



## YEAR END REPORT 2019

gamigo AG

### SOLID GROWTH LEADS TO SUBSTANTIAL FREE CASHFLOW

*"2019 was another milestone year for gamigo. We were able to continue our profitable growth path, combining M&A and organic growth. With the WildTangent acquisition in 2019, we added now more than 25 acquisitions to our track record in the last 6 years. And with further focus on our games portfolio and also launching new games we were able to grow our percentage of organic growth from 5% in 2018 to 10% in 2019. Altogether we increased this year revenues by 30% to EUR 59 million while EBITDA grew by 48% to EUR 16 million due to economy of scale."* says Remco Westermann, CEO of the gamigo Group.

### THE FULL YEAR 2019

- Net revenues amounted to 58.9 mEUR (2018: 45.3 mEUR), which is an increase of 30% compared to the full year 2018. This increase is due to organic growth through new game launches like ArcheAge Unchained which generated already 10% of the groups gaming revenues in 2019 as well as inorganic growth due to successful integration of Trion Worlds and WildTangent.
- EBITDA amounted to 16.3 mEUR (2018: 11.1 mEUR), which is an increase of 48%. At the same time EBITDA margins increased from 24% to 28% as a result of higher revenues combined with efficiency improvements due to synergy effects. gamigo has increased its investments in the further development of its own IPs in 2019 and thus in future organic growth, which is reflected in increased own work capitalized.
- Adjusted EBITDA amounted to 18.2 mEUR (2018: 13.4 mEUR), which is an increase of 36% (Adjusted EBITDA excludes one-time, M&A and financing costs).
- EBIT increased to 6.3 mEUR (2018: 2.6 mEUR), which is an increase of 142%, while EBIT margins almost doubled from 6% to 11%.
- Adjusted EBIT grew to 8.2 mEUR (2018: 4.9 mEUR), which is an increase of 65% (Adjusted EBIT excludes one-time M&A and financing costs).
- The net result increased by 22% to 2.0 mEUR in 2019 (2018: 1.6 mEUR).
- The net leverage ratio decreased to 1.7 as of December 31, 2019, compared to 2.0 as of December 31, 2018. Net leverage based on adjusted EBITDA 2019 decreased slightly to 1.5 compared to 1.6 for the adjusted EBITDA figure 2018.
- The interest coverage ratio has developed to 3.2 as of December 31, 2019 compared to 5.3 as of December 31, 2018 due to the increased financial expenses which on the one hand gives high flexibility for future growth but on the other hand comes with higher costs.
- Operating Cashflow amounted to 16.4 mEUR (2018: 10.5 mEUR), which is an increase of 56% and reflects the strong cash generation of the Group.
- As of Dec 31, 2019, cash and cash equivalents amounted to 22.0 mEUR (December 31, 2018: 4.2 mEUR) which is an increase of 428% and gives large headroom for future growth.
- Nasdaq Bond: In the first half of 2019, further tranches of the senior secured corporate bond amounting to 18m EUR were placed at a price above par. After the increase, the bond volume amounts to EUR 50 million, thus exhausting the total framework of the bond. The bonds currently trading at Frankfurt Stock Exchange at 103,88% with a premium as they offer a coupon rate that is higher than the current prevailing interest rates being offered for new bonds.
- Operational Highlights: In the game publishing segment we were able to double organic growth in 2019. This was due to an optimized game/user support system where we were able to reduce the number and processing time of open tickets considerably, regular content updates and events in the games, as well as successful game launches like ArcheAge Unchained or the relaunch of Desert Operations.



ArcheAge Unchained



Trove

## THE FOURTH QUARTER 2019

- Net revenues amounted to 16.0 mEUR (Q4 2018: 13.5 mEUR), which is an increase of 19% compared to the fourth quarter 2018.
- EBITDA amounted to 4.0 mEUR (Q4 2018: 3.5 mEUR), which is an increase of 15%.
- Adjusted EBITDA amounted to 5.0 mEUR (Q4 2018: 4.8 mEUR), which is an increase of 35%.
- EBIT increased to 1.6 mEUR (Q4 2018: 1.0 mEUR), which is an increase of 55%.
- The net result for the period amounted to 1.0 mEUR (Q4 2018: 0.7 mEUR), which is an increase of 37%.
- B2C Games Publishing Segment: In Q4 the tactical map of the established strategy game Desert Operations has received a stunning graphics update. Every building model and landscape detail was updated. This increases long-term player engagement and offers an incentive for new players to sign-up to the game. Furthermore, gamigo expanded its thrilling Free2Play sci-fi shooter Ironsight to the popular game distribution platform Steam. So far, nearly 900 positive reviews show high appreciation for the Steam expansion, and players are highly engaged.
- B2B Advertising and Media Segment: The joint umbrella brand “Media Elements Group” has been founded bringing all sales activities for the Advertising and Media activities of gamigo group under one joint sales team. This includes the development of joint strategies, particularly in the areas of influencer marketing, digital marketing, content production & sourcing, content syndication and SaaS.

## SELECTED KEY PERFORMANCE INDICATORS, GAMIGO GROUP

In EUR million	2019 Oct-Dec	2018 Oct-Dec	2019 Jan-Dec	2018 Jan Dec
Net Revenues	16.0	13.5	58.9	45.3
YoY Growth in revenues	19%	26%	30%	8%
EBITDA	4.0	3.5	16.3	11.1
EBITDA margins	25%	26%	28%	24%
Adj. EBITDA	5.0	4.8	18.2	13.4
Adj. EBITDA margins	31%	36%	31%	30%
EBIT	1.6	1.0	6.3	2.6
EBIT margins	10%	8%	11%	6%
Net Result	1.0	0.7	2,0	1.6



## A Word from Remco Westermann, CEO

### 30% REVENUE GROWTH WHILE OPERATING CASHFLOW GREW BY 56%

*"2019 was another milestone year for gamigo. We were able to continue our profitable growth path, combining M&A and organic growth. With another acquisition in 2019, we added to our track record of now over 25 acquisitions in the last 6 years. And with further focus on our games portfolio and especially also launching new games we were able to grow our percentage of organic growth to 10% versus 5% organic growth in the previous year 2018. Altogether we generated revenues of EUR 58.9 million in 2019 versus EUR 45.3 million in 2018, which is an increase of 30%. Also, we were able to further utilize our economies of scale and cut substantial cost based on further integrations and technical optimizations, leading to an EBITDA of EUR 16.3 million in 2019, versus EUR 11.1 million in 2018.*

