

Registration number: 09038323

BEDE GAMING (HOLDINGS) LIMITED

Annual Report and Financial Statements
for the Year Ended 31 December 2022

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Bede Gaming (Holdings) Limited

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Bede Gaming (Holdings) Limited

Company Information

Directors	J Dougal C Cole-Johnson P Dinning
Company secretary	K Stewart
Registered office	Bevan House 1 Esh Plaza Bobby Robson Way Newcastle Upon Tyne NE13 9BA
Solicitors	Square One Law LLP 3 Noble Street London EC2V 7EE
Auditor	Azets Audit Services Chartered Accountants & Statutory Auditor Bulman House Regent Centre Gosforth Newcastle upon Tyne NE3 3LS

Bede Gaming (Holdings) Limited

Strategic Report for the Year Ended 31 December 2022

The directors present their strategic report for the year ended 31 December 2022.

Principal activity

The principal activity of the company is that of a holding company.

Fair review of the business

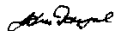
The trading results of the company's financial position are shown in the attached financial statements.

Principal risks and uncertainties

The principal risks identified by the management team continue to be in relation to the management of cash resources. The company maintains adequate cash to enable the company to meet the demands of their cash flow cycle and monitor this on a frequent basis.

01 June 2023

Approved and authorised for issue by the Board on and signed on its behalf by:



..... J Dougal 29 May 2023 08:48:21 BGP (UTC +1)

J Dougal
Director

Bede Gaming (Holdings) Limited

Directors' Report for the Year Ended 31 December 2022

The directors present their report and the financial statements for the year ended 31 December 2022.

Directors of the company

The directors who held office during the year were as follows:

A Bulcher (resigned 10 March 2023)
J Dougal
J Saumarez Smith (resigned 1 April 2022)
M Brady (resigned 1 April 2022)
C Cole-Johnson (appointed 1 April 2022)
P Dinning (appointed 1 April 2022)

Financial instruments

Objectives and policies

The company finances its activities with a combination of intercompany loans, cash and short term deposits.

Price risk, credit risk, liquidity risk and cash flow risk

Interest rate risk

The company borrows using loans whose tenure depends on the nature of the asset and management's view of the future direction of interest rates. External loans have been replaced with long term loans from the new owners.

Credit risk

Credit risk is the risk that one party of a financial instrument will cause a financial loss for the other party by failing to discharge its obligation. The company does not consider that it is materially exposed to credit risk but is actively monitoring the performance of its subsidiary companies.

Cash flow and liquidity risk

Cash flow and liquidity risk is the risk that a company's available cash will not be sufficient to meet its financial obligations. The company actively manages its cash flow position including collection of debts and timely payment of creditors. As part of the acquisition of the Bede group in March 2020, additional working capital facilities were made available by the Gauselmann group.

Future developments

The company continues to support the activities of its subsidiaries and the group continues to maintain a diverse pipeline of further potential customer opportunities.

Bede Gaming (Holdings) Limited

Directors' Report for the Year Ended 31 December 2022 (continued)

Going concern

The company has generated turnover of £1,657,902 and a loss before tax of £781,328 for the period. As at period end the company has cash of £100, net liabilities of £1,585,319 and net current assets of £9,828,058. The company is a holding company for various trading subsidiaries. The company meets its day to day working capital requirements through cash generated from management recharges to these trading subsidiaries.

The company's forecasts and projections for the next twelve months show that it should be able to continue in operational existence for that period and operate within the facilities currently available to it, taking into account reasonable possible changes in trading performance.

The parent company, Falcon Topco Limited has confirmed that it will not seek repayment of amounts due for at least 12 months following approval of these financial statements, which at year end totalled £20,054,778.

Having considered the current cash forecasts of the company, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for a period of a least twelve months from the date of signing these financial statements. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Disclosure of information to the auditor

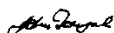
Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Reappointment of auditor

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of Azets Audit Services as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

01 June 2023

Approved and authorised for issue by the Board on and signed on its behalf by:



..... John Dougal-26 May 2023 08:48:51 BST (JTG +1)

J Dougal
Director

Bede Gaming (Holdings) Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Bede Gaming (Holdings) Limited

Independent Auditor's Report to the Members of Bede Gaming (Holdings) Limited

Opinion

We have audited the financial statements of Bede Gaming (Holdings) Limited (the 'company') for the year ended 31 December 2022, which comprise the Income Statement, Statement of Financial Position, Statement of Changes in Equity, and Notes to the Financial Statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Bede Gaming (Holdings) Limited

Independent Auditor's Report to the Members of Bede Gaming (Holdings) Limited (continued)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor Responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Bede Gaming (Holdings) Limited

Independent Auditor's Report to the Members of Bede Gaming (Holdings) Limited (continued)

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

C Potter

Chris Potter 01 Jun 2023 13:20:46 BBT (UTC +1)

Christopher Potter BA (Hons) ACA (Senior Statutory Auditor)
For and on behalf of Azets Audit Services
Statutory Auditor
Chartered Accountants
Bulman House
Regent Centre
Gosforth
Newcastle upon Tyne
NE3 3LS

Date: 01 June 2023

Azets Audit Services is a trading name of Azets Audit Services Limited

Bede Gaming (Holdings) Limited

Income Statement for the Year Ended 31 December 2022

	Note	2022 £	2021 £
Turnover	3	1,657,902	1,526,375
Administrative expenses		<u>(1,433,335)</u>	<u>(2,810,400)</u>
Operating profit/(loss)	4	224,567	(1,284,025)
Interest payable and similar expenses	5	<u>(1,005,895)</u>	<u>(1,144,136)</u>
Loss before tax		(781,328)	(2,428,161)
Taxation	7	<u>-</u>	<u>153,977</u>
Loss for the financial year		<u>(781,328)</u>	<u>(2,274,184)</u>

The above results were derived from continuing operations.

The company has no recognised gains or losses for the year other than the results above.

The notes on pages 12 to 21 form an integral part of these financial statements.

Bede Gaming (Holdings) Limited


(Registration number: 09038323)

Statement of Financial Position as at 31 December 2022

	Note	2022 £	2021 £
Fixed assets			
Intangible assets	8	1,587,579	3,020,847
Investments	9	<u>7,053,821</u>	<u>7,053,821</u>
		<u>8,641,400</u>	<u>10,074,668</u>
Current assets			
Debtors	10	9,827,958	10,476,739
Cash at bank and in hand		<u>100</u>	<u>-</u>
		<u>9,828,058</u>	<u>10,476,739</u>
Total assets less current liabilities		18,469,458	20,551,407
Creditors: Amounts falling due after more than one year	11	<u>(20,054,777)</u>	<u>(21,355,398)</u>
Net liabilities		<u>(1,585,319)</u>	<u>(803,991)</u>
Capital and reserves			
Called up share capital	12	15,171	15,171
Share premium reserve	13	5,568,570	5,568,570
Profit and loss account	13	<u>(7,169,060)</u>	<u>(6,387,732)</u>
Total equity		<u>(1,585,319)</u>	<u>(803,991)</u>

Approved and authorised for issue by the Board on and signed on its behalf by:

01 June 2023


..... John Dougal 28 May 2023 09:49:31 PST, UTC +11
J Dougal
Director

The notes on pages 12 to 21 form an integral part of these financial statements.

