



Interim Report, Q1 2019 gamigo AG

39% NET REVENUE GROWTH AND 453% EBIT GROWTH

"In the first quarter of 2019, a large part of our focus was on the realization of joint synergies within the Trion business which we acquired back in Q4 2018. Driven by the successful acquisition Monthly Active Users of our Top 10 MMO-Games increased YoY by 255%, while the net revenues of the first quarter increased by 39% and the EBIT grew by 453%. The capital market's confidence in our strategy was confirmed by the successful tap issue of Euro 10 million over par in March 2019. Continuing our M&A roll-up strategy, substantial assets from the casual game publisher WildTangent Inc. were acquired in April 2019 and will contribute from day one to the Groups profits. Also our synergetic Media and Advertising focused B2B Unit is developing well and extended substantial partnerships for additional media campaigns during 2019. With our platform we are well prepared for strong profitable growth in 2019," says Paul Echt, CFO of the gamigo Group.

THE FIRST QUARTER, JANUARY – MARCH 2019

- Net revenues amounted to 13.4 mEUR (Q1 2018: 9.6 mEUR), which is an increase of 39% compared to the first quarter 2018.
- EBITDA amounted to 4.0 mEUR (Q1 2018: 2.4 mEUR), which is an increase of 70%. The EBITDA has increased due to more efficient operations -including further consolidation of data-centers- and first realized synergies from the Trion acquisition (Q4 2018). Through substantial synergies with the existing business, the Trion acquisition accounted for a significant increase in revenue and EBITDA in Q1 2019.
- Adjusted EBITDA amounted to 4.7 mEUR (Q1 2018: 3.2 mEUR) which is an increase of 49%.
- EBIT developed very well and increased to 1.5 mEUR (Q1 2018: 0.3 mEUR), which is an increase of 453%.
- The net result for Q1 2019 amounted to 0.5 mEUR (Q1 2018: 0.1 mEUR), which is an increase of 790%.
- As of March 31, 2019, cash and cash equivalents increased and amounted to 9.4 mEUR (December 31, 2018: 4.2 mEUR).
- The net leverage ratio has improved and was 1.98 as of March 31, 2019 compared to 2.10 as of December 31, 2018. Net leverage based on Q1 2019 adjusted EBITDA was 1.66 compared to 1.98 for the reported EBITDA figure.
- The interest coverage ratio has slightly decreased and was 5.2 as of March 31, 2019 compared to 5.3 as of December 31, 2018 due to higher interest payments after the bond issue in October 2018.
- Following a short book building process, organized by Pareto Securities, Stockholm, the gamigo AG has successfully concluded a tap issue of EUR 10 million of senior secured floating rate callable bonds due October 2022 within the existing EUR 50 million bond issuance program of gamigo AG. The tap issue was oversubscribed and made over par at a price of 100.50% of the nominal amount. The settlement was in the beginning of April 2019 and as such is not included in the consolidated statement of financial position as of March 31, 2019.
- The number of Monthly Active Users of our Top 10 MMO's has increased from 346 thousand to 1.229 thousand, which is a user increase of 255%.
- B2C Games Segment: In the first quarter 2019, the publishing of the successful titles such as RIFT, ArcheAge, Trove and Defiance were contributing substantial revenues and EBITDA to the group's overall performance. gamigo released in Q1 2019 extensive updates for the MMO's Trove and ArcheAge as well as for the games Aura Kingdom and Echo of Soul which drove organic revenue growth in these games.
- B2B Advertising and Media Segment: Adspree Media tackles ad fraud and media planning and successfully finalized a new software-tool to further improve fraud detection also the development project of a new media planning tool made good progress. Mediakraft acquired the German YouTube channels "Top Zehn" and "Streng Geheim" from Diagonal View, which were already produced by Mediakraft.



ArcheAge



EVENTS AFTER THE INTERIM PERIOD

- In April 2019, gamigo AG acquired via its 100% subsidiary gamigo Inc. substantially all assets of the US games publisher WildTangent Inc. ("WildTangent"). The assets include, among others, a portfolio of over 5,000 games, which are distributed via the company's own platform and in close cooperation with leading computer and laptop manufacturers. The acquired business of WildTangent is expected to contribute to revenues with a mid-single-digit million US dollar amount in the current financial year and to positively contribute to the gamigo group's EBITDA from the date of acquisition.

SELECTED KEY PERFORMANCE INDICATORS, GAMIGO GROUP

EUR 000's	2019 Jan-Mar	2018 Jan-Mar	2018 Jan-Dec
Net Revenues	13.4	9.6	45.3
YoY Growth in revenues	39%	-	7%
EBITDA	4.0	2.4	11.1
EBITDA margins	30%	25%	24%
Adj. EBITDA	4.7	3.2	13.4
Adj. EBITDA margins	35%	33%	30%
EBIT	1.5	0.3	2.6
EBIT margins	11%	3%	6%
Net Result	0.5	0.1	1.6



A Word from Remco Westermann, CEO

STRONG INCREASE OF USERS AND EBIT, CONTINUATION OF M&A

"gamigo had a very good start into the financial year 2019. Our revenues as well as our profitability further increased showing a continuation of the positive trend of the last years. Also for the following quarters we expect a further positive development of the group."