*While we started the year 2019 with further focus on integrating our October 2018 asset acquisition, Trion Worlds, our first main event in the year 2019, was the ringing of the Nasdaq bell in Stockholm on January 25th. While we did a first placement of EUR 32 million in 2018, we increased the volume of the bond to full outplacement of EUR 50 million, via two tap issues in March (EUR 10 million) and June (EUR 8 million). In April we acquired the assets of WildTangent, adding substantial revenues as well as partly new synergetic skill sets and technology. For the gamescom in August 2019 we announced a number of substantial game updates as well as the very well received announcement of the launch of ArcheAge Unchained. The launch of ArcheAge Unchained in October 2019 was a great success and showed our capability to launch triple A games on a big scale.*

*By placing further tranches of the bond in 2019, we have raised additional capital from international investors. While we could also have chosen a bank loan in 2018, we made a well-considered decision to place and subsequently increase the bond volume, as this gives us much greater flexibility in relation to - particularly distressed - mergers and acquisitions, where fast decision-making is often necessary. This flexibility gives us an advantage over our competitors in the M&A processes. With a total framework of EUR 50m plus our substantial positive cash flow from operations we are having the capacity to further invest in organic growth as well as acquisitions.*

*Our 2019 acquisition WildTangent not only added substantial revenues to our business, but also increased our reach in key markets, built synergies with our other companies, added expertise in the areas technologie, game development skills and marketing. It also added further critical mass which allows us to be more efficient, deploy more expert knowledge to our operations and gives us more leverage towards publishers and suppliers.*

*Another highlight of 2019 was the successful launch of the game ArcheAge Unchained, a Buy-to-Play version of the highly acclaimed ArcheAge. Our servers saw a massive influx of players, which prompted us to open additional servers both in Europe and North America right after the launch. The whole effort of launching this game was a big undertaking and had teams from Germany, the U. S. and South Korea working in concert to make it happen. This underscores our ability to make big projects happen globally.*

*On the operations side, we were able to extend our user base quite significantly. More than 600.000 customers are playing on our platforms each day and more than 5.000.000 unique users come to us each month to experience the gaming world we are offering them, most of them in the U. S. Even though our user base increased in 2019, we were able to achieve significant savings regarding our tech spend. Key to that has been the consolidations of the technical backend structure of the group. We were able to reduce bare-metal data centers significantly and move most of our services into cloud offerings. This is more cost efficient, increases manageability, reduces down-times and also enables us to react swiftly to changing demand across the globe, in whichever market we need additional or decreased capacity. We also further proved our capability to reduce tech-spend. While in many of our acquisition's tech spend amounts to 30-40% of sales, we have reduced our tech-spend to approximately 10% of revenues and in certain entities even to 5%. We also are aiming at an even lower percentage while also improving the quality of service.*

*An important factor of our success is our team: To date we have grown to over 400 employees across three continents: Asia, Europe and North America. This helps us to deliver our products in key global markets. In addition, our increased size gives us synergies and increases our ability to have in-house specialists for a number of topics. 2019 was also a year in which the team from WildTangent were integrated into our organization, but also our employees from the former Trion acquisition were integrated further, in accordance with our strategy "Buy, Integrate, Build and Improve".*



Defiance 2050

*Our 2019 financials are again proving that our growth strategy makes sense. We were able to grow with 48% our EBITDA faster than the revenue with 30% which highlights that creating more critical mass, via organic growth and M&A, pays off financially.*

*Also, for 2020, we are planning to continue further growth. With the acquisition of the assets of Verve Wireless Inc. in January 2020, we were able to further strengthen our user acquisition and advertising position in North America. Five new offices in key U.S. markets (New York City, Washington D. C., Los Angeles., San Diego and Chicago) complete our U.S. presence and bring additional tech know-how into the company. We are especially happy with getting a strong data science team on board, which will further allow us to capitalize on our data.*

*The global gaming market is projected to hit a new record high in 2020. Newzoo Research estimates that the market will grow by around 7.3 % YoY to more than USD 160 Billion in 2020. This positive overall trend in the gaming market combined with our strong M&A and organic growth skills gives me much confidence for the coming years.*

*Looking back at a very good year and forward to a year of further profitable growth I would like to thank all that support our success; our team, our investors, our business partners and especially our gamers and customers."*

Remco Westermann  
CEO of the gamigo Group



## FINANCIAL PERFORMANCE, 2019

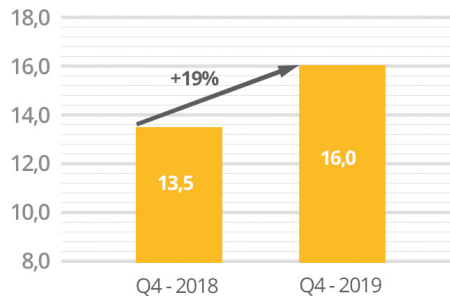
### CONSOLIDATED NET REVENUES, EARNINGS AND EXPENSES

The year 2019 showed a further strong financial performance. Revenues amounted to 58.9 mEUR. Compared to the previous year, this represents an increase of 30% (2018: 45.3 mEUR). The increase in revenues was driven by M&A with an increasing share of organic growth by several content updates, patches and the ArcheAge Unchained launch as well as the Desert Operations relaunch. Net revenues for the fourth quarter 2019 amounted to 16.0 mEUR, an increase of 19% versus the corresponding period of the previous year (Q4 2018: 13.5 mEUR)

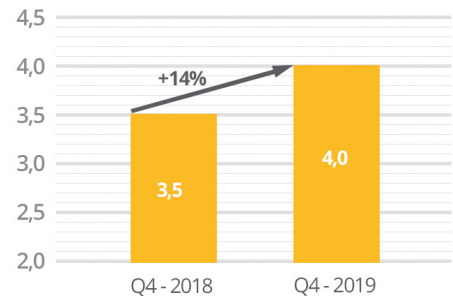
The EBITDA amounted to 16.3 mEUR (2018: 11.1 mEUR) for the full year which is an increase of 48%. The EBITDA margin also improved substantially to 28% (2018: 24%). Reported EBITDA has increased – despite a negative impact from charges for financing, transaction, legal and IT restructuring costs. The strong growth is due to economy of scale following successful integration of the latest acquisitions as well as the increasing organic growth in 2019. Adjusted EBITDA excluding one-time costs amounted to 18.2 mEUR (2018: 13.4 mEUR) which is an increase of 35%. Reported EBITDA during the fourth quarter 2019 amounted to 4.0 mEUR (Q4 2018: 3.5 mEUR). EBIT for the full year 2019 improved substantially to 6.3 mEUR in 2019 (2018: EUR 2.6 mEUR), which is an increase of 142%.