Bede Gaming (Holdings) Limited

Statement of Changes in Equity for the Year Ended 31 December 2022

	Share capital £	Share premium £	Profit and loss account £	Total £
At 1 January 2021	15,171	5,568,570	(4,113,548)	1,470,193
Loss for the year	-	-	(2,274,184)	(2,274,184)
Total comprehensive income	-	-	(2,274,184)	(2,274,184)
At 31 December 2021	15,171	5,568,570	(6,387,732)	(803,991)
	Share capital £	Share premium £	Profit and loss account £	Total £
At 1 January 2022	15,171	5,568,570	(6,387,732)	(803,991)
Loss for the year	-	-	(781,328)	(781,328)
Total comprehensive income	-	-	(781,328)	(781,328)
At 31 December 2022	15,171	5,568,570	(7,169,060)	(1,585,319)

The notes on pages 12 to 21 form an integral part of these financial statements.

Bede Gaming (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

1 General information

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office is Bevan House, 1 Esh Plaza, Bobby Robson Way, Newcastle Upon Tyne, NE13 9BA.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland and the Companies Act 2006'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

These financial statements are prepared in sterling which is the functional currency of the entity.

Summary of disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- (a) Disclosures in respect of each class of share capital have not been presented.
- (b) No cash flow statement has been presented for the company.
- (c) Disclosures in respect of financial instruments have not been presented.
- (d) Disclosures in respect of share-based payments have not been presented.
- (e) No disclosure has been given for the aggregate remuneration of key management personnel.

The company has taken advantage of the exemption available under paragraph 33.1A of FRS 102 and does not disclose related party transactions with members of the same group that are wholly owned.

Bede Gaming (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Going concern

The company has generated turnover of £1,657,902 and a loss before tax of £781,328 for the period. As at period end the company has cash of £100, net liabilities of £1,585,319 and net current assets of £9,828,058. The company is a holding company for various trading subsidiaries. The company meets its day to day working capital requirements through cash generated from management recharges to these trading subsidiaries.

The company's forecasts and projections for the next twelve months show that it should be able to continue in operational existence for that period and operate within the facilities currently available to it, taking into account reasonable possible changes in trading performance.

The parent company, Falcon Topco Limited has confirmed that it will not seek repayment of amounts due for at least 12 months following approval of these financial statements, which at year end totalled £20,054,778.

Having considered the current cash forecasts of the company, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for a period of at least twelve months from the date of signing these financial statements. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Exemption from preparing group accounts

The financial statements contain information about Bede Gaming (Holdings) Limited as an individual company and do not contain consolidated financial information as the parent of a group.

The company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, Gauselmann AG, a company incorporated in Germany.

Bede Gaming (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

Assessing indicators of impairment - In assessing whether there have been indicators of impairment of assets, the directors have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability.

Capitalisation of intangibles - the cost of internally generated assets is capitalised as an intangible asset where it is determined by management's judgement that the ability to develop the assets is technically feasible, will be completed, and that the asset will generate economic benefit.

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the company's activities. Turnover is shown net of value added tax, returns, rebates and discounts.

The company recognises revenue when:

The amount of revenue can be reliably measured;
it is probable that future economic benefits will flow to the entity;
and specific criteria have been met for each of the company's activities.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rate on the date when the fair value is re-measured.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Tax

The tax expense for the period comprises deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred tax is recognised in respect of all timing differences between taxable profits and profits reported in the financial statements. Unrelieved tax losses and other deferred tax assets are recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference.

Bede Gaming (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Business combinations

Business combinations are accounted for using the purchase method. The consideration for each acquisition is measured at the aggregate of the fair values at acquisition date of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquired, plus any costs directly attributable to the business combination. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the group includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.

Intangible assets

Separately acquired trademarks and licences are shown at historical cost.

Trademarks, licences (including software) and customer-related intangible assets acquired in a business combination are recognised at fair value at the acquisition date.

Trademarks, licences and customer-related intangible assets have a finite useful life and are carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation method and rate
Trademarks, patents and licenses	20% straight line
Internally generated software development costs	20% straight line

Investments

Investments in equity shares which are publicly traded or where the fair value can be measured reliably are initially measured at fair value, with changes in fair value recognised in profit or loss. Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment. Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Bede Gaming (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

3 Turnover

The analysis of the company's Turnover for the year from continuing operations is as follows:

	2022 £	2021 £
Rendering of services	<u>1,657,902</u>	<u>1,526,375</u>

The analysis of the company's turnover for the year by market is as follows:

	2022 £	2021 £
UK	<u>1,657,902</u>	<u>1,526,375</u>

4 Operating profit/(loss)

Arrived at after charging/(crediting)

	2022 £	2021 £
Amortisation expense	1,433,268	2,804,338
Foreign exchange gains	<u>-</u>	<u>(133)</u>

5 Interest payable and similar expenses

	2022 £	2021 £
Interest expense on other finance liabilities	<u>1,005,895</u>	<u>1,144,136</u>

6 Auditor's remuneration

The company's audit fee has been borne by its subsidiary company Bede Gaming Limited.

Bede Gaming (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

7 Taxation

Tax charged/(credited) in the income statement

	2022 £	2021 £
Current taxation		
UK corporation tax adjustment to prior periods	-	(250)
Deferred taxation		
Arising from changes in tax rates and laws	-	(153,727)
Tax receipt in the income statement	-	(153,977)

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2021 - higher than the standard rate of corporation tax in the UK) of 19% (2021 - 19%).