The two key-events in Q1 2019 have been the placement of a Euro 10 million tap issue of the bond as well as the integration of the Trion assets which we acquired back in Q4 2018.

Furthermore in April 2019 with WildTangent we just closed another acquisition. WildTangent is a nice addition to our portfolio of casual games, adding over 5,000 games licenses, which are distributed via the company's own platform and in close cooperation with leading computer and laptop manufacturers. The acquired business of WildTangent is expected to contribute to revenues with a mid-single-digit million US dollar amount in the current financial year and to positively contribute to the gamigo group's EBITDA. As the acquisition of the assets was closed in April the positive effect from the acquisition will be visible from Q2 2019 onwards.

The follow up on our substantial acquisition of the Trion Worlds assets in October 2018, was an important part of our focus in Q1 2019, as the integration of the Trion assets and the attached cost optimizations are still ongoing. The work is already advanced in moving the Trion games to the cutting edge of cloud technology, enabling us to move from a fixed cost model, based on hardware purchases and renting data centre space, to a variable, 'pay-as-you-go' cost model. Also, we reduced the numbers of vendors, particularly those that tied us to locked in spending amounts, and are moving to large, flexible contracts with a few key vendors. Not only have we been able to maximise our economies of scale, but we have been able to increase our IT efficiency using automation and scaling models at the point of delivery. Based on the current savings that have achieved, we are on target to reach a cost reduction this year of over 60% on what Trion were spending on its infrastructure as well as a reduction on downtimes by 50%. Improved costs analysis allows us to measure and control the technology for each individual game, so the technology costs can be optimized on a game by game basis. We made great progress altogether and the Trion assets are contributing significantly and above our expectations, to the Group's overall performance. Especially the Trion titles ArcheAge and Trove showed a very positive development in Q1 2019.

Also, on the organization side we managed to become leaner and more efficient even though the total number of employees grew to more than 350 based on the Trion acquisition. The operational costs for managing the Trion games have been reduced by 70% versus before the acquisition. This has been achieved by a strong focus on efficiency and consolidation across the US and EU delivery platforms.

In addition to the increased revenues and earnings, the enormous synergy potential of our strategic single platform focus is now also showing its full effect. Thanks to our US team, we have now also gained know-how in the areas of consoles, as well as getting a stronger focus on the North American games market. The teams at the various offices learn a lot from each other, for example in the areas of graphics, BI and community management. This process is actively supported by the management and contributes to our organic growth strategy.

Also, other important games in the gamigo portfolio, such as Fiesta Online, Aura Kingdom and many others were in the focus during Q1 2019. Internationalization, fixing bugs, more community management and also launches of new contents had a positive effect on the Groups earnings.

On the B2B side, the further integration of the media and advertising entities continued and several additional sales persons were hired. The returns were better than expected in Q1 2019, even though Q1 is always the weakest quarter of the year due to seasonality.

As the number of M&A opportunities is substantial, we decided to further increase the outstanding bond volume. A tap issue of Euro 10 million was placed in March, increasing the volume to Euro 42 million under the total Euro 50 million framework of the bond. There was a lot of interest from investors and we were able to place it at 100.50% over par. The increase in the bond volume demonstrated the interest as well as the confidence of investors in our business model and the management.



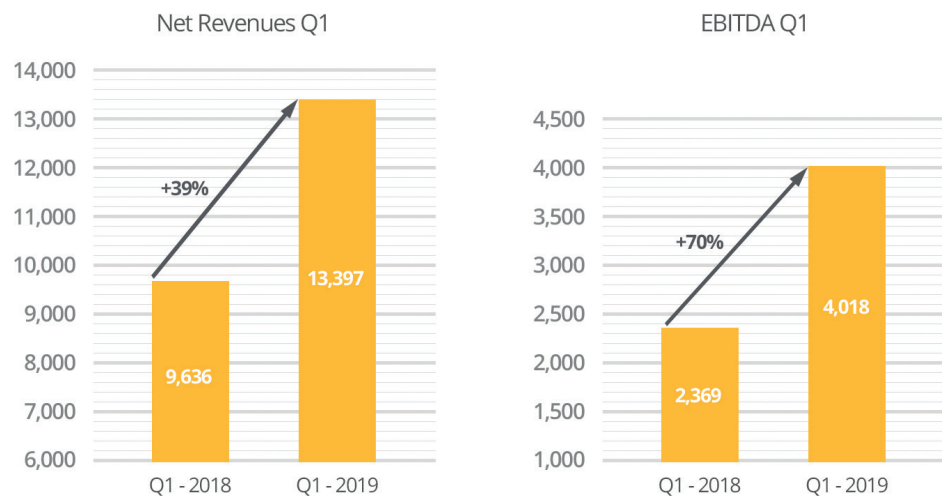
We expect that also the coming quarters will show further growth. Apart from the positive effect of the WildTangent acquisition, we expect to be able to acquire further gaming and media companies also in 2019. Also, for further organic growth, there is a nice pipeline of games to be launched and also within the current portfolio organic growth will be stimulated by new patches and larger updates of the games, as well as internationalization and later also porting to other channels. Within the second half of 2019 there should also be a positive effect from our new game Ironsight. While the game was in open beta for a while and some technical issues had to be solved, we expect to be able to launch the game soon.” says Remco Westermann, CEO gamigo Group.