Consolidated net result also increased by 22% to EUR 2.0 mEUR (2018: EUR 1.6 mEUR). The increase in net result compared to the increase in EBIT is somewhat mitigated by the rise in interest expenses in connection with the gamigo bond, which on the one hand comes with a higher interest cost base but on the other hand gives flexibility for future growth due to the high cash position.

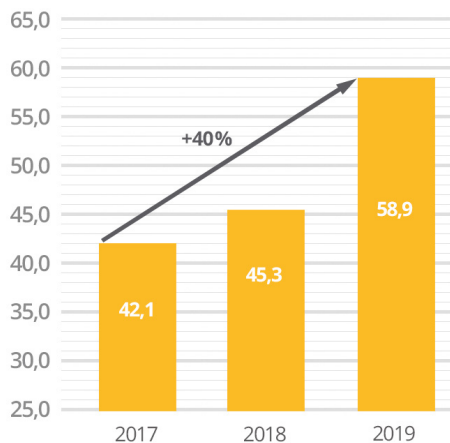
Net Revenues Q4



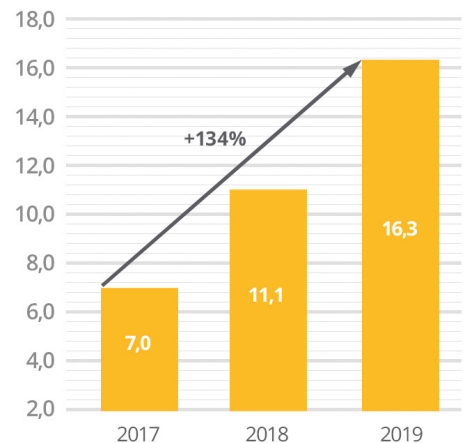
EBITDA Q4



Net Revenues mEUR



EBITDA mEUR



Fiesta Online



Ironsight

## CASH FLOW AND FINANCIAL POSITION

Cash flow from operating activities amounted to 16.4 mEUR in 2019 (2018: 10.5 mEUR), representing an increase of 56% underscoring the strong cash generation of the operating activities. The corresponding figure for the fourth quarter 2019 was 6.9 mEUR (Q4 2018: 3.4 mEUR) which is an increase of 105% and was positively influenced by change in working capital. The equity ratio was 24% as of December 31, 2019 (December 31, 2018: 30%) and thus, the equity decreased due to the bond issues as well as an increased amount in total assets and liabilities as a result of the increased operations of the group.

The Group's cash and cash equivalents amounted to 22.0 mEUR as of December 31, 2019 compared to 4.2 mEUR as of December 31, 2018 and increased as a result of the bond issue as well as a substantial free cashflow after investments. The interest coverage ratio was 3.2 as of December 31, 2019 compared to 5.3 as of December 31, 2018 and as such decreased following the bond issues and increased interest expense. The leverage ratio as of December 31, 2019 is 1.7, compared to 2.0 as of December 31, 2018 and as such showed good deleverage due to increased profitability as well as a positive cash generation from operations.

## INTANGIBLE ASSETS, INVESTMENTS AND DEPRECIATION

In 2019, gamigo invested EUR 8.5 million (2018: EUR 4.2 million) in strategic product and platform development (personnel expenses). Capitalized own work includes investments in the optimization of the IT platform, planned or completed game launches such as ArcheAge Unchained, Ironsight and Desert Operations, as well as enhancements and updates to existing games such as Fiesta Online and Last Chaos. As a percentage of net revenues, these investments amounted to 14% in 2019 compared to 9% in 2018.

Depreciation and amortization in 2019 amounted to EUR 10.1 million (2018: EUR 8.5 million) and increased mainly due to additional PPA depreciation from the TrionWorlds and WildTangent acquisitions. Accordingly, the groups intangible assets increased mainly based on the acquisition of WildTangent from EUR 67.6 million in 2018 to EUR 76.2 million in 2019. The Groups liabilities also increased in 2019 to EUR 94.4 million (2018: EUR 65.3 million) due to bond issues in the amount of EUR 18 million as well as a result of increased operations and account payables.



Grand Fantasia

## EVENTS IN THE BUSINESS SEGMENTS, Q4 2019

### B2C GAMING SEGMENT

The gamigo group offers over 30 Massively Multiplayer Online Games (MMOs) and over 5,000 casual games. These include various role playing, strategy and shooter MMOs, including ArcheAge Unchained, Aura Kingdom, Grand Fantasia, Fiesta Online and Trove, which have been established on the market for many years. These MMO games, if well maintained and supported with strategic marketing and regular improvement of the game's content, have a lifetime of well over ten years. Regularly we release substantial content updates to keep the players engaged and entertained. In the fourth quarter, we published updates for various games, which drove organic revenue growth in these games. Below you will find an overview of some of our game updates:

#### **RugTales: The click-management title wins first place at this year's TOMMi Awards**

Hosted on gamigo's subsidiary Deutschland Spielt, RugTales won in the category "Best PC Game" of the German children software award 2019. The game follows its two protagonists on their journey to save their tiny village. It contains over 50 innovative levels of varying difficulty and detailed wallpapers as well as a beautiful soundtrack. The game is one of many examples of successful titles in gamigo's diverse portfolio.

#### **Aura Kingdom: The new class rocks!**

The widely known Anime MMORPG Aura Kingdom introduced its unique Rock Star Class. It is available for highlevel players to provide engaging login incentives. Additional events and items, including new miscellaneous quests and powerful equipment, are also targeting player engagement.

#### **Trove: The latest Update leads Players "Into the Deep"**

A new World Boss was introduced to gamigo's popular Voxel-MMO Trove. Players now can delve below the surface of the in-game world to face a mighty new enemy. The update also features updates to a popular game mechanic, various bug fixes and much more. The update targets new fans as well as seasoned players and offers engaging new content for them to explore.