The differences are reconciled below:

	2022 £	2021 £
Loss before tax	(781,328)	(2,428,161)
Corporation tax at standard rate	(148,452)	(461,351)
Decrease from effect of different UK tax rates on some earnings	-	(36,895)
Effect of expense not deductible in determining taxable profit (tax loss)	-	1
Decrease in UK and foreign current tax from adjustment for prior periods	-	(188,557)
Tax increase from effect of capital allowances and depreciation	272,321	532,728
Tax decrease arising from group relief	(123,869)	-
Other tax effects for reconciliation between accounting profit and tax expense (income)	-	97
Total tax credit	-	(153,977)

Bede Gaming (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

8 Intangible assets

	Trademarks, patents and licenses £	Internally generated software development costs £	Total £
Cost or valuation			
At 1 January 2022	4,700,000	6,813,064	11,513,064
At 31 December 2022	4,700,000	6,813,064	11,513,064
Amortisation			
At 1 January 2022	4,700,000	3,792,217	8,492,217
Amortisation charge	-	1,433,268	1,433,268
At 31 December 2022	4,700,000	5,225,485	9,925,485
Carrying amount			
At 31 December 2022	-	1,587,579	1,587,579
At 31 December 2021	-	3,020,847	3,020,847

9 Investments

	2022 £	2021 £
Investments in subsidiaries	7,053,821	7,053,821
Subsidiaries		£
Cost or valuation		
At 1 January 2022		7,053,821
At 31 December 2022		7,053,821
Provision		
At 1 January 2022		-
At 31 December 2022		-
Carrying amount		
At 31 December 2022		7,053,821
At 31 December 2021		7,053,821

Bede Gaming (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

9 Investments (continued)

Details of undertakings

Details of the investments (including principal place of business of unincorporated entities) in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Registered office	Holding	Proportion of voting rights and shares held	
			2022	2021
Subsidiary undertakings				
Bede Gaming Limited	Bevan House, 1 Esh Plaza, Bobby Robson Way, Newcastle upon Tyne, NE13 9BA England and Wales	Ordinary	100%	100%
Bede Gaming Canada Limited	2800 Park Place, 666 Burrard Street, Vancouver BC, V6C2Z7 Canada	Ordinary	100%	100%
Bede Software Bulgaria	Floor 6, 3 Vitosha Blvd. Sredets District, Sofia Bulgaria	Ordinary	100%	100%
Bede Gaming Malta (Holdings) Limited	Tower Gate Place, Tal-Qroqq Street, Msida MSD 1703 Malta	Ordinary	100%	100%
Bede Gaming Malta Limited	Tower Gate Place, Tal-Qroqq Street, Msida MSD 1703 Malta	Ordinary	100%	100%
Bede Gaming (Gibraltar) Limited	6.20 World Trade Center, 6 Bayside Road, GX11 1AA, Gibraltar	Ordinary	100%	0%

Subsidiary undertakings

Bede Gaming Limited

The principal activity of Bede Gaming Limited is software development and ongoing provision of related services to its clients.

Bede Gaming Canada Limited

The principal activity of Bede Gaming Canada Limited is software development.

Bede Software Bulgaria

The principal activity of Bede Software Bulgaria is software development. This investment is held indirectly.

Bede Gaming (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

9 Investments (continued)

Bede Gaming Malta (Holdings) Limited

The principal activity of Bede Gaming Malta (Holdings) Limited is software development. This investment is held indirectly.

Bede Gaming Malta Limited

The principal activity of Bede Gaming Malta Limited is software development. This investment is held indirectly.

Bede Gaming (Gibraltar) Limited

The principal activity of Bede Gaming (Gibraltar) Limited is The principal activity of Bede Gaming (Gibraltar) Limited is software development.

10 Debtors

	Note	2022 £	2021 £
Amounts owed by group undertakings		9,674,231	10,322,762
Deferred tax assets	7	153,727	153,977
		<u>9,827,958</u>	<u>10,476,739</u>

11 Creditors

	2022 £	2021 £
Due after one year		
Amounts owed to group undertakings	<u>20,054,777</u>	<u>21,355,398</u>

The amounts owed to group undertakings is interest bearing at 5%.

12 Share capital

Allotted, called up and fully paid shares

	No.	2022 £	No.	2021 £
Ordinary of £0.01 each	<u>1,517,118</u>	<u>15,171</u>	<u>1,517,118</u>	<u>15,171</u>

Bede Gaming (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

13 Reserves

Called up share capital

This represents the nominal value of shares that have been issued.

Share premium account

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Profit and loss account

This reserve records retained earnings and accumulated losses.

14 Parent and ultimate parent undertaking

The company's immediate parent is Falcon Topco Limited, incorporated in England and Wales.

The ultimate parent is Gauselmann AG, incorporated in Germany.

Gauselmann AG prepares group financial statements and copies can be obtained from Boshchtr.8, 32312 Lubbecke.

Gauselmann AG

Espelkamp

**Consolidated financial
statements as of
December 31, 2022 and
Group Management Report**

DR. WOELKE AG
Wirtschaftsprüfungsgesellschaft

Postbox 20 61, 32010 Herford, Germany
Address: Hellerweg 28, 32052 Herford, Germany
Phone: 05221/9831-30
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E-Mail: info@dr-woelke.de
Internet: www.dr-woelke.de

Audit Assignment

At the July 22, 2022 Shareholders' General Meeting, the shareholders of Gauselmann AG appointed us as the Group auditor for the year 2022.

In connection with this assignment, the Supervisory Board of Gauselmann AG instructed us to audit the consolidated financial statements – consisting of the consolidated balance sheet, consolidated income statement, notes to the consolidated financial statements, consolidated cash flow statement and consolidated equity statement – for the year ended December 31, 2022 as well as the Group Management Report and to provide a written report on the findings of our audit.

For the completion of our assignment as well as our liability, including with respect to third parties, the agreed upon specific contractual terms for audits and related services of Dr. Woelke AG Wirtschaftsprüfungsgesellschaft and the January 1, 2017 version of the General Contractual Conditions for Auditors and Audit Firms (*Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften*) of the Institute of Public Auditors in Germany (*IDW*), which are attached to this report as Appendices 8 and 9, are binding.

We further call attention to the liability terms provided for in sections F and 9 and the disclaimer of liability to third parties and the other provisions in section L "Conditions of Use".

Our written report of May 4, 2023 provides information on the key points.