FINANCIAL PERFORMANCE, Q1 2019

CONSOLIDATED NET REVENUES, EARNINGS AND EXPENSES

The first quarter of 2019 showed as well as previous quarters strong revenue growth. Net revenues increased in Q1 2019 to 13.4 mEUR (Q1 2018: 9.6 mEUR) which is an increase of 39%. The EBITDA amounted to 4.0 mEUR (Q1 2018: 2.4 mEUR) which is an increase of 70%. The EBITDA margin of the first quarter also improved substantially to 30% of the revenues (Q1 2018: 25%). Reported EBITDA has increased despite a negative impact from a provision of 670 kEUR for expected M&A activities and legal costs. The increase is based on more efficient operations of the daily business of the gamigo Group and the successful integration of Trion. Adjusted EBITDA excluding the provisions of 670 kEUR amounted to 4.7 kEUR (Q1 2018: 3.2 mEUR), which is an increase of 49%. The EBIT during Q1 2019 increased to 1.5 mEUR (Q1 2018: 0.3 mEUR), which is an increase of 453%. Net result was positive with 0.5 mEUR (Q1 2018: 0.1 mEUR), which is an increase of 811%.



CASH FLOW AND FINANCIAL POSITION

Cash flow from operations in Q1 2019 was 2.4 mEUR (Q1 2018: 0.3 mEUR), which is an increase of 842%. Equity ratio as of March 31, 2019 was 29% (December 31, 2018: 30%). Cash and cash equivalents for the Group at the end of the first quarter 2019 were 9.4 mEUR compared to 4.2 mEUR as of December 31, 2018. The interest coverage ratio was 5.2 as of March 31, 2019 versus 5.3 on December 31, 2018 due to the increased interest expenses after the bond issue. The net leverage ratio on March 31, 2019 was 1.98 compared to 2.1 on December 31, 2018 and improved due to the increased profitability of the gamigo group.

INTANGIBLE ASSETS, INVESTMENTS AND DEPRECIATION

During the first quarter 2019, investments in strategic development of product and platform (personnel expenses) have been capitalized with 1.8 mEUR (Q1 2018: 1.0 mEUR). Investments include structural improvements of the IT-platform, new planned game launches as well as improvements in the existing games like ArcheAge, Trove, Aura Kingdom, Fiesta Online, Last Chaos and Desert Operations. In relation to net revenues, these investments in Q1 2019 amounted to 14%.

Depreciation and amortization amounted to 2.5 mEUR in Q1 2019 (Q1 2018: 2.1 mEUR) and increased due to additional depreciation charged for the acquired Trion assets. Depreciation and amortization primarily pertain to intangible assets acquired by the Group related to the Group's acquisitions of subsidiaries and businesses and to capitalization of product development costs.



Ironsight

EVENTS IN THE BUSINESS SEGMENTS, FIRST QUARTER 2019

B2C GAMING SEGMENT

The gamigo group offers over 30 Massive Multiplayer Online Games (MMOG's) and over 500 casual games. These include various roleplay, strategy and shooter MMOG's, e.g. ArcheAge, Aura Kingdom, Grand Fantasia, Fiesta Online and Trove, which have been on the market for many years now. These games, if maintained well, with optimised marketing and regular improvement of the game content, have a lifetime of more than 10 years. On a regular basis, mostly once per quarter we release substantial content updates to keep the players engaged and entertained. In the first quarter we released e.g. with Rift, ArcheAge, Trove and Aura Kingdom some major updates which drove substantial organic revenue growth in these games. Below you find an overview of some of our game updates:

ArcheAge: "Relics of Hiram 5.1" Update introduces new contents to the game

Building on the previous Relics of Hiram Update, gamigo released its second and third large Update for the widely successful fantasy MMORPG ArcheAge. Introducing a Pirate Fraction, new Items and more difficult dungeons, the Update brought a plethora of new content for the players to explore worldwide. The third Update also introduces a new story quest, Dungeon challenges and many more exciting additions to the fantastical world of the Sandbox-MMORPG ArcheAge.

Trove: Major "Crystal Combat" Update released on consoles

Following the PC release in December, gamigo introduced an extensive Update for the adventure MMO Trove for console players in Q1. The Update contains three challenging procedurally-generated topside worlds, stronger monsters, new Crystal Equipment and much more.

Echo of Soul: Introduction of new PvP-Mode

Players of the well established Fantasy MMORPG can now explore popular dungeons from the past of Echo of Soul and new Raid Zones. Additionally, a new PvP-Mode offers fresh challenges for new and long-time players of the online role-playing game.

Aura Kingdom: 50th Update celebrated with Parades and Daily Events

Gamers now can enjoy the richest game experience to date. Swiftly following the release of patch 49, in which three new dungeons opened their doors to brave adventurers, the 50th-anniversary Update for the exciting Anime MMORPG Aura Kingdom offers, amongst other things, new Masterseries and additional Levels.