#### **Desert Operations: The strategy title deploys its grand visual relaunch!**

The tactical map of the established strategy game Desert Operations has received a stunning graphics update. Every building model and landscape detail was updated. This increases long-term player engagement and offers an incentive for new players to sign-up to the game. Since its implementation, over 50 percent of players have already switched to the new version, underlining its success.

#### **Ironsight: The shooter arrives with a huge content update on Steam!**

Following the schedule set for Q3 and Q4, gamigo expanded its thrilling Free2Play shooter Ironsight to the popular game distribution platform Steam. Additionally, the game received a massive content update which includes two maps, a new game mode, new weapons and much more. So far positive reviews show high appreciation for the Steam expansion, and players are highly engaged.

#### **Other**

Various other smaller and larger game updates, sequels and new games are in preparation for 2020 and beyond.



## 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-, product-, brand- and performance 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 on 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.

The joint umbrella brand "Media Elements Group" has been founded bringing all sales activities for the Advertising and Media activities of the group under one joint sales team. This includes the development of joint strategies, particularly in the areas of influencer marketing, digital marketing, content production & sourcing, content syndication and SaaS. Media Elements has activities in Germany, Poland and Turkey.

### Adspree Media

In the fourth quarter, Adspree Media has been continuing its goal of working closer with the other marketing units in the B2B group to improve synergies and build larger marketing campaigns with more to offer to industry partners. The ongoing portal project improving the website portfolio and exploring new revenue streams has been successful, with a stable revenue and userbase.

Other products in adspree media's scope such as TV advertising, digital marketing, and influencer marketing are also in the process of a deep-dive investigation into operational efficiency and re-vamping the products and service to ensure in-house knowledge is at the top of the industry and the marketing teams are prepared for growing campaign requests from partners.

### Mediakraft Networks (DE)

Mediakraft Networks has reinvented itself in line with the group strategy of the Media Elements Group. In particular, the online video production division was reorganized, and the focus was placed on branded channels and contract production. The CMS (YouTube and Facebook) was further expanded and the launch of a new channel management & reporting tool was prepared. Mediakraft Networks, together with the Monheimer Institute, has completed and published a fundamental study on influencer marketing.

### Mediakraft TV (PL)

The key accomplishment of Q4 2019 was the stabilisation of digital marketing services, and gradual return on that investment. Having been retained by several new notable clients, in industries ranging from major linear TV, automotive, and food manufacturing, our team has verifiable results and will pursue growth in this direction. Moreover, all new contract durations default as annual / biannual, enhancing Mediakraft TV Sp z o.o.'s ability to create long term fiscal forecast. Ultimately, when this product reaches scale, the company will place strong emphasis on platform business. Accordingly, in Q4 the sales team continued active sales on this product by outlining the framework of a 2020 product variation targeted at international clients from Northern Europe. Network operations also saw improved results, 40 content partners acquired, and early concepts for multi-channel network development in the coming year.

### Mediakraft Turkey

In the fourth quarter Mediakraft Turkey continued to work on its new real-life story animation channels and took the necessary steps in order to create a global success. The unit established a network of freelance animators, translators, and voice over actors. At the beginning of 2020, MK Turkey opened a Turkish animation channel. In only two weeks and six videos, the channel has reached 2.5 million views at the end of the first month. Currently the unit prepares an English, Spanish, Portuguese and Russian channel and once they have more content, they will do marketing on their own channels.

Moreover, YouTube had announced that targeted ads on children's channels will decrease and that would affect our children's channels. MK Turkey were unaware of the potential revenue loss and made its plans according to the worst scenario. But it turned out that they can still monetize their children's channels, and still generate 50% of the revenue. Thus, they can still create containing children's content and generate revenue from them. In addition, it's possible to compensate for the revenue loss with our new real-life stories animation channels and create global channels that generate more revenue from our old children channel revenues.



Finally, in Q4 we have reached out to several headhunting companies in order to fill our positions for restructuring. As we have imagined, it will take a couple of months to finalize, but we are working on it.

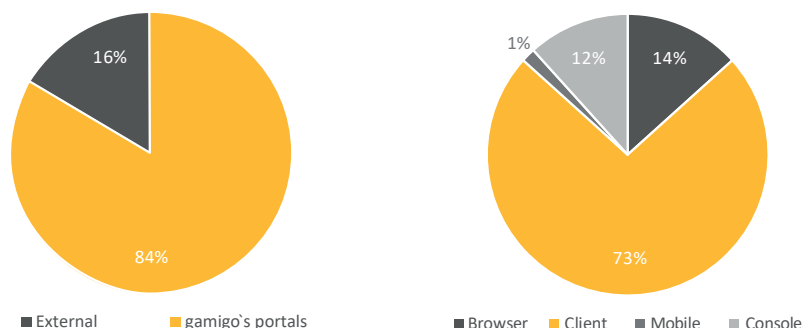
## OPERATIONS AND STRATEGY

### GAMIGO AT A GLANCE

The gamigo Group acquires, develops, markets and publishes PC client, browser, console and mobile games mainly for the European and North American gaming market. The core business model consists of acquiring established, often distressed or underperforming franchises and successively refining and integrating them into the gamigo publishing platform. gamigo has become one of Europe's and North America's fast-growing market consolidators, growing at a compounded annual growth rate of 32% since 2014 reaching EUR 59 million net revenues in the financial year 2019.

The Company's games portfolio comprises both licensed games from third parties as well as games where gamigo has acquired the full IP rights and owns the source code. The games portfolio is well diversified with more than 5,000 casual games and more than 30 massive multiplayer online games ("MMOGs"). The games are primarily offered via gamigo's own distribution channels which count for 84% of the revenues and a smaller percentage, around 16%, are also distributed through external channels, such as Steam, X-Box Live and PlayStation Network. gamigo's games portfolio includes PC client games, console games, browser games and mobile games.

In 2019, PC client games accounted for 73% of revenue, while console games accounted for 12%, browser games for 14% and mobile games stood 1%. The Group's PC client and browser games are mainly offered directly to the gamers through gamigo's more than 10 game portals, while console games are offered through X-Box and Playstation and mobile games through the app stores of Google and Apple. As per the end of December 2019 gamigo had more than 600,000 daily active users ("DAU") and more than 5,000,000 monthly active users ("MAU"), illustrating gamigo's significant base of active customers.



gamigo's key markets are the United States, Germany and France, accounting for 62% of gamigo's revenue combined.