Gauselmann AG, Espelkamp

Consolidated balance sheet as of December 31, 2022

ASSETS		12/31/2022	12/31/2021	SHAREHOLDERS' EQUITY AND LIABILITIES	
		€	€	12/31/2022	12/31/2021
				€	€
A. Non-current assets					
I. Intangible assets					
1. Acquired concessions, industrial and similar rights and assets and licenses to such rights and assets		270,256,495.82	338,159,885.30	188,136,600.00	188,136,600.00
2. Goodwill		169,389,842.10	212,547,544.73	628,041,000.00	628,041,000.00
3. Advance payments		372,122.00	53,755.33		
		440,028,159.92	550,761,185.36	11,781,902.44	11,781,902.44
II. Property, plant and equipment				187,776,839.94	137,861,330.54
1. Land, leasehold rights and buildings, including buildings on third-party land		169,906,358.70	182,821,185.15	199,558,742.36	149,643,232.98
2. Technical equipment and machinery		3,618,827.07	3,901,083.89	-8,960,784.94	7,526,491.46
3. Other equipment, fixtures and fittings		374,773,005.70	354,826,984.01	128,183,288.06	161,193,058.51
4. Advance payments and plants under construction		22,762,751.93	23,934,433.10	23,748,600.57	32,072,039.72
		601,080,747.40	567,185,676.15	39,342,970.24	46,123,422.03
III. Financial assets				1,196,150,416.31	1,212,735,844.70
1. Shares in affiliated companies		8,723,389.17	8,565,052.08		
2. Loans to affiliated companies		0.00	0.00		
3. Investments in associated companies		14,394,186.84	13,972,284.26	61,062,137.38	55,228,329.83
4. Loans to associated companies		3,500,001.00	259,992.55	61,076,877.38	39,050,410.22
5. Investment securities		201.02	7,641.84	124,163,600.99	130,306,996.10
6. Other loans		20,504,328.82	20,562,476.84	246,302,815.75	224,583,736.15
7. Advance payments on financial assets		73,500.00	0.00		
		47,195,606.65	43,366,457.57		
B. Current assets				712,861.71	718,909.88
I. Inventory					
1. Raw materials and supplies		44,191,701.28	41,281,878.86	332,482,341.16	262,446,163.59
2. Semi-finished goods		19,044,561.03	20,607,498.69		
3. Finished goods and resale goods		60,845,755.41	50,406,719.33	1,572,416.76	1,352,793.54
4. Advance payments		872,274.35	633,030.63		
		124,854,292.07	112,923,127.51	61,857,580.86	62,756,952.90
II. Receivables and other assets				6,687,923.78	3,630,048.25
1. Trade receivables		96,646,634.33	106,322,136.97		
- of which, with a residual term of more than one year					
64,035,744.38 (2021: €2,947,925.81)					
2. Receivables from affiliated companies		863,270.75	6,823,349.05		
- of which, with a residual term of more than one year					
€0.00 (2021: €200,004.93)					
3. Receivables from associated companies		19,740,589.94	9,524,911.62	583,517.62	121,011.87
- of which, with a residual term of more than one year					
€15,657,231.51 (2021: €1,992,750.00)					
4. Receivables from related parties		65,343.52	946,566.57	70,225.43	29,522.00
- of which, with a residual term of more than one year					
€0.00 (2021: €0.00)					
5. Receivables from shareholders		314,854.09	1,559,494.23	25,068,689.40	22,776,902.87
- of which, with a residual term of more than one year					
€0.00 (2021: €206,249.92)					
6. Other assets		134,602,430.68	87,143,776.48	216,192,329.53	187,725,762.68
- of which, with a residual term of more than one year					
€19,051,572.52 (2021: €5,251,031.20)					
		252,323,123.31	212,220,234.92		
III. Marketable securities				645,237,686.25	541,558,067.58
Other marketable securities		213,099,511.45	170,876,565.25		
IV. Cash, deposits with the Bundesbank, deposits with credit institutions and checks		467,914,547.95	394,877,642.78	19,831,673.26	13,965,908.18
C. Accruals				58,502,532.34	76,313,814.03
		19,429,135.16	16,944,481.10		
		2,166,025,123.91	2,069,157,370.64	2,166,025,123.91	2,069,157,370.64

Gauselmann AG, Espelkamp

Consolidated income statement for the period
from January 1 through December 31, 2022

	<u>2 0 2 2</u>	<u>2 0 2 1</u>
	€	€
1. Sales	2,577,648,629.79	1,829,829,503.25
2. Change in inventory of finished and semi-finished goods	5,708,352.33	-30,278,988.48
3. Other own work capitalized	128,831,353.22	85,872,783.73
4. Other operating income	66,423,571.10	218,145,622.65
- of which, from currency translation: €11,013,417.27 (2021: €7,431,681.56)		
5. Cost of materials		
a) Cost of raw materials, consumables and supplies and of purchased goods	203,195,211.65	
b) Cost of purchased services	<u>848,864,007.56</u>	-1,052,059,219.21
		-781,031,788.37
6. Personnel expenses		
a) Wages and salaries	482,362,985.18	
b) Social security and other pension costs	<u>91,731,432.29</u>	-574,094,417.47
- of which, pensions: €13,061,898.35 (2021: €7,558,330.96)		-430,979,680.28
7. Depreciation and amortization of intangible assets and property, plant and equipment		-268,047,431.42
- of which, goodwill amortization under § 301 para. 3 of German Commercial Code (HGB): €38,769,392.53 (2021: €24,284,716.85)		-271,134,728.56
8. Other operating expenses	-549,102,044.16	-413,425,341.16
- of which, currency translation: €14,942,064.33 (2021: €5,777,432.81)		
9. Income from affiliated and associated companies	1,697,648.48	3,180,275.64
- of which, from affiliated companies: €967,269.39 (2021: €1,193,408.62)		
10. Income from profit transfer agreements	56.70	17.92
11. Income from securities and loans recognized as financial assets	92,509.64	18,131.54
- of which, from affiliated companies: €9,365.41 (2021: €8,750.00)		
12. Other interest and similar income	4,415,400.20	2,916,257.33
- of which, from affiliated companies: €438,201.57 (2021: €51,885.81)		
- of which, from discounting of provisions: €0.00 (2021: €0.00)		
Balance:	<u>341,514,409.20</u>	<u>213,112,065.21</u>

Appendix 2

2

	<u>2 0 2 2</u>	<u>2 0 2 1</u>
	€	€
Balance:	341,514,409.20	213,112,065.21
13. Impairment of financial assets and marketable securities	-5,523,182.85	-1,712,775.37
14. Interest and other expenses	-10,349,449.44	-10,243,157.71
- of which, to affiliated companies: €90,407.41 (2021: €38,630.64)		
- of which, provision accretion expense: €2,095,924.94 (2021: €2,371,139.91)		
15. Corporate income tax	-58,143,513.80	-35,935,421.96
- of which, changes in recognition of deferred tax liabilities: €17,673,704.24 decrease (2021: €17,212,629.38 decrease)		
16. Income after corporate income tax	267,498,263.11	165,220,710.17
17. Other taxes	-234,146,257.71	-121,544,098.79
18. Consolidated net income	33,352,005.40	43,676,611.38
19. Non-controlling interests	-9,603,404.83	-11,604,571.66
20. Consolidated net income attributable to the parent	23,748,600.57	32,072,039.72
21. Consolidated profit carried forward	193,265,098.23	163,966,465.15
22. Allocation to retained earnings	-49,915,509.40	0.00
23. Other changes	-17,166,300.77	-2,773,406.64
24. Unappropriated profit	149,931,888.63	193,265,098.23
	=====	=====

Gauselmann AG, Espelkamp

Notes to the 2022 consolidated financial statements

(1) General information about the consolidated financial statements

Pursuant to § 290 of the German Commercial Code (HGB), the company is required to prepare consolidated financial statements and a Group Management Report.

