segments* (see Note 5).

Revenue	2019 kEUR	2019 kEUR
Games (business to consumer)	43,132	20,874
Platform services (business to business)	40,761	11,747
Total	**83,893**	**32,621**

in kEUR	2019	2018
Proceeds from games	50,200	20,874
Effects from the distribution of sales for games	-7,068	0
Revenues from platform services	40,761	11,747
Revenue	**83,893**	**32,621**

The item “Effects from deferred revenue for games” contains the netted effect from the addition and release of deferred revenue from revenue recognition from games. As part of the launch of a game, players have the opportunity to use in-game products within the scope of subscription models for the first time.

in kEUR	2019	2018
Receivables that are included in trade receivables and other receiva-bles	5,995	5,536
Contractual liabilities	4,806	0

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

As permitted by IFRS 15 *Revenue from Contracts with Customers*, no disclosures are made regarding the remaining benefit obligations as of 31 December 2019 or 31 December 2018 that have an expected original term of one year or less.

26. Own work capitalised

This item primarily includes personnel expenses in connection with the capitalisation of development costs for the gamigo and Applift platform and for games which were capitalised as subsequent acquisition costs for intangible assets purchased.

27. Other operating income

Other operating income includes the following items:

Other operating income	2019 kEUR	2018 kEUR
Gain on bargain purchase	2,160	5,065
Reimbursements	198	27
Currency exchange gains	1,120	148
Other income	1,158	1,266
Total	**4,636**	**6,506**

Other operating income includes income from the M&A business such as bargain purchase gains, derecognition of purchase price liabilities and income from the sale of companies and rights or licenses. The revenues are related to the Group’s operating activities.

28. Purchased services

Expense items such as revenue shares, technology, direct advertising expenses, royalties and costs for technology are posted.

29. Employee benefits expense

The employee benefits expense of the Media Invest Group amounted to kEUR 27,359 (2018: kEUR 10,438).

	2019 kEUR	2018 kEUR
Wages and Salaries	22,928	8,969
Social contributions	4,431	1,469
Total	**27,359**	**10,438**

In the reporting year kEUR 2,521 (2018: kEUR 1,072) were spent on the contribution-oriented state plans on pension provision (statutory pension insurance).

30. Other operating expenses

The other operating expenses include the following expenses:

	2019 kEUR	2018 kEUR
Legal and consulting fees	1,863	1,695
Auditing fees	464	204
Rental fees	884	372
Travel expenses	910	213
Other administration fees	1,242	802
Advertising	434	5,135
IT and communications	1,161	37
Other not directly attributable expenses	3,054	1,677
Total	**10,012**	**10,135**

31. Depreciation and amortisation

For the year ended 31 December 2019, no impairment losses on intangible assets and property, plant and equipment were recognised as expenses, as no loss risk was identified.

Depreciation and amortization for the year ended 31 December 2019 and 2018 amounted to kEUR 10,543 and kEUR 6,318, respectively. Details of depreciation and amortisation are presented in Note 6 and Note 7.

32. Financial result

The financial income and financial expenses are comprised as follows:

	2019 kEUR	2018 kEUR
Financial income	83	84
Financial expense	-5,841	-1,725
Total	**-5,758**	**-1,641**

33. Income taxes

The components of the income taxes are as follows:

	2019 kEUR	2018 kEUR
Current income taxes	-278	-133
Deferred taxes	2,290	1,028
Total	**2,012**	**895**

The current income taxes posted mainly comprise taxes on income in 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 SE.

Foreign income taxes are calculated using the tax rate applicable in the respective countries, which varies from 12.3% to 35.0% (2018: 0.0% to 35.0%). Besides Malta, the Group is also represented in Germany and Switzerland with group companies. In Germany, all group companies, except for gamigo AG, are structured in the legal form of limited liability companies (GmbH), this means they are subject to corporation tax, trade tax and the solidarity surcharge. For these German companies, the commercial tax has to be calculated additionally, which results in a formal tax on income tax of 32.3%.

The Swiss entity is subject to ordinary taxation, the tax on capital and the income tax rate is 12.3%.