#	Country	% of revenue
1	USA	38%
2	Germany	16%
3	France	8%
4	Canada	4%
5	UK	4%
6	Brazil	3%
7	Australia	2%
8	Spain	2%
9	The Netherlands	1%
10	Poland	1%
Top 10		80%

Source: gamigo

ArcheAge



## SOLID TRACK RECORD WITH A PROVEN STRATEGY

gamigo has a history dating back to the year 2000. The Company was initially founded as a German online gaming magazine for PC client and browser games. In May 2001 gamigo changed its focus and started publishing MMOGs. After external investors got into the Company, gamigo also started investing in game development studios as well as taking the risk of game development, with a focus on MMOGs. While the cost level was based on growth, by e.g. hiring employees and investing in technology, most game development projects, and game launches turned out to not be successful resulting in a bad financial performance of the Company. Nonalignment of management and shareholders as well as focus on new games and not focusing enough on the revenue generating games coupled with technical issues brought gamigo in further trouble. This led the majority owner Axel Springer to look for an exit.

Remco Westermann took over as CEO at the end of 2012 and started a thorough restructuring process of the Group by lowering costs and diverging gamigo's resources from risky game development projects to instead focus on acquiring and at a later stage, further develop existing games. By focusing on improved player experience and monetization of existing game titles, as well as improving technical environment and uptime of the games, gamigo became less exposed to uncertainty risk associated with new game launches players' tastes and preferences while also avoiding long development projects with sales contribution far off in the future.

Since Remco took over gamigo, more than 25 acquisitions have been made to strengthen gamigo's offering by increasing their game library and user acquisition strength. In 2013 the assets of Out-spark (US) were acquired, including the North America license of Fiesta Online, being the first acquisition in gaming. In 2016 Aeria Games GmbH and adspree media GmbH were taken over from Pro7Sat1. The takeover represents a milestone in the development of gamigo. In addition to successful MMO games and know-how in the area of game support, the acquisition of adspree has laid the basis for the B2B media business.

In 2017, gamigo was able to buy back the bond issued in 2013 at an early stage and refinance it with a bank loan from UniCredit Bank. In the same year, the B2B Media segment was further strengthened by the acquisition of the video and social media marketing specialist Mediakraft.

The year 2018 represented a further milestone in the history of gamigo. In the fourth quarter, a senior secured corporate bond in the amount of Euro 32 million listed on NADAQ Stockholm was placed and the assets of Trion Worlds Inc. were acquired. The assets include successful games such as Trove, Defiance and RIFT. The acquisition has enabled gamigo to significantly strengthen its position in the American market. In addition to the games, this acquisition also enabled gamigo to add considerable know-how to the group. Especially in the area of further development of the games and in the preparation and execution of game launches. In the meantime, the gamigo team has gained extensive experience and developed efficient processes in the area of restructuring and integration, due to the numerous acquisitions. For example, following the acquisition of Trion, the monthly technology costs were reduced from EUR 543 thousand to EUR 174 thousand with the aim of reducing them to EUR 130 thousand by 2020.

gamigo has developed its own processes for migrating data from expensive and inflexible data centers to the cloud, making it a case study for google in this area. In 2019, gamigo was able to increase its bond issued in 2018 by two further tranches to a total volume of EUR 50 million. Both issues were placed above par, which is evidence of the capital market's great confidence in gamigo's management and strategy.

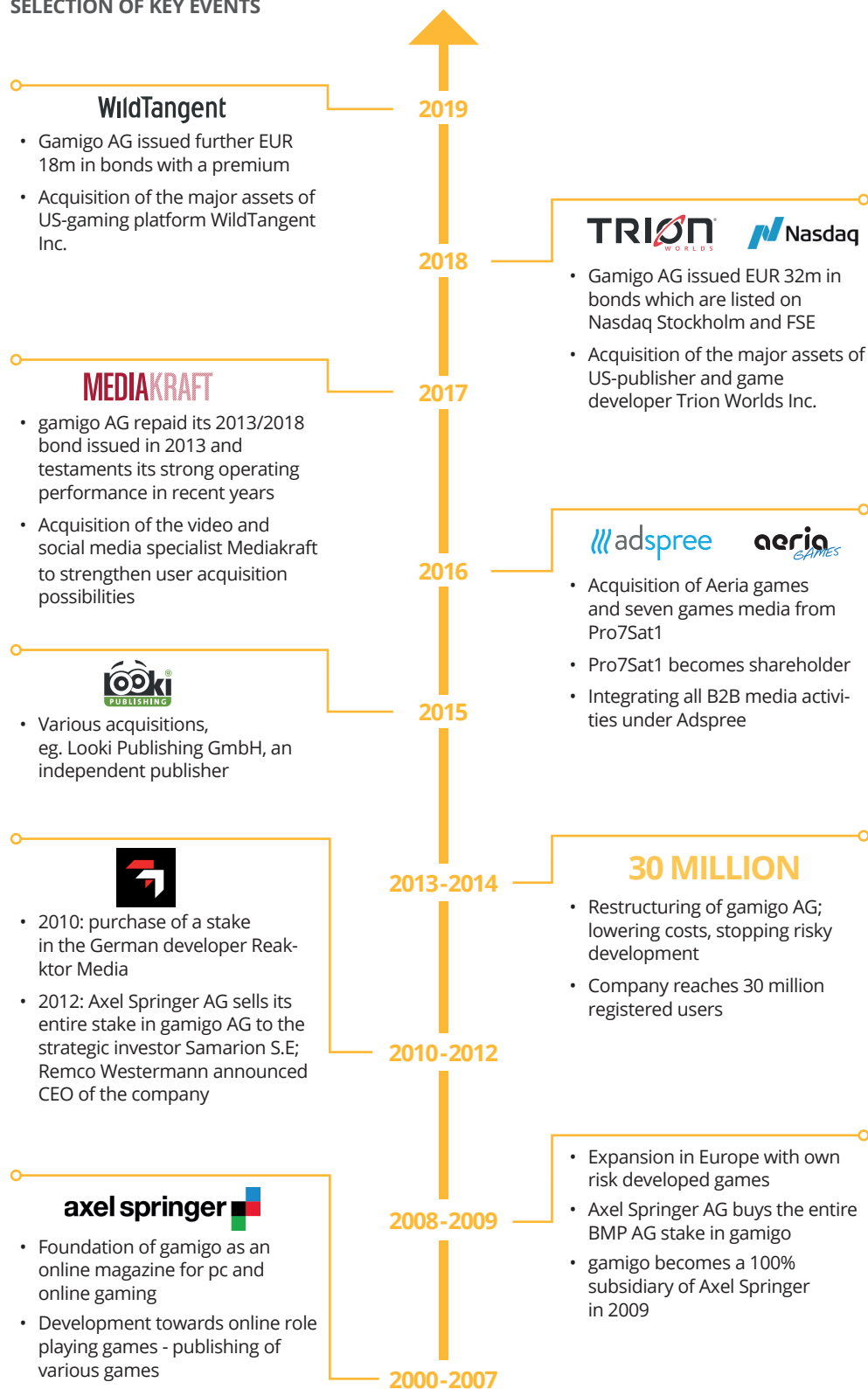
In April 2019, the assets of WildTangent Inc were taken over. The acquired assets include a portfolio of more than 5,000 games distributed through its own platform and in close cooperation with leading computer and laptop manufacturers, a network of more than 400 game developers and publishers, a substantial customer base, and contracts to distribute the game portfolio through leading computer manufacturers. WildTangent's business contributed positively to the gamigo Group's EBITDA immediately after the acquisition. In addition to the positive financial figures, this takeover also generated significant synergy potential with gamigo's existing gaming activities and portals and further strengthened the company's position in the North American market. Thanks to its strong presence in both Europe and North America, gamigo is able to localize games more efficiently and effectively for both target markets and thus gain new users in previously weaker sales markets. This creates organic growth opportunities for the Trion games, which are strong in America, through more targeted localization in Europe and, conversely, for the gamigo games, which are strong in Europe, through more targeted localization in North America.