The registered name of the company is Gauselmann AG. Its registered office is in Espelkamp, Germany. It is entered in the commercial register of the Bad Oeynhausen district court under number B 9171.

(2) General information on the contents and itemization of the consolidated financial statements

The year-end reporting date for consolidated companies corresponds to the year-end reporting date for the consolidated financial statements.

Beginning in 2010, the equity consolidation has been carried out using the fair value method in accordance with Article 301, para. 1, of the German Commercial Code (HGB). The netting is performed in accordance with § 301 para. 2 line 1 of the German Commercial Code (HGB) based on valuations entered at the first-time consolidation. Under this method, shareholders' equity is recognized in an amount corresponding to the fair value of assets, liabilities, accrual accounts and special items shown in the consolidated financial statements.

For the first-time consolidation of a previously unconsolidated subsidiary due to its immateriality under § 296 para. 2 of the German Commercial Code (HGB), eliminations are made using valuations at the time of the first-time consolidation (§ 301 para. 2 lines 3 and 4 of the German Commercial Code (HGB)).

At the time of initial consolidation, elimination differences from the debt consolidation are reported directly in the calculation of the subsidiary's remeasured equity, in accordance with German Accounting Standard (DRS) 23.44.

As of 2017, if a parent company opts to first-time consolidate a subsidiary in the consolidated financial statements at a date later than the one stipulated in § 301 para. 2 line 1 of the German Commercial Code (HGB), and if gains and losses arise during the period in between these two dates, differences are allocated to the consolidated profit carried forward, in accordance with German Accounting Standards (DRS) 23.113 and 23.148.

Remaining differences were netted against reserves or, beginning in 1998, recognized as goodwill.

Goodwill resulting from the first-time consolidation is amortized using the straight-line method over its actual useful life. For identifiable impairment, an impairment loss is recognized to reflect lower fair value.

In accordance with German Accounting Standard (DRS) 25.63, goodwill and advantages related to acquired site locations arising from the first-time consolidation of subsidiaries whose financial statements are prepared in foreign currencies are recorded in the subsidiary's currency and translated into the Group's reference currency using the mid-market rate at the end of the reporting period, since the earnings contributions with respect to this goodwill are realized in the currency of the respective subsidiaries. Any currency translation differences are shown directly in equity pursuant to § 308a of the German Commercial Code (HGB) (cf. DRS 23.137 *et seq.*).

The goodwill amortization periods are presented below:

Business segment	Amortization period in years	Carrying amount as of 12/31/2022
		€ thousands
Goodwill from separate financial statements		
Game developer (foreign)	10	1,953
Production (foreign)	10	8
Arcades (foreign)	10	137
Arcades (foreign)	15	758
Arcades (Germany)	5	13
Arcades (Germany)	15	16
Service and logistics (foreign)	15	783
		<hr/> 3,668 <hr/>
Goodwill from the equity consolidation		
Arcades (foreign)	10	98,119
Arcades (Germany)	10	14,215
Arcades (Germany)	10	29,640
Sports betting (Germany)	10	2,950
Development/distribution of online gaming platforms (foreign)	10	16,031
Machine installers (Germany)	10	4,777
		<hr/> 165,732 <hr/>
		169,400
		=====

Since 2017, once a controlling interest has been obtained, if additional shares in a subsidiary are acquired (increase) or sold (decrease) without changing the status of the subsidiary, these transactions are recognized as equity transactions.

Beginning in 2017 under German Accounting Standard (DRS) 23.179, if a company opts not to consolidate a subsidiary in accordance with § 296 of the German Commercial Code (HGB), the net assets of the subsidiary are recognized at their consolidated carrying amount until such time as the possibility of a controlling interest has ended.

No associated companies were recognized under the equity method pursuant to § 311 para. 1 of the German Commercial Code (HGB) since the equity interests taken as a whole had no material impact on a true and fair view of the net assets, financial position and profit performance of the consolidated financial statements (§ 311 para. 2 of the German Commercial Code (HGB)).

Receivables and liabilities among consolidated companies are netted against one another.

Interim results from intra-Group transactions are eliminated from non-current and current assets in accordance with Article 304, para. 1 of the German Commercial Code.

The consolidated income statement was prepared using the total cost method.

Intra-group sales and other income from other receivables are netted against corresponding expenses. Reclassifications to changes in inventory or other own work capitalized are made when necessary.

The tax expense from the separate financial statements is included in the consolidated financial statements.

Deferred taxes resulting from the consolidation at Group level in accordance with § 301 HGB (equity consolidation), § 303 HGB (debt consolidation) and § 304 HGB (intercompany eliminations) are recognized using the company-specific tax rates at the time the differences are expected to reverse, in accordance with §306 line 5 HGB in connection with §274 para. 2 line 1 HGB.

For the German units, the corporate income tax including the solidarity tax contribution (*Solidaritätszuschlag*) and the trade tax (*Gewerbesteuer*) are accrued using a 30% tax rate. Deferred taxes in the foreign reporting units are recognized at the locally applicable tax rates, which range between 10% and 30%.

(3) Foreign currency translation

The translation in the consolidated financial statements of balance sheets prepared in a foreign currency is generally carried out in accordance with § 308 a of the German Commercial Code (HGB).

Currency translation differences resulting from intra-Group eliminations are shown directly under currency translation differences in equity. In 2022, a currency translation loss of €884,530.33 resulting from the translation of income statements prepared in foreign currencies using average exchange rates was allocated to currency translation differences directly in equity.

A currency translation loss of €8,697,613.08 from the translation of equity at historical exchange rates and a currency translation gain of €721,358.47 from the debt consolidation were also allocated to currency translation differences shown directly in equity.

For consolidated subsidiaries in high-inflation countries, inflationary impacts on reported assets and income are adjusted using the indexation method before applying the rules of § 308 a of the German Commercial Code (HGB).

(4) Accounting policies

The accounting policies were largely unchanged from the previous year.

The assets, liabilities and accrual items of consolidated companies were recognized using common accounting policies in accordance with §§ 300 and 308 of the German Commercial Code (HGB).

Purchased intangible assets were measured at cost less scheduled amortization using the straight-line method. The useful life was calculated on the basis of operating experience.

Property, plant and equipment is entered at the Group purchase or manufacturing cost less scheduled depreciation.

For artwork, an approximate value is established in cases when the works are originals by prominent artists.