In the US, the tax rate at the federal level is 28%. Together with the local corporate income tax, the nominal income tax burden in the US is 26.5% and is perpetual. While the nominal tax rate for corporations in Turkey is 22%, it remained unchanged at 19% in Poland for many years. The deferred taxes for lox carryforwards are measured based on the corresponding local tax rate.

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:

	2019 kEUR	2018 kEUR
Profit before tax from continuing operations	-759	687
Expected income tax expense at 32.3% (2018: 32.3%)	-245	222
Effects of different tax rates	-391	-895
Effects from gain of a bargain purchase / goodwill	4,601	1,823
Expenses and income with no tax effects	-1,984	-654
Permanent deviations from deferred taxes	31	399
	2,012	**895**

The tax rate applied to the above-mentioned reconciliation for 2019 corresponds to the German companies' tax rate of 32.3% for limited liability companies with its seat in Hamburg (2018: 32.3%) on taxable profits according to the German tax law, which is to be paid by the most important group companies in Germany.

As at 31 December 2019, there was a current income tax receivable of kEUR 156 (2018: kEUR 96) and a current tax liabilities of kEUR 245 (2018: kEUR 294). MGI's subsidiaries in South America and North America have potential income tax of kEUR 370. For the amount of tax provisions, please see note 20.

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

	2019 kEUR	2018 kEUR
Deferred tax liabilities		
First-time consolidation of subsidiaries	16,990	14,418
Valuation of intangible assets	0	0
Valuation of properties	0	0
Valuation of financial liabilities (deferred tax liabilities)	0	0
	16,990	**14,418**
Deferred tax assets		
Valuation of provisions	0	0
Tax loss carry forwards	15,246	10,826
Less: valuation of bonds	-580	-359
Less: valuation of self-constructed intangible assets	-2,453	-3,159
Less: valuation of other assets and liabilities	-998	-955
	11,215	**6,353**

Under the tax laws prevailing in Malta tax loss carry forwards may be carried forward and offset against future profits without any time restrictions. Companies forming part of a group may benefit from group relief provisions in respect of allowable losses which are surrendered. However, group relief only applies to companies' resident in Malta, and such companies that are deemed to form part of a group if one or more companies are owned, directly or indirectly, as to at least fifty-one per cent.

The Swiss company has no significant tax loss carry forwards.

The Group assumes to realise deferred tax assets in accordance with IAS 12 *Income taxes* to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. However, tax loss carried forwards can only be used in the future if they do not belong to non-taxable income. On this basis deferred tax assets and liabilities are disclosed. In addition, deferred tax assets result from the lower tax valuation of other provisions.

The deferred tax liabilities are mainly due to the temporary differences between the recognition of intangible assets as result of the first-time consolidation of Samarion SE (kEUR 14,256).

The deferred taxes result from temporary differences between the carrying amounts of assets and liabilities in the tax accounts of the individual companies and the carrying amounts in the consolidated financial statement 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 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. Within the framework of minimum taxation, tax loss carry-forwards in Germany can only be used to a limited extent. Accordingly, a positive tax base of up to EUR 1 million is unlimited; amounts in excess of this are to be reduced by an existing loss carry-forward up to a maximum of 60%.

34. Earnings per share

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

in kEUR	2019	2018
From continuing operations	-0.01	0.01
From discountinued operations	0.00	0.08
Total	**-0.01**	**0.09**

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

in kEUR	2019	2018
Profit for the period attributable to the owners of the Company	**-324**	**4,323**
Profit for the period used in the calculation of basic earnings per share	**-324**	**4,323**
Profit from discontinued operations used in the calculation of basic earnings per share from discontinued operations of basic earnings per share from discontinued operations	**0**	**-3,673**
Profit for the period from continuing operations used in the calculation of basic earnings per share in the calculation of basic earnings per share from continuing operations	**-324**	**650**

in thousands	2019	2018
Weighted average number of shares for the calculation of basic earnings per share	**60,390**	**42,391**

In the financial year 2019, no dilutive effects were taken into account when calculating earnings per share. Although there are potentially dilutive effects from the future issue of equity instruments under a financing agreement as of the reporting date. However, their exercise is highly unlikely.