RIFT: Battle Pass and 8th Birthday celebration

The popular MMORPG RIFT has turned eight this year. Celebrating with its loyal player base, the developers released an Update including a new five-star Dungeon and exclusive World Event. Furthermore, gamigo announced the first Season of Battle Pass, providing players with additional claimable rewards by completing quests through playing already available content.

B2B ADVERTISING AND MEDIA SEGMENT

In the area of B2B services, the focus is on advertising and media services, especially online advertising and marketing, with a strong focus on influencer-, social- and product marketing. The most important activities in this field are grouped in adspree media and the Mediakraft group. While adspree media is focused on lead generation and advertising for game providers and also operating portals such as MMOGAMES.com, MMORPG.de and Browsergames.de, the Mediakraft group is a specialist agency for video, social- and influencer marketing offering a full product range in this field with consultancy, design, production, media purchasing and performance tracking and analyses.

Mediakraft Networks GmbH is driving the cooperation with the other B2B companies of the gamigo group, especially adspree Media GmbH and the Mediakraft subsidiaries Mediakraft TV Sp. z o.o. (Poland) and Mediakraft Turkey Yayın Hizmetleri A.Ş. (Turkey) forward under a joint umbrella brand "Media Elements Group". This includes the development of joint strategies, particularly in the areas of influencer marketing, digital marketing, content production & sourcing, content syndication and SaaS.



Adspree Media

Adspree Media tackles ad fraud and media planning and successfully finalized a new software-tool in Q1 to further improve fraud detection. Also, the planning phase of a new media planning tool was concluded, in preparation of taking over media planning and execution of gamigo user acquisition and influencer marketing campaigns. Also, there was focus on further extending the partnership with various strong partners such as e.g. PUBG, where adspree ran the pre-launch and launch campaign of their new European Sports League. In addition, adspree is running various customer acquisition focused campaigns, with e.g. performance marketing as well as TV campaigns. Partners include e.g. Yozu, Gameforge, Innogames and IGG. Adspree also manages the advertising strategy regarding viewer acquisition for YouTube channels of Mediakraft.

Mediakraft Networks (DE)

The Mediakraft business, focussing on influencer social marketing campaigns, thrives leading current clients to seek extended corporations. The continued successful and satisfactory completion of influencer campaigns led various partners – PayPal, Deutsche Fernsehlotterie, Mobilcom Debitel – to extend the cooperation and book additional campaigns with Mediakraft in Q1 2019. The German content network FUNK, operated by ARD and ZDF, has also extended its cooperation with Mediakraft contracting further episodes of the TikTok format “#move2”. The Gemeinschaft der Evangelischen Publizistik (GEP) has extended the ongoing contract with Mediakraft to produce the YouTube Channel “Jana Glaubt” until the end of 2019. In addition, Mediakraft got a contract with the association of the Chemical Industry (Verband der chemischen Industrie) to produce an annual campaign. Realigning the Own & Operated channels strategy, Mediakraft acquired the German YouTube channels “Top Zehn” and “Streng Geheim” which were already produced by Mediakraft from Diagonal View. While maintaining the assets, the production of the O&O-channels “The Great War” and “Filmfabrik” will be continued in cooperation with external partners. Further cooperations in this area will follow.

Mediakraft TV (PL)

Mediakraft TV continued to expand its platforms reach, building new partnerships while refining content distribution, intellectual property management and digital rights. Also, there was focus on increasing production services for domestic and international clients. By acquiring the entirety of shares from the former service provider company So Cash Productions Sp z o. o., Mediakraft TV strengthened the inhouse competence on key topics like transfer of tangible assets, intellectual property and digital rights. Already having added 57 channels to the platform, Mediakraft TV further expands the relationship with CDA.PL for the syndication of content. In partnership with Mediakraft TV, Q Polska launched on TOYA's television network, offering ground breaking new distribution opportunities for premium content creators.

Mediakraft Turkey

In Q1 2019, Mediakraft Turkey increased AdSense revenues by enhancing the average duration of content, leading to optimized content monetization. Also, there was focus on realigning the O&O content strategy by focussing on content for young demographics, which showed a positive effect in Q1 and will also result in more sustainable revenue streams for the upcoming quarters. Also, there was focus on implementing advanced production efforts for a range of 2D and 3D channels. Due to volatile market conditions in Turkey, direct sales (sponsoring) revenues have declined.

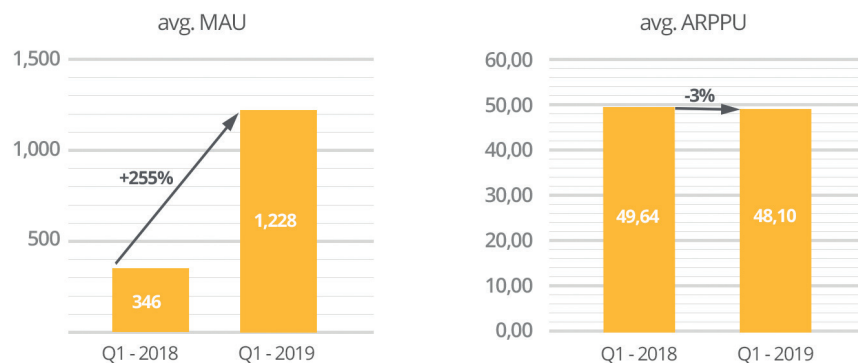


OPERATIONS AND STRATEGY

SUBSTANTIAL USER GROWTH IN A YEAR OVER YEAR PERSPECTIVE

The acquisition of the assets of Trion Worlds Inc. strongly influenced the development of the key performance indicators of the top 10 MMO's within the gamigo group, as the comparison between Q1 2018 and Q1 2019 clearly indicates. The acquisition led to a new composition of our top 10 titles which now also includes products of the formerly Trion World Inc.