Non-current assets are generally depreciated using the straight-line method. For immaterial non-current assets, the provisions of § 6 para. 2 and 2a of the German Income Tax Act (EStG) are applied analogously.

When necessary, impairment was recognized at the lower of fair market value or the depreciated Group purchase or manufacturing cost of intangible assets and property, plant and equipment at the end of the reporting period.

Financial assets are measured at their Group purchase cost. In the event of identifiable risks, impairment is taken to reflect lower fair value.

Inventory is measured at Group purchase or production cost. In addition to direct costs, Group manufacturing costs also include proportionate amounts of overhead equipment and production costs. Inventory risks are taken into account through appropriate impairment charges.

Receivables and other assets are generally measured at face value or present value. Identifiable risks are recognized through impairment provisions for specific assets. For general credit risk, a corresponding general impairment provision was recognized.

Current marketable securities are recognized at the lower of cost or fair value as of the reporting date.

Accrued assets include prepaid expenses, to the extent that they represent expenses for a specified period after the reporting date.

Pension provisions and similar commitments based on individual commitments are recognized using the entry age normal method during the accrual period or projected unit credit method during the pension phase. The Klaus Heubeck 2018 G actuarial tables were used. The assumed interest rate corresponds to the discount rate under § 253, para. 2 of the German Commercial Code (HGB) based on an individual residual term.

Provisions for pensions and similar commitments related to employee savings plans are calculated using the recognized projected unit credit method. Here again, the Klaus Heubeck 2018 G actuarial tables were used. The discount rate applied was based on the average market interest rate over the past 10 years of 1.78% (2021: 1.87%) reported by the German Bundesbank. The calculation assumes 5.00% employee turnover.

Since the allocation and amount of the savings component are determined separately each year and there is no automatic annual increase in the employee's pension claim, future wage increases are not factored into the pension reserve calculation. The impact of the change in the assumed interest rate is recognized under personnel expenses.

Moreover, Merkur Spielbanken NRW GmbH has pension obligations calculated using the projected unit credit method and based on the Klaus Heubeck 2018 G actuarial tables. The discount rate applied was the average market interest rate over the past 10 years of 1.78% (2021: 1.87%) reported by the German Bundesbank. Future benefit increases were taken into account using a 2.5% rate (2021: 1.8%).

The impacts of the change in discount rate are shown under personnel expenses.

Other provisions are recognized at their settlement amount, based on a reasonable business assessment and prudence needed to satisfy the respective risks and contingent liabilities. Other provisions with a residual term of more than one year are discounted using the corresponding average market interest rate over the past seven years. Provisions are discounted using the net method when they are first established.

Liabilities are recognized at their settlement amounts.

Accrued liabilities include deferred income, to the extent that it represents income for a defined period following the end of the reporting period.

The recording of deferred tax liabilities reflects the projected tax liability. The valuation is made using the company-specific tax rates at the time the differences are reversed. The amounts are not discounted.

The consolidated financial statements include items denominated in foreign currencies, which are translated into euros. Foreign currency receivables and payables are recognized using the year-end mid-market exchange rate. If the exchange rate for receivables and payables with a maturity of more than one year as of the transaction date was lower in the case of receivables or higher in the case of payables, these latter amounts were recognized

(5) Notes to the consolidated balance sheet

1. Consolidated non-current assets

The composition of and changes to consolidated non-current assets appear in the following changes in consolidated assets table:

2. Consolidated shareholders' equity

As of December 31, 2022, Gauselmann AG's share capital was €188,136,600.00 and consisted of 1,881,366 registered shares with a par value of €100.00 each.

	Purchaser/manufacturing costs					Accumulated depreciation					Carrying amount		
	Balance 1/1/2022	Currency differences	Change in consolidation scope	Additions / reclassifications (R)	Disposals / reclassifications (R)	Balance 12/31/2022	Balance 1/1/2022	Currency differences differences	Change in consolidated scope	Current year depreciation	Disposals / Reclassifications (R) Write-ups (W)	Balance 12/31/2022	Balance 12/31/2021
€													
I. Intangible assets													
1. Acquired concessions, industrial and similar rights and assets, and licenses to such rights and assets	649,882,528.36	-7,757,349.59	-9,483,674.90	7,466,291.43	-6,833,982.82	633,773,041.50	311,722,643.06	-3,840,683.85	-8,989,111.98	70,409,460.24	-5,805,761.79	363,516,545.68	338,159,885.30
2. Goodwill	265,968,085.81	-8,549,917.66	-29,714.72	3,440,193.82	-1,512,124.95	259,316,522.30	53,420,541.08	-2,248,669.66		39,293,919.68	-548,810.90	89,916,980.20	212,547,544.73
3. Advance payments	53,755.33	1,653.94	106,430.00	266,692.00	-55,409.27(R)	372,122.00	0.00					0.00	53,755.33
	915,904,369.50	-16,305,613.31	-9,406,959.62	11,172,177.25	-8,346,107.77	893,461,685.80	365,143,184.14	-6,089,353.51	-8,989,111.98	109,703,379.92	-6,354,572.69	453,433,525.88	550,761,185.36
				499,229.02(R)	-55,409.27(R)								
II. Property, plant and equipment													
1. Land, leasehold rights and buildings, including buildings on third-party land	559,847,375.56	-622,553.23	-2,347,663.95	9,416,455.01	-17,432,319.49	570,721,725.05	377,226,190.43	-233,252.95	-150,431.33	12,902,041.43	-14,568,664.25	370,815,368.35	182,621,185.15
				21,860,431.13(R)							-481,89(R)		
2. Technical equipment and machinery	14,242,179.33	-97,541.94	-437,257.58	795,261.89	-947,605.08	13,569,184.22	10,441,085.44	-56,371.23	-427,120.56	769,427.45	-4,360,033.09(W)	9,950,557.15	3,801,093.89
3. Other equipment	998,768,977.12	-7,249,820.60	-3,987,011.47	197,144,557.49	-177,411,321.10	1,012,234,227.88	643,940,013.11	-3,886,726.24	-546,809.63	144,672,582.62	-146,750,546.45	637,461,222.18	354,828,964.01
				4,968,846.44(R)							32,708.77(R)		
4. Advance payments and plants under construction	25,978,510.65	-280,933.84	-100,982.73	25,079,354.77	-564,168.39	22,824,519.54	44,077.55	-2,315.94				41,761.61	25,934,433.10
					-27,287,244.92(R)								
	1,598,837,042.68	-8,250,855.61	-6,872,925.73	232,435,629.16	-196,355,414.06	1,619,349,656.89	1,031,651,366.53	-4,178,666.36	-1,124,361.52	158,344,051.50	-162,063,447.77	1,018,268,909.29	567,185,676.15
				26,843,425.17(R)	-27,287,244.92(R)						0.00(R)		
											-4,360,033.09(W)		
III. Financial assets													
1. Shares in affiliated companies	23,688,289.62	8,562.72	1,944,926.95	500,001.13	-3,374,676.60	22,747,103.82	15,103,237.54		2,002,358.95	21,696.47	-3,103,578.31	14,023,714.65	8,565,052.08
2. Loans to affiliated companies	218,210.70				-193,210.70	25,000.00	218,210.70				-193,210.70	25,000.00	0.00
3. Investments in associated companies	18,608,878.48		-625.94	1,502,977.62	-121,897.10	19,986,333.06	4,636,584.22			1,100,561.00	-141,999,000(W)	5,595,146.22	13,972,294.26
4. Loans to associated companies	1,650,000.00			3,500,000.00	-54,000.00	5,096,000.00	1,391,007.45			204,991.55	1,595,999.00	3,500,301.00	258,992.55
5. Investment securities	37,074.89				37,074.89	37,074.89	29,433.05			7,440.82	36,873.87	201.02	7,641.84
6. Other loans	22,044,021.06				-94,800.45	21,949,220.61	1,481,544.22				-36,652.23(W)	1,444,891.99	20,562,476.84
7. Advance payments on financial assets	0.00			73,500.00		73,500.00	0.00					0.00	0.00
	66,226,474.73	8,562.72	1,944,301.01	5,576,478.75	-3,838,584.85	69,917,232.38	22,860,017.18		2,002,358.95	1,334,689.84	-3,246,789.01	22,721,625.73	43,366,457.57
											-178,651.23(W)		
	2,580,967,866.83	-24,547,906.20	-14,335,584.34	249,184,295.16	-208,540,106.68	2,582,728,574.87	1,419,854,567.85	-10,258,019.87	-8,091,114.55	269,382,121.26	-171,714,809.47	1,494,424,060.90	1,161,313,319.08
				27,342,654.19(R)	-27,342,654.19(R)						0.00(R)		
											-4,538,684.32(W)		