Last Chaos

The development of gamigo continues to progress positively at the beginning of 2020. In addition to the takeover of the Verve Wireless assets, the takeover of 99% of gamigo's shares by the strategic main shareholder Media and Games Invest "MGI" also represents an additional growth opportunity. On the one hand, there is a high synergy potential between gamigo and the other media companies of the MGI Group, which can be used even more intensively through the takeover, for example in the areas of user acquisition and mobile gaming as well as in administration. Furthermore, MGI is a listed company and actively using its access to the capital market to support the growth path of its subsidiaries from the equity side.

#### SELECTION OF KEY EVENTS



Source: gamigo



In addition to its HQ in Hamburg, the Group has various other locations in Europe, North America and Asia. As of 31 Dec, 2019 gamigo has 380 employees, 120 of whom work at the headquarter in Hamburg and at various other locations as described below.

Office location	Employees as of 31 Dec, 2019	Operations
Hamburg, Germany	120	HQ - Game teams, administration, IT services
Berlin, Germany	126	Game teams, game developer, B2B Team
Redwood City, USA	26	TrionWorlds studio for (gamigo US) operations and product of core MMOGs
Cologne, Germany	19	HQ of Mediakraft Networks, specialized video productions, digital influencer marketing
Austin, USA	20	gamigo US Inc `s office for IT and server maintenance
Bellevue, USA	16	WildTangent's (gamigo Inc) online publishing platform with more than 5,000 Casual Games
Istanbul, Turkey	17	Mediakraft office focusing on digital and influencer marketing in the Turkish market
Münster, Germany	15	Hosting one of gamigo `s games teams as well as game developers
Darmstadt, Germany	6	One of gamigo `s game development studios is located in Darmsatdt
Seoul, South Korea	2	Licensing to and from companies in AP AC
Warszawa, Poland	13	Mediakraft office focusing on video productions for digital and influencer marketing
Total	380	



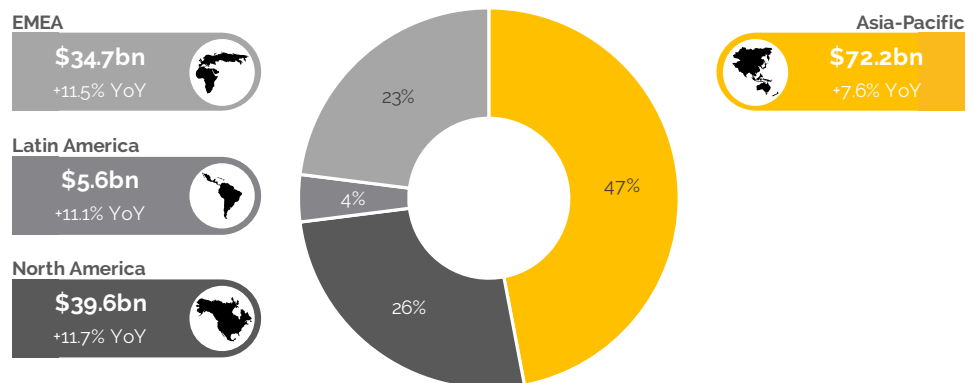
Desert Operations

## OUR VIEW ON THE GAMING MARKET

gamigo's most relevant markets are the markets for PC client games, console games, browser games and mobile games, of which MMOGs is a focus sub-market for gamigo. gamigo has a broad portfolio of online games, especially role-playing, shooter and strategy games. The Company is also characterized by their portfolio of casual games, which is marketed worldwide, with an emphasis on Europe and North America. In the video games market, gamigo concentrates mainly on free-to-play titles, where the players can play free of charge but spend money in order to progress more quickly or to acquire exclusive or special virtual items. In 2019 gamigo launched its first triple A game, ArcheAge Unchained.

## MARKET BY GEOGRAPHIC REGIONS

In terms of games revenue gamigo's core markets are estimated to make up approx. 49% of the world's total games revenue in 2019<sup>1</sup>. gamigo's operations are mainly conducted at the European and North American markets, accounting for more than 90% of gamigo's sales in 2019.