A substantial number of players were successfully transferred with the assets into our portfolio and kept playing which led to an outstanding increase of user activity on a monthly basis. Thanks to the Trion Worlds games we were able to significantly increase our presence within the highly relevant North American games market and are planning to further strengthen the position of the gamigo group within this region. In response to the massive increase in players, which more than tripled from 2018 to 2019, gamigo focussed on significantly increasing and improving its community management while also expanding operations at multiple locations, including the US.



Looking at the monthly spending per player, a slight decrease of 3.1% can be observed. This can be attributed to a lower ARPPU in the newly added Trion titles, resulting from the mostly American audience showcasing different approaches to purchasing in-game items compared to their European counterparts. Recognizing this as an opportunity, gamigo has begun applying best-practices to increase the ARPPU of the Trion Worlds games. Keeping players engaged and entertained by continuously providing new content and engaging activities is crucial when it comes to long-term motivation, which also increases the chance to convert active players into paying players. By utilizing synergies across multiple channels and partners, gamigo is actively working on increasing awareness for the Trion Worlds titles throughout Europe. Additionally, having acquired a strong foothold in the North America with the purchase of the Trion Worlds Inc. assets, gamigo can further pursue the untapped potential of its portfolio in the US market.

By realizing previously mentioned opportunities gamigo can further increase its current revenue streams and add new revenue streams in the foreseeable future.

MORE STRATEGIC FOCUS ON CASUAL GAME PUBLISHING

In April 2019 the gamigo group acquired substantial all assets of the US games publisher WildTangent Inc. which reaches several million players via its WildTangent platform on a regular basis with a broad spectrum of games.

Currently the WildTangent platform offers more than 5.000 games from its network of more than 400 game developers and publishers to an audience of more than 4 million players. In addition to being accessible via internet browsers, WildTangent's platform comes also preloaded on desktop and laptop devices of leading Original Equipment Manufacturers (OEM). This is very important, because customers can be engaged from the first moment they start using their new computer devices. Next to a comfortable first point of contact experience, this channel of customer acquisition features low acquisition costs, while being offered to a wide audience of millions of potential customers.



After initiation of a first contact to the WildTangent portal via various channels, players need to register in order to access demo versions of the games, purchase the full title, or rent it for a period of time. Instead of a single-title-purchase the players can also subscribe to the Wild membership program which gives players unlimited access to an “all you can play” catalogue of more than 2,000 games included in the Wild membership program. The subscription also provides an additional purchase incentive for games not included in the unlimited play catalog program via significant discounts that reduce the purchase or rental price.

The WildTangent platform offers an extensive portfolio of mid-core and casual games that perfectly add up with the already existing portfolio of the gamigo group. Especially the portfolio and the activities of gamigo's casual games platform “Deutschland spielt” show a huge potential for synergies by offering titles on more than one platform, widen the user base and specialize web presences in regard to target groups and due to more critical mass also cost-efficiency. With the growth of our customer base we are also directly increasing our importance for business partners like developers and advertisers.

For developers clear benefits can be identified, such as multi-platform publishing of their titles, a broad international customer base, several years of experience to optimize the web presence of the titles and a single point of contact to ease communication. In addition to those future synergies we are able to complement the portfolios of both platforms, providing direct benefits for all parties.

The high number of active users naturally includes a significant volume of traffic on our portals, which by itself is already a matter of interest for advertisers. In addition, we enable the utilization of our web presence by offering access to our ad-spaces via a wide range of API's that allow connection to all AdTech Servers of importance from an advertiser's point of view, while providing a wide range of specialized target group segments due to the games categories, which usually are accessed by specific user groups.

With the addition of WildTangent to our existing platform we also increased our position in this segment of casual games, aiming for an even wider range and larger portfolio to become a leading player in the segment of casual platform gaming.

OUR VIEW ON THE GAMING MARKET

In the B2C sector, the gamigo Group has a broad portfolio of online games, including role-playing games, shooter and strategy games in particular, as well as a wide portfolio of casual games. In the B2B sector, gamigo primarily offers solutions for customers in the gaming sector and due to synergy reasons also for non-gaming customers including online marketing and advertising services with a strong focus on influencer marketing.

The services and products of the gamigo Group are distributed worldwide, but with a clear focus on the markets in Europe and North America. In the online gaming market, the gamigo Group focuses in particular on free-to-play titles, where players can play for free but spend money to progress faster or purchase exclusive and special virtual items. These games are primarily operated in the PC and console segments. The mobile segment, which is typically growing strongly in Asia, is also served by gamigo, but with significantly less focus than the PC and console segments.