Composition of additional paid-in capital:

	€
Additional paid-in capital under § 272 para. 2 No. 1 of German Commercial Code (HGB)	609,341,800.00
Additional paid-in capital under § 272 para. 2 No. 4 of German Commercial Code (HGB)	18,699,200.00
	<u>628,041,000.00</u> =====

The non-controlling interests line item includes the shares held by partners and other shareholders in the equity of the consolidated subsidiaries.

3. Provisions

Assets and liabilities were netted against one another in accordance with § 246 para. 2 of the German Commercial Code (HGB).

For the netting of pension liabilities with eligible assets, the following amounts were calculated:

	€ thousands
Settlement amount of liabilities	69,157
Purchase cost of netted assets	48,925
Fair value of netted assets	41,383

In 2022, income from the netted assets totaling €2 thousand was offset against expenses arising from the obligation.

The discounting of pension reserves using the average market interest rate over the past 10 years, as compared with the discounting using the average market interest rate over the past seven years, resulted in a difference of €3,507 thousand. This amount is not eligible to be distributed.

Other provisions consist mainly of obligations related to arcade operations (€36,912 thousand), financial statements preparation and advisory costs (€6,760 thousand), other employee-related obligations (€42,379 thousand) and guarantee commitments (€4,565 thousand).

4. Liabilities

An overview of liability terms is presented below:

Type of liability	Residual term of up to one year		Residual term of more than one year		Residual term of more than five years	Total
	2022	2021	2022	2021		
	€	€	€	€	€	€
Liabilities related to silent partner contributions	712,661.71	718,909.88				712,661.71
Liabilities to credit institutions	59,292,060.30	221,525,299.86	273,190,280.86	40,920,863.73	16,480,719.44	332,482,341.16
Advances received on orders	1,506,431.49	1,352,793.54	65,985.27			1,572,416.76
Trade payables	60,256,343.72	62,363,463.85	1,601,237.14	393,489.05		61,857,580.86
Liabilities to affiliated companies	4,656,889.89	1,575,048.25	2,041,033.89	2,055,000.00		6,697,923.78
Liabilities to associated companies	583,517.62	121,011.87				583,517.62
Liabilities to related parties	70,225.43	29,522.00				70,225.43
Liabilities to shareholders	18,274,352.82	19,636,402.87	6,794,336.58	3,142,500.00		25,068,689.40
Other liabilities	205,261,949.35	180,416,037.16	10,930,380.18	7,307,725.52	3,052,839.54	216,192,329.53
	350,614,432.33	487,738,489.28	294,623,253.92	53,819,578.30	19,533,558.98	645,237,686.25

Liabilities to credit institutions are collateralized through property liens totaling €27,270 thousand. The customary supplier retentions of title clauses apply to trade payables.

5. Deferred tax liabilities

Given temporary differences between the carrying amounts of assets, liabilities and accruals under commercial law and the amounts recognized for tax purposes, deferred tax liabilities totaling €3,017 thousand from the separate financial statements were recognized in the consolidated financial statements in accordance with § 274 para. 1 of the German Commercial Code (HGB).

Changes to these amounts were as follows:

	€ thousands
Balance 1/1/2022	1,048
Currency differences	-103
Use/additions	<u>2,072</u>
Balance 12/31/ 2022	<u>3,017</u> =====

Deferred tax liabilities also include taxes from the consolidated financial statements totaling €55,486 thousand in accordance with § 306 of the German Commercial Code (HGB).

Changes to deferred tax liabilities in accordance with § 306 of the German Commercial Code (HGB) were as follows:

	€ thousands
Balance 1/1/2022	75,266
Adjustment due to changes in first-time consolidation	-35
Changes in deferred taxes pursuant to § 306 (HGB) in 2022	<u>-19,745</u>
Balance 12/31/2022	<u>55,486</u> =====

6. Financial instruments

The following table provides a detailed view of hedging relationships established:

Risk		Hedged item		Hedging instrument		Type of hedging relationship	Prospective effectiveness
Variable	Type	Type	Amount	Risk	Amount		
Interest	contractual cash flows	variable rate bank debt	€10.5 million	Swap	€6.25 million	Micro hedge	Term and volume congruence

The effective portion of the established hedging relationship is shown using the net hedge presentation method.

The above-mentioned hedged item pertains to various amortization loans.

As of December 31, 2022, interest rate swaps had a market value of approximately €220 thousand. This market value was calculated using generally accepted mathematical methods based on existing market data as of the calculation date.

7. Guarantees and other commitments

The following guarantees and other commitments were outstanding at the end of the reporting period:

	€ thousands
Liabilities related to the issuance and transfer of bills of exchange	3,621
<i>Guarantee liabilities</i>	10,064
Provision of collateral for third-party liabilities	358
- of which, to shareholders: €0.00	
- of which, to subsidiaries not included in the consolidated financial statements: €0.00	
	<hr/>
	14,043
	=====

To the best of our knowledge, all underlying commitments can be settled by the corresponding companies. No claims on these liabilities are expected.