35. Business transactions with related parties

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated in the course of consolidation and are not explained in these notes. Details of transactions between the Group and other related parties are given below.

In addition to the Management Board, family members close to the Board and, in principle, the Supervisory Board, investments and the shareholders can all be considered relationships to associated companies and persons under IAS 24 *Related Party Disclosures*.

Remco Westermann is part of the three-member Board of Directors of the Company and personally held 90% of the shares in Bodhivas GmbH (Düsseldorf), which in turn held 62.38% of the shares of the Company as at the balance sheet date. He is a member of the Board of Directors of the Company since 31 May 2018 and is the Managing Director of Bodhivas GmbH, Duesseldorf, additionally Jaap Westermann holds 10% of Bodhivas GmbH. Hendrika Westermann is the wife of Remco Westermann, Jaap Westermann is the brother of Remco Westermann, both are directors of Jarimovas GmbH, Dusseldorf. In the reporting period Bodhivas GmbH received Media and Games Invest bonds from the company. The nominal volume amounted to 1,000,000 Euro. The bond was issued free of payment and was partially offset against an existing liability of MGI against Bodhivas.In the consolidated statement of financial position as of 31 December 2019, the Group has stated different short-term liabilities to Bodhivas GmbH GmbH, Düsseldorf, in the total value of kEUR 2,162 (2018: kEUR 9,293) under financial liabilities with an interest rate of 3.5% and is repayable on demand. In addition, financial liabilities include short-term liabilities to Jarimovas GmbH, Dusseldorf in the amount of kEUR 2,411 (2018: kEUR 1,758) with an interest rate of 3.5% and is repayable on demand.

René Mueller was a member of the Board of Directors of the Company until 25 February 2020.

René Mueller is also a member of the Administrative Board of GSC General Service Center AG, Zug. In the consolidated statement of financial position as of 31 December 2019, the Company has stated trade receivables towards GSC General Service Center AG, Zug, in the amount of kEUR 6 (2018: trade payables kEUR 1). In the period from 1 January to 31 December 2019, the Company was invoiced with a total of kEUR 34 for deliveries and services and invoiced a total of kEUR 14 for sub-rent.

Tobias Weitzel is a member of the Board of Directors of the Company, Malta since 31 May 2018.

Tobias Weitzel is director of BSK Becker+Schreiner Kommunikation GmbH, Willich. During the reporting period the Company was invoiced with a total of kEUR 35 provision for capital increase.

36. Employees

The average number of employees was:

	2019	**2018**
Germany	419	258
Poland	5	8
Turkey	18	16
China	9	0
Brazil	8	0
India	7	0
USA	66	59
Japan	3	0
Korea	3	1
Total	**538**	**342**

37. Auditors' fee for annual financial statements

For the services provided in the financial years 2019 and 2018 by the auditor, the following fees were recorded as expenditure for the audits of the consolidated financial statements:

	2019 kEUR	2018 kEUR
Services as an auditor of the annual financial statements - Group	42	20
Services as an auditor of the annual financial statements - component	341	200
Other assurance services	0	12

38. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

39. Governing board of the Company and remuneration

In the business year from 1 January to 31 December 2019, the Board of Directors of the Company comprised the following persons:

- René Mueller
- Remco Westermann
- Tobias Weitzel

Thomas Jacobsen is Secretary of the Company.

The Board of Directors did not receive any remunerations for the periods presented.

As at 31 December 2019, as in the entire year and the previous year, there were no advances or loans to members of the Management Board or the Supervisory Board.

40. Events after the balance sheet date

The following events are to be reported as fundamental changes taking place after the consolidated balance sheet date:

Acquisition of Verve

On 22 January 2020, gamigo AG took over the assets of the business operations and liabilities of Verve Wireless Inc. via its wholly owned subsidiary newly established for this purpose, Verve Wireless Inc. (Verve). Verve Wireless Inc. was a leading marketing provider of programmatic and open market traffic in Carlsbad, California, USA.