The market for online games has been a growth market for years and will continue to grow strongly in the future. According to Newzoo, the global market volume in 2018 was USD 134.9 billion. For the year 2019 Newzoo expects a market volume of approx. USD 148.1 billion. This corresponds with a growth rate of about 10% and is thus well above global economic growth. Newzoo forecasts the market to reach a size of USD 180.1 billion by 2021 (CAGR = 7.49%).

Gamigo is primarily active in the European and North American markets. Seven of the ten strongest countries in the world are in Europe and North America. According to Newzoo, 41% of global revenues (EUR 56.6 billion) were generated in these markets in 2018. The console, PC and browser segments represent 49 percent of revenues. These segments are the primary focus of gamigo. The strong growth in mobile gaming has no impact on revenues from the PC or console gaming sector and is primarily attributable to the Asian market.



Games are generally sold as Free-2-Play or as premium games. As the name suggests, the player does not have to pay for the Free-2-Play model to play the game. Monetisation takes place through in-game purchases, for example by allowing players to buy new costumes for their characters. This model allows for long lasting and recurring income. On the other hand, there is the classic premium model where the game is sold to the player at a fixed price in a single transaction. Today, the Free-2-Play business model accounts for 80 percent of sales worldwide. The games of the gamigo Group are mostly based on the Free-2-Play model.

The gaming market is a mass market and appeals to a wide variety of people. For example, 42 percent of all gamers are female. The average age of players is also growing steadily. With an average player age of 35.5 years in 2017 and 36.1 years in 2018, gaming is no longer only focused on children and young people. In Germany, the largest group of players, with 9.5 million people, are the 50+ age group.

The gaming market is as diverse and fragmented on the demand side as it is on the supply side. There are many small and few large companies in the gaming market. Every month over 3,000 new games are being launched, while there are only a limited number of platforms through which the games are distributed. The risk that new games will not achieve the desired success is correspondingly high, as many games will simply be lost due to the large number of releases and the simultaneously existing bottleneck in the distribution channels, or will not meet the taste of the users.

On the other hand, companies in the gaming sector are dependent on the success of the games due to the very high investment costs for the development of new games as well as high marketing and personnel costs. If they do not succeed, however, they will often find themselves in financial difficulty. There are many companies that operate one or more successful games but fail with the development or release of the next game for the aforementioned reasons.

Therefore, the gaming market still offers a high potential to grow through M&A consolidation. Many companies have game titles in their portfolio that continue to generate steady and substantial revenues but are in financial distress due to the foregoing circumstances. The acquisition of such companies or their assets and their restructuring and integration offer a high growth potential with a calculable risk.

In PwC's "Global Entertainment & Media Outlook: 2018 - 2022", video games and Internet advertising are among the fastest growing segments in the entertainment and media sector. With a forecast CAGR (2017-2022) of 7.5 to 8 percent, they are well ahead of sectors such as film, music, books and television, which, according to PwC, are well below 5 percent in the same period.

Accordingly, the markets in which gamigo operates continue to offer high potential for both organic and non-organic growth in the coming years. The gamigo Group is very well positioned to take advantage of this growth potential and has proven in the past that it is even stronger than the market.

The gamigo Group has shown fast, sustainable and profitable growth over the last years. The game publishing activities with a broad games portfolio of large MMO's and many smaller casual games in combination with the synergetic advertising and media companies are a good bases for further growth driven by licensed game launches as well as further M&A. Based on the very competitive landscape, many smaller game companies are under pressure and also often for sale. With our unique consolidation platform, we are well positioned to acquire these competitors for a relatively low multiple and as a result grow faster than the market in the next years. The market for online games has been a growth market for years and will continue to grow strongly in the future. According to Newzoo, the global market volume in 2018 was USD 134.9 billion. For the year 2019 Newzoo expects a market volume of approx. USD 148.1 billion. This corresponds with a growth rate of about 10% and is thus well above global economic growth. Newzoo forecasts the market to reach a size of USD 180.1 billion by 2021 (CAGR = 7.49%).

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION, GAMIGO GROUP
(unaudited)

EUR 000's	Note	Jan-Mar 2019	Jan-Dec 2018
Intangible assets	2, 3	67,677	67,585
Property, plant and equipment		3,793	4,186
Financial assets and other assets		10,350	9,938
Long-term assets		81,821	81,709
Trade and other receivables		9,726	7,924
Cash and cash equivalents		9,434	4,158
Short-term assets		19,160	12,082
Total assets		100,980	93,792
Equity attributable to shareholders of the parent company	6	29,478	28,577
Non-controlling interest		-38	-51
Total Equity		29,440	28,526
Long-term liabilities	4	47,638	41,818
Short-term liabilities	5	23,903	23,448
Total liabilities and equity		100,980	93,792

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, GAMIGO GROUP
(unaudited)

EUR 000's	Note	Jan-Mar 2019	Jan-Mar 2018	Jan-Dec 2018
Revenues				
Net revenues	7	13,397	9,636	45,289
Own work capitalized		1,819	1,038	4,168
Other operating income		178	265	6,667
Total Income		15,394	10,939	56,123
Operating Expenses				
Services purchased & other operating expenses	8	-6,646	-5,352	-30,343
Personnel expenses	9	-4,730	-3,218	-14,729
Total operating expenses		-11,376	-8,570	-45,072
EBITDA		4,018	2,369	11,051
Depreciation, amortization and write-downs	10	-2,485	-2,091	-8,464
EBIT		1,533	277	2,587
Financial result		-777	-394	-2,096
EBT		756	-117	491
Income Taxes		-223	176	1,126
Net Result		533	60	1,616
of which attributable to non-controlling interest		-12	0	-28
of which attributable to shareholders of the parent company		545	60	1,644