### EMEA

The YoY growth in EMEA is estimated to 11.5% in 2019, making the video games market worth USD 34.7 billion. The EMEA market is mainly driven by the development at the European market, which most of EMEA revenue stems from. Of the USD 34.7 billion revenue in EMEA, roughly 29.9 billion is derived from Europe, which has approx. 370 million active players. The western part of Europe is significantly larger in terms of sales than the eastern part and account for approx. 86% of the European sales. gamigo's focus markets in Europe are Germany, The UK and France, which are the top 3 most largest markets in all of EMEA, with estimated market value in 2019 of USD 4-6 billion in each market respectively.<sup>2</sup>

### NORTH AMERICA

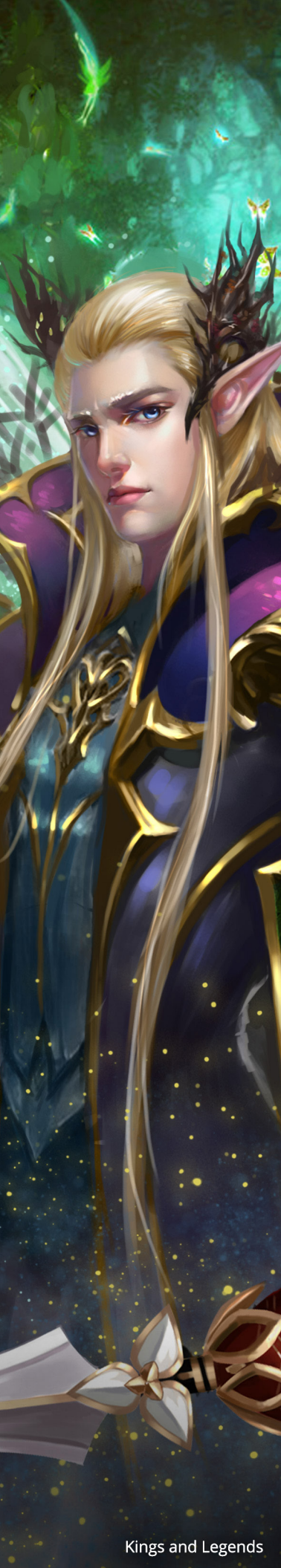
The North American video games market is relatively mature and is expected to grow moderately in terms of users and average user spending until 2023. Revenue generated directly from games sales is estimated to USD 19.9 billion in 2019 and will grow to 21.5 billion by 2023, corresponding to a CAGR of 2%. Although the direct spending growth is moderate, revenue and market value from sources such as games competitions, events, streaming and other non-direct game sales is expected to continue growing aggressively.<sup>3</sup>

In 2019, USA is expected to surpass China as the world's largest total video games market by country with estimated revenue of USD 36.9 billion, as compared to 36.5 billion for China. Combined, the two economies will stand for as much as 48% of the entire video games market

<sup>1</sup> Newzoo: Global games market report, 2019

<sup>2</sup> ISFE: Key Facts – 2018 trends and data, 2019

<sup>3</sup> Statista



## TRENDS

According to Newzoo's gaming market analysts, games as a service will play an increasingly important role in the future, while blockbuster game launches and retail distribution will quickly become a thing of the past. According to newzoo, this is due in part to the complexity of gaming software, which makes it virtually impossible to burn a flawless version onto a disk for distribution. Secondly, and more importantly, business models are converging across all screens, and the organization required for a successful game has changed dramatically. Games are operated as a service and can be played free of charge; the engagement time has become the most important factor for revenues. The expectations of the users for future games are going in a similar direction. They now expect more from a (game) franchise than a cool experience; they want to get involved, create content themselves and share it with their friends and the world. Therefore, players will get a larger role in the development of games.

gamigo is well-equipped to benefit from these trends, especially in order to further strengthen organic growth. The games portfolio consists mainly of Free to Play games. In the area of service, gamigo has enormous experience due to the fact that the focus has been on the further development and support of games for many years. During the development of the graphic relaunch of Desert Operations, gamigo actively approached the in-game community and incorporated user feedback and criticism into its work, thus involving the players of Desert Operations in the development of the relaunch. In the game Trove, players even have the opportunity to create their own environment in the game according to their own ideas.<sup>4</sup>

<sup>4</sup> Newzoo: The Trends Defining the Future of Gaming & Media URL: <https://newzoo.com/insights/articles/how-games-are-shaping-the-future-of-digital-and-broadcast-media/>

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

EUR 000's	Note	31 Dec 2019	31 Dec 2018
Intangible assets	2, 3	76,171	67,585
Property, plant and equipment		2,368	4,186
Financial assets and other assets		12,163	9,938
<b>Long-term assets</b>		<b>90,702</b>	<b>81,709</b>
Trade and other receivables		11,930	7,924
Cash and cash equivalents		21,957	4,158
<b>Short-term assets</b>		<b>33,887</b>	<b>12,082</b>
<b>Total assets</b>		<b>124,588</b>	<b>93,792</b>
Equity attributable to shareholders of the parent company	6	30,190	28,577
Non-controlling interest		4	-51
<b>Total Equity</b>		<b>30,194</b>	<b>28,526</b>
<b>Long-term liabilities</b>	4	63,788	41,818
<b>Short-term liabilities</b>	5	30,606	23,448
<b>Total liabilities and equity</b>		<b>124,588</b>	<b>93,792</b>

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

EUR 000's	Note	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
<b>Revenues</b>					
Net revenues	7	16,026	10,231	58,916	45,289
Own work capitalized		2,704	902	8,490	4,168
Other operating income		310	606	3,181	6,667
<b>Total Income</b>		<b>19,040</b>	<b>11,738</b>	<b>70,587</b>	<b>56,123</b>
<b>Operating Expenses</b>					
Services purchased & other operating expenses	8	-9,334	-6,126	-32,690	-30,343
Personnel expenses	9	-5,700	-3,278	-21,567	-14,729
<b>Total operating expenses</b>		<b>-15,034</b>	<b>-9,404</b>	<b>-54,257</b>	<b>-45,072</b>
<b>EBITDA</b>		<b>4,006</b>	<b>2,335</b>	<b>16,330</b>	<b>11,051</b>
Depreciation, amortization and write-downs	10	-2,404	-2,081	-10,071	-8,464
<b>EBIT</b>		<b>1,602</b>	<b>254</b>	<b>6,259</b>	<b>2,587</b>
Financial result		-1,736	-358	-5,109	-2,096
<b>EBT</b>		<b>-134</b>	<b>-104</b>	<b>1,150</b>	<b>491</b>
Income Taxes		1,121	177	820	1,126
<b>Net Result</b>		<b>987</b>	<b>73</b>	<b>1,970</b>	<b>1,616</b>
of which attributable to non-controlling interest		30	-10	56	68
<b>of which attributable to shareholders of the parent company</b>		<b>958</b>	<b>83</b>	<b>1,914</b>	<b>1,548</b>