With the takeover, the group is continuing its series of successful acquisitions and using the consolidation potential of the market. Furthermore, the acquisition will be used to build up the B2B area in the USA in line with the European set up. This results in strategic synergies for the B2B and B2C segment in the USA. These synergy effects are expected to contribute to the group's further profitable growth.

Increase of the gamigo stake

On 9 March 2020, MGI executed its earlier announced plan to acquire additional gamigo shares, increasing its stake in gamigo AG from 53% to 99%. It is planned to also acquire the remaining gamigo shares. The purchase price of EUR 16.5 million in cash and up to 18.2 million MGI shares represents a valuation of seven times EV/EBITDA based on the 12-month period ending 30 September 2019. The selling gamigo shareholders will receive up to 18.2 million new MGI shares. In return, the company's share capital will be increased by 18.2 million new MGI shares. A lock-up period of around 25 months will apply to approximately 98% of these new shares. The cash portion of the purchase price is financed with a term loan from UniCredit Bank in the amount of EUR 10 million at an interest rate of 5.5% p.a. as well as via free liquidity from MGI.

Increase of the MGI Bonds

Until 6 June 2020, MGI increased its MGI 2019/2024 bond (ISIN DE000A2R4KF3), by a further EUR 8.3 million, as part of a subsequent selective placement, to a total volume of EUR 23.9 million. The free funds from the placement are to be used amongst others for M&A. The bond has a total volume of up to EUR 25 million. The company plans to place further tranches if M&A opportunities arise.

Board of Directors

Elizabeth Para has joined the Board of Directors in January 2020. Elizabeth Para has a 20+ years career in financial markets, with substantial experience in public and private debt as well as equity markets. She has worked in investment and client facing roles in both the banking and the investment management industry. Elizabeth holds a Master's degree in economics and is a Chartered Financial Analyst [CFA]. Elizabeth was one of the earliest investors in gamigo and is also an MGI shareholder. As a long time shareholder in both gamigo and MGI she has built up both a strong company specific and sector knowledge on the digital games and media sector. The Board of Directors now consists of Remco Westermann (Executive Chairman), Tobias M. Weitzel and Elizabeth Para. With the completion of the gamigo transaction, René Müller resigned from the Board of Directors as planned.

Capital Increase

On 23 June 2020, a capital increase of kEUR 3,968 was passed. The capital increase is not entered the Maltese Commercial Register yet.

Covid-19

The whole world has been hit by the 'black swan' Covid19, which of course also effects MGI. The overall effect for MGI however is a positive one, which is different than for most other companies. With a big part of the European and N-American population being at home due to the lockdowns, MGI is experiencing increases in player activity, increases in numbers of new players, a better media efficiency and also revenue increases. Also, the Group sees adaption and negative effects; while working from home was easy to implement and not leading to an efficiency loss, gaming fares have been cancelled and also on the media side the Group sees some customer pausing their budgets, while however others are increasing their spend.

Furthermore, there were no events or developments that would have resulted in a fundamental change in the recognition or valuation of the individual assets and debt positions as of 31 December 2019.

41. Approval of the consolidated financial statements

The consolidated financial statements of the Group as at and for the year ended 31 December 2019 was approved and released for publication on 26 June 2020.

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 2019 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.

Malta, 26 June 2020

Board of Directors

______________________	______________________	______________________
Remco Westermann	**Tobias Weitzel**	**Elizabeth Para**
Director	Director	Director

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Media and Games Invest plc

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Media and Games Invest plc set out on pages 6 to 90 which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit and 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 accompanying consolidated financial statements give a true and fair view of the financial position of the Media and Games Invest plc and its subsidiaries (together, "the Group") as at 31 December 2019, 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).

We confirm that the audit opinion expressed in this auditors' report is consistent with the additional report to those charged with governance pursuant to 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 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' Code of Ethics for Professional Accountants (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 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.