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY,
GAMIGO GROUP** (unaudited)

in KEUR	Share capital	Capital reserve	Difference from currency translation	Accumulated retained earnings	Equity attributable to shareholder of gamigo AG	Non-controlling interest	Total
Total Equity as at 31. Dec. 2017 / 1. Jan. 2018	2,311	48,153	-28	-23,589	26,847	-119	26,728
Issues on shares							
Consolidated profit / loss for the year				1,617	1,617		1,617
Other comprehensive income			114		114		114
Other changes						68	68
Total Equity as at 31. Dec. 2018 / 1. Jan. 2019	2,311	48,153	85	-21,972	28,577	-51	28,526
Issues on shares							
Consolidated profit / loss for the period				520	520	13	533
Other comprehensive income			381		381		381
Other changes							
Total Equity as at 31. Mar. 2019	2,311	48,153	466	-21,452	29,478	-38	29,440

CONDENSED CONSOLIDATED CASH FLOW STATEMENT, GAMIGO GROUP (unaudited)

EUR 000's	Note	Jan-Mar 2019	Jan-Mar 2018	Jan-Dec 2018
Cash flow from operating activities		2,346	249	10,462
Cash flow from investing activities		-2,296	-300	-6,254
Cash flow from financing activities		5,226	-376	3,886
Cash flow for the period		5,276	-427	8,094
Cash and cash equivalents at beginning of period		4,158	-3,936	-3,936
Cash and cash equivalents at end of period		9,434	-4,363	4,158

SELECTED EXPLANATORY NOTES (unaudited)

NOTE 1 ACCOUNTING AND VALUATION PRINCIPLES

This interim report, Q1 2019 has been prepared in accordance with IAS 34, Interim Financial Reporting. The consolidated financial statements have been prepared in accordance with IFRS such as adopted by the EU and the relevant references to the German Commercial Code and the German Corporation Act.

In the preparation of the interim report, the condensed consolidated financial statements, the accounting standards and interpretation have been used valid as of 1 January 2019. In this interim report the same accounting policies and methods of computation were followed compared to the last audited consolidated financial statements for the business year ended December 31, 2018.

The consolidation scope of the condensed consolidated financial statements for the quarter ended March 31, 2019 did not change compared to the audited consolidated financial statements as of December 31, 2018.

NOTE 2 INTANGIBLE ASSETS INCLUDING ACQUISITIONS

Intangible Assets

The minor change in Goodwill is due to effects of changes in foreign exchange rates. Other Intangible Assets includes self-developed intangible assets (development expenses), IP's and Licenses and advanced payments on licenses and increased slightly due to further development on the IP owned games.

	March 31, 2019	December 31, 2018
	kEUR	kEUR
Goodwill	27.912	27.909
Other Intangibles	39.765	39.676

Acquisitions

April 2019 – The gamigo AG, via its 100% subsidiary gamigo Inc., acquired substantially all assets of the US games publisher WildTangent Inc. ("WildTangent"). The total consideration for the acquisition of the assets and liabilities consists of a fixed cash component (kUSD 5,000) and a contingent consideration (earn out). The contingent consideration arrangement requires an additional purchase price to be paid when the subsequently generated revenue exceeds a certain amount.

The assets include, among others, a portfolio of over 5,000 games, which are distributed via the company's own platform and in close cooperation with leading computer and laptop manufacturers. The acquired business of WildTangent is expected to contribute to revenues with a mid-single-digit million US dollar amount in the current financial year and to positively contribute to the gamigo group's EBITDA from the date of acquisition.

In addition to the positive financial figures, gamigo expects the acquisition to generate significant synergies with gamigo's current gaming activities and portals. WildTangent operates a gaming platform with more than 4 million visitors per month, a network of more than 400 game developers and publishers, a substantial customer base, as well as contracts for the distribution of the games portfolio via leading computer manufacturers.

The acquisition of Wild Tangent assets qualifies as a business combination in terms of IFRS 3 Business Combinations. A preliminary purchase price analysis is currently performed. As part of this, the company currently evaluates the identifiable assets acquired, the liabilities assumed as well as the difference between the aggregate of the consideration transferred (purchase price components) and the net amount of the identifiable assets acquired and the liabilities assumed, and its impact of the consolidated financial statements. The results of the purchase price analysis will be recognized in the following interim report.

NOTE 3 DISPOSALS

There were no material sales or disposals in the first quarter 2019.