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

in KEUR	Share capital	Capital reserve	Cash flow hedge reserve	Difference from currency translation	Accumulated retained earnings	Equity attributable to shareholder of gamigo AG	Non- con- trolling interest	Total
<b>Total Equity as at 31. Dec. 2017 / 1. Jan 2018</b>	<b>2,311</b>	<b>48,153</b>		<b>-28</b>	<b>-23,589</b>	<b>26,847</b>	<b>-119</b>	<b>26,728</b>
Issues on shares								
Consolidated profit / loss for the year					1,617	1,617	68	1,685
Other comprehensive income				114		114		114
Other changes								
<b>Total Equity as at 31. Dec. 2018 / 1. Jan. 2019</b>	<b>2,311</b>	<b>48,153</b>	<b>0</b>	<b>85</b>	<b>-21,972</b>	<b>28,577</b>	<b>-51</b>	<b>28,526</b>
Issues on shares								
Consolidated profit / loss for the period					1,914	1,914	55	1,969
Other comprehensive income			-237	-64	0	-301	0	-301
Other changes								
<b>Total Equity as at 31. Dec. 2019</b>	<b>2,311</b>	<b>48,153</b>	<b>-237</b>	<b>21</b>	<b>-20,058</b>	<b>30,190</b>	<b>4</b>	<b>30,194</b>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT, GAMIGO GROUP (unaudited)

EUR 000's	Note	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Cash flow from operating activities		6,948	3,389	16,385	10,481
Cash flow from investing activities		-2,178	-5,237	-11,848	-6,345
Cash flow from financing activities		-3,758	10,186	13,261	3,777
Cash flow for the period		1,012	8,339	17,799	7,913
Cash and cash equivalents at beginning of period		20,945	-4,180	4,158	-3,936
Cash and cash equivalents at end of period		21,957	4,158	21,957	4,158

## SELECTED EXPLANATORY NOTES (unaudited)

### NOTE 1 ACCOUNTING AND VALUATION PRINCIPLES

The Year End Interim Report Q4 2019 has been prepared in accordance with IAS 34, Interim Financial Reporting. These condensed consolidated interim 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 Year End Report, the condensed consolidated interim financial statements, the accounting standards and interpretation have been used valid as of 1 January 2019. In this 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 interim statements for the interim report ended December 31, 2019 and 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), IPs and Licenses and advanced payments on licenses and increased slightly due to further development of the games. Most of the increase of intangible assets pertains mainly from the acquisition of the WildTangent assets in Q2 2019. There were no acquisitions in Q4 2019.

	December 31, 2019	December 31, 2018
	kEUR	kEUR
Goodwill	27,913	27,909
Other Intangibles	48,259	39,677

### NOTE 3 DISPOSALS

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

### NOTE 4 LONG-TERM LIABILITIES

As of December 31, 2019, the long-term liabilities of gamigo Group increased by kEUR 21,970 to kEUR 63,788 (December 31, 2018: kEUR 41,818) largely based on the bond issues in the first half year of 2019. The net proceeds from the tap issues are still available as cash in the bank and are intended to be used for general corporate purposes, including investments and acquisitions and as such give the company enough flexibility for future growth opportunities.

### NOTE 5 SHORT-TERM LIABILITIES

The short-term liabilities of gamigo Group increased by kEUR 7,159 on December 31, 2019 to kEUR 30,606 compared to kEUR 23,448 on December 31, 2018, which mainly pertains an increase in account payables due to increased operations of the group.

### NOTE 6 SHAREHOLDERS' EQUITY

As of December 31, 2019, the total shareholders' equity increased to kEUR 30,190 (December 31, 2018: kEUR 28,526) mainly due to the positive result of 2019. The subscribed capital of the parent company gamigo AG (kEUR 2,310) did not change during 2019. The capital reserves (kEUR 48,153) did not change during 2019.

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

### NOTE 7 NET REVENUE

gamigo Group achieved a fourth quarter 2019 sales revenue of kEUR 16,026. The increase of kEUR 2,509 (fourth quarter 2018: kEUR 13,517) was mostly due to more B2C sales, especially in the USA.

## NOTE 8 SERVICES PURCHASED & OTHER OPERATING EXPENSES

For 2019, gamigo Group disclosed services purchased and other operating expenses of kEUR 32,690 (2018: kEUR 30,434). The increase of kEUR 2,347 representing a decrease of 12% in relation to the revenues compared to the corresponding quarter in 2018. This illustrates the effect of successfully integrated WildTangent and Trion assets. While revenues are rising strongly, costs are rising moderately due to the exploitation of synergy potentials.

## NOTE 9 PERSONNEL EXPENSES

The personnel expenses increased in Q4 2019 by kEUR 2,422 to kEUR 5,700 compared to the prior year's period. This increase is mainly due to the personnel costs of employees who are part of the WildTangent businesses acquired on April 2019.

## NOTE 10 DEPRECIATION, AMORTIZATION AND WRITE-DOWNS

Depreciation, amortization and write-downs amounted in Q4 2019 to kEUR 2,404 (Q4 2018: kEUR 2,081). The increase is mainly due to additional amortization of the acquired Trion and WildTangent assets. In Q4 2019, no impairment charges were made, neither on intangible assets nor goodwill.

## NOTE 11 OTHER DISCLOSURE

There are no new significant litigations or claims in Q4 2019.

## DEFINITIONS OF KEY PERFORMANCE INDICATORS

EBIT	Earnings before interest and taxes
EBIT margin	EBIT as a percentage of net revenues
Adjusted EBIT	EBIT excluding one-time costs
Adjusted EBIT margin	Adjusted 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 excluding Subordinated Loans with PIK Interest
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.corporate.gamigo.com](http://www.corporate.gamigo.com). The company can be contacted by email [ir@gamigo.com](mailto:ir@gamigo.com) or [soeren.barz@gamigo.com](mailto:soeren.barz@gamigo.com).

## FINANCIAL CALENDER

Annual Report 2019	April 30, 2020
Interim Report, Q1 2020	May 31, 2020
Half-Year Report, Q2 2020	August 31, 2019
Interim Report, Q3 2020	September 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 08:30 CET on February 28, 2020.

## FOR FURTHER INFORMATION, PLEASE CONTACT:

Remco Westermann, CEO gamigo AG  
Public and Investor Relations Email: [ir@gamigo.com](mailto:ir@gamigo.com)

## 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, February 28, 2020

Remco Westermann, CEO



**gamigo AG**

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