RSM

INDEPENDENT AUDITORS' REPORT - continued

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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 2019, the Group completed three acquisitions that have resulted in the Group acquiring controlling interest in WildTangent Inc. ("WildTangent"), ReachHero GmbH ("ReachHero Group") and AppLift GmbH ("AppLift Group"). 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 are significant transactions during the year and involved significant management judgments 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 assessed whether the appropriate accounting treatment has been applied to these transactions.
- We have performed audit procedures on the financial information of the acquired entities at the date of acquisition.
- We have assessed the valuation for the considerations paid.
- We tested 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 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 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 assessed the competence, objectivity, independence and relevant experience of the specialists engaged by management.

We also assessed the adequacy of the related disclosures in the consolidated financial statements regarding these acquisitions.

INDEPENDENT AUDITORS' REPORT - continued

Key Audit Matters - continued

Impairment assessment of goodwill and other intangible assets

As at 31 December 2019, included in the consolidated statement of financial position are goodwill of kEUR 147,339 and other intangible assets totaling kEUR 85,869.

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 2019.

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 tested the accuracy of the underlying model to assess whether the processes are applied to the correct input data and the outputs are mapped accurately.
- We compared the methodology used (value-in-use calculations based on future discounted cash flows) by the Group to market practice.
- We obtained management's five-year plan, future cash flow forecasts 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 assessed the reasonableness of key assumptions used in the calculations comprising gross profit margin, EBITDA margin and discount rates. When assessing these key assumptions, we discussed them with management to understand and evaluate management's basis for determining 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.

RSM

INDEPENDENT AUDITORS' REPORT - continued

Key Audit Matters - continued

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

The Group has a total bonds framework amounting kEUR 75,000, of which kEUR 25,000, with Media and Games Invest plc as the issuer, is a 7% unsecured coupon bond of EUR 1,000 each, due on 11 October 2024 with call option beginning 11 October 2021, and traded in the open market of the Frankfurt Stock Exchange (ISIN DE000A2R4KF3). The other bond is the kEUR 50,000 7.75% senior secured bond, with gamigo AG as the issuer, due on 11 October 2022, traded in the open market of the Frankfurt Stock Exchanges and in the regulated market of NASDAQ Stockholm (ISIN SE0011614445).

As at 31 December 2019, the issued and outstanding balance amounted to kEUR 65,930, of which, kEUR 32,000 was issued in 2018 and kEUR 18,000 in 2019 by gamigo AG, and kEUR 15,930 was issued by MGI in 2019. The carrying amount of these bonds in the consolidated statement of financial position as at 31 December 2019 was kEUR 63,988. We have considered the issuance of these bonds to be a key audit matter as these were significant business transactions 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 2019. 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 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.

Other Information

The directors are responsible for the other information. The other information comprises the general information and the directors' report. Our opinion on the consolidated financial statements does not cover the other information, including the directors' report.

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.

INDEPENDENT AUDITORS' REPORT - continued

Other Information - continued

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 the 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.

The directors are responsible for overseeing the financial reporting process.

Auditor's 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 judgment and maintain professional skepticism 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.

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INDEPENDENT AUDITORS' REPORT - continued

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements – continued

- 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.

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.

INDEPENDENT AUDITORS' REPORT - continued

Report on Other Legal and Regulatory Requirements

Under the Companies Act (Cap. 386), we are required to report to you if, in our opinion:

- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The consolidated financial statements are not in agreement with the accounting records and returns.
- We have not received all the information and explanations we require for our audit.
- Certain disclosures of directors' remuneration specified by law are not made in the consolidated financial statements, giving the required particulars in our report.

We have nothing to report to you in this regard.

Other Matter – Non-audit Services

The non-audit services that we have provided to the Group during the year ended 31 December 2019 are as disclosed in Note 30 in the consolidated financial statements.

Appointment

We were first appointed as auditors of the Group for the period ended 31 December 2013. Our appointment was renewed annually by shareholders' resolution representing a total period of uninterrupted engagement appointment of seven years.

This copy of the audit report has been signed by
Conrad Borg (Partner)
for and on behalf of

RSM Malta
Certified Public Accountants

26 June 2020