NOTE 4 LONG-TERM LIABILITIES

As of March 31, 2019 the long-term liabilities of gamigo Group increased to kEUR 47,638 (December 31, 2018: kEUR 41,818). As of March 26, 2019 following a short book building process, organized by Pareto Securities, Stockholm, the gamigo AG has successfully concluded a tap issue of EUR 10 million of senior secured floating rate callable bonds due October 2022 within the existing EUR 50 million bond issuance program of gamigo AG. The tap issue was oversubscribed and made over par at a price of 100.50 per cent of the nominal amount. The net proceeds from the tap issue are intended to be used for the general corporate purposes, including investments and acquisitions for further growth. The settlement of the transaction was done in the beginning of April 2019 and as such is not included in the consolidated statement of financial position on March, 31 2019.

NOTE 5 SHORT-TERM LIABILITIES

The short-term liabilities of gamigo Group are almost unchanged on March 31, 2019 (kEUR 23,903) compared to December 31, 2018 (kEUR 23,448).

NOTE 6 SHAREHOLDERS' EQUITY

As of March 31, 2019, the total shareholders' equity slightly increased to kEUR 29.440 (December 31, 2018: kEUR 28.526) due to the positive result of the first quarter 2019. The subscribed capital of the parent company gamigo AG (kEUR 2.310) and the capital reserves (kEUR 48.153) did not change during the first quarter 2019.

No dividends were paid in the first quarter 2019 nor any share-based payments nor other option plans were made or granted.

NOTE 7 SALES REVENUE

gamigo Group achieved a first quarter 2019 sales revenue of kEUR 13,397. The increase of kEUR 3,761 (March 31, 2018: kEUR 9,636) was mostly due to more B2C sales, especially from the Trion acquisition in the fourth quarter 2018.

NOTE 8 SERVICES PURCHASED & OTHER OPERATING EXPENSES

For the first quarter 2019 gamigo Group disclosed services purchased and other operating expenses of kEUR 6,646 (Q1 2018: kEUR 5,352). The increase of kEUR 1,294 is due to M&A costs and increased cost of sales. Nevertheless, the cost ratio improved from 56% in relation to the revenues in Q1 2018 to 50% of the revenues in Q1 2019 which reflects the realized synergies.

NOTE 9 PERSONNEL EXPENSES

The personnel expenses increased in Q1 2019 by kEUR 1,512 to kEUR 4,730 compared to the prior year's period due to the new US employees. This increase is mainly due to the personnel costs of appr. 50 employees who are part of the Trion business acquired on October 22, 2018.

NOTE 10 DEPRECIATION, AMORTIZATION AND WRITE-DOWNS

Depreciation, amortization and write-downs amounted in Q1 2019 to kEUR 2,485 (Q1 2018: 2,091 kEUR). The increase is mainly due to additional amortization of the acquired Trion assets. Useful lives of the assets were reviewed during Q1 2019 and partially adjusted. In Q1 2019, no impairment charges were made, neither on intangible assets nor goodwill.

NOTE 11 OTHER DISCLOSURES

There are no new significant litigations or claims in Q1 2019. In April 2019, the gamigo AG, via its 100% subsidiary gamigo Inc., acquired substantially all assets of the US games publisher WildTangent Inc.

DEFINITIONS OF KEY PERFORMANCE INDICATORS

MAU	Monthly Active Users
ARPPU	Average Revenue Per Paying User
EBIT	Earnings before interest and taxes
EBIT margin	EBIT as a percentage of net revenues
EBITDA	Earnings before interest, taxes, depreciation and amortization
EBITDA margin	EBITDA as a percentage of net revenues
Adjusted EBITDA	EBITDA excluding one-time costs
Adjusted EBITDA margin	Adjusted EBITDA as a percentage of net revenues
Equity ratio	Equity as a percentage of total assets
Growth in revenues	Net sales for the current period divided by net sales for the corresponding period of the previous year
Leverage Ratio	Net Interest Bearing Debt divided by EBITDA for the past 12 months
Interest Coverage Ratio	EBITDA divided by net financial items for the past 12 months

PARENT COMPANY

gamigo AG with its headquarters in Hamburg, Germany, is the parent company of the group. In this function, in addition to its own operational business, it also takes over central management and control functions for the group companies.

RISKS AND UNCERTAINTY FACTORS

Risks and uncertainties are described in Prospectus of gamigo AG Bond 2018/12, which is available on the company's web site <https://corporate.gamigo.com/en/investors/#bond-prospectus>

REVIEW

This report has neither been reviewed nor audited by the company's auditor.

INVESTOR CONTACT

The latest information on the company is published on its website www.gamigo.com. The company can be contacted by email ir@gamigo.com.

FINANCIAL CALENDER

Half Year Report, Q2 2019	August 31, 2019
Interim Report, Q3 2019	November 30, 2019
Year End Report, Q4 2019	February 29, 2020
Annual Report 2019	April 30, 2020

NOTE

This information is information that gamigo AG is obliged to make public pursuant to the EU Market Abuse Regulation 596/2014 and the Securities Markets Act (2007:528). The information was submitted for publication, through the agency of the contact person set out below, at 13:05 CET on May 28, 2019.

FOR FURTHER INFORMATION, PLEASE CONTACT:

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BOARD DECLARATION

The Executive Board and CEO Remco Westermann hereby certify that this Interim Report gives a true and fair view of the group's operations, financial position and results of operations, and describes significant risks and uncertainties faced by the group.

Hamburg, May 28, 2019

Remco Westermann, CEO



gamigo AG

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