In addition to the guarantee commitments, other financial commitments as defined by § 314 para. 1 No. 2 a of the German Commercial Code (HGB) exist in the amount of €395,970 thousand (of which, to subsidiaries not included in the consolidated financial statements: €0; of which in connection with pension plans €0; of which, to associated companies: €0).

These commitments mainly involve various long-term rental and leasing agreements, equipment lease agreements and sponsorship agreements. Of these commitments, Merkur Casino GmbH alone is responsible for €85,155 thousand while Merkur Slots UK Limited is responsible for €111,051 thousand.

Gauselmann AG also took over limited partnership interests in the share capital of two associated companies. The uncalled capital contribution amounts outstanding at the end of the reporting period were €549 thousand.

Other financial commitments also exist in connection with subscribed put and call options for a total of five companies with a total nominal amount of €40,734 thousand. The amount of the commitment is measured in part on the basis of the future earnings trends of the companies and will therefore continue to fluctuate going forward.

(6) Notes to the consolidated income statement

Consolidated sales in 2022 were as follows

	2022	2021	change
	€ millions	€ millions	€ millions
B2B			
- Germany	329.2	343.6	-14.4
- Foreign	266.1	201.0	65.1
	595.3	544.6	50.7
B2C			
- Germany	809.9	439.2	370.7
- Foreign	1,172.4	846.0	326.4
	1,982.3	1,285.2	697.1
	2,577.6	1,829.8	747.8
	=====	=====	=====

Own work capitalized consists mainly of equipment produced in house for leasing.

Other operating income consists of the following items:

	€ thousands
Income from the reversal of provisions and counterpart items for the use of provisions	14,822
Compensation for damages	1,966
Write-ups of non-current assets	4,539
Income from asset disposals	10,341
Income from the decreased impairment of receivables and collection of derecognized receivables	3,478
Foreign exchange gains	11,013
Other income	20,265
	66,424
	=====

Cost of services received includes €804,280 thousand related to betting companies operating in foreign countries.

Other operating expenses were as follows:

	€ thousands
Land and equipment leases	116,681
Maintenance and repairs of land, vehicles and equipment	48,568
Dues, contributions, insurance	38,055
Advertising and marketing expenses	57,748
Travel and entertainment	15,358
Losses on receivables	3,706
Additions to impaired receivables	13,481
Other personnel expenses	27,902
Loss from non-current asset disposals	2,501
Foreign exchange losses	14,942
Legal and advisory costs	30,531
Sales and agency commissions	71,532
Energy and fuel consumption	42,699
Other miscellaneous operating expenses	65,398
	<u>549,102</u>
	=====

Income and expenses in accordance with § 314 para. 1 no. 23 and no. 24 of the German Commercial Code (HGB) are presented below:

Line item of consolidated income statement	Amount on consolidated income statement	of which: non-recurring income/ expenses pursuant to § 314 para. 1 No. 23 (HGB)		of which: purely non-period expenses/ income under § 314 para. 1 No. 24 (HGB)
		period-related under No. 24	non-period under No. 24	
	€ thousands	€ thousands	€ thousands	€ thousands
Other operating income				
- Income from write-ups	4,539			4,539
- Income from reversals of provisions	14,822			14,822
- Income from asset disposals	10,341		8,511	1,830
Other operating expenses				
- Loss from the disposal of non-current assets	2,501			2,501
- Close-down costs Czechia	1,706	1,706		
- Legal and advisory costs	3,078	3,078		
Other interest and similar income				
- Tax reimbursement interest	1,289		1,289	
Other taxes				
- VAT reimbursement	-12,157		-12,157	
- Betting shop tax reimbursement	-2,186		-2,186	

Impairment was recorded on intangible assets and property, plant and equipment in the amount of €15,036 thousand and on financial assets in the amount of €1,335 thousand.

Other taxes includes entertainment taxes in the amount of €138,374 thousand as well as casino taxes in the amount of €107,335 thousand.

(7) Additional information on the consolidated cash flow statement

The consolidated cash flow statement is prepared in accordance with German Accounting Standard 21.

Reported cash and cash equivalents totaling €635,694 thousand includes cash, checks and deposits with credit institutions (€467,914 thousand), current marketable securities (€213,100 thousand) and liabilities to banks due on demand (€45,230 thousand).

Marketable securities included in cash and cash equivalents are not subject to material fluctuations and can be liquidated at all times.

The reported cash from proportionally consolidated companies was €20,158 thousand.

(8) Other mandatory disclosures

Presentation of line items pursuant to § 158 para. 1 line 1 of the Stock Corporation Act (AktG):

	<u>2022</u>	<u>2021</u>
	€	€
Net income	<u>41,689,716.09</u>	<u>99,831,018.80</u>
Previous year's unappropriated profit	352,731,473.60	252,900,454.80
Allocation to retained earnings	<u>-49,915,509.40</u>	<u>0.00</u>
Previous year's profit carried forward	<u>302,815,964.20</u>	<u>252,900,454.80</u>
Unappropriated profit	<u>344,505,680.29</u>	<u>352,731,473.60</u>
	=====	=====

The 2022 fiscal year for Gauselmann AG (separate financial statements) closed with net income of €41,689,716.09 and unappropriated profit of €344,505,680.29.

The Management Board proposes to carry forward the unappropriated profit as follows:

Of the 2022 net income, 50% (€20,844,858.05) is allocated to retained earnings. The remaining unappropriated profit totaling €323,660,822.24 is shown as profit carried forward.

In 2022, the Group had an average of 7,224 employees in Germany and 6,851 abroad. The number of employees in Germany includes 258 pro-rated employees from proportionately consolidated companies. The number of employees in foreign countries includes 45 pro-rated employees from proportionately consolidated companies.

The following companies are general partners without capital contributions in the respective limited partnerships:

<u>General partner</u>	<u>Limited partnership</u>
Fritz D U S K E Gesellschaft mit beschränkter Haftung, Neumünster	E.Duske GmbH & Co KG, Neumünster (Commercial register Kiel district court HRA 468 NM)
G + E Die Spielfreude Verwaltungs-GmbH, Espelkamp	G + E Die Spielfreude GmbH & Co. KG, Espelkamp (Commercial register Bad Oeynhausen district court HRA 10213)
Gerdes Spielkonzepte Verwaltungs GmbH, Espelkamp	Gerdes Spielkonzepte GmbH & Co. KG, Espelkamp (Commercial register Bad Oeynhausen district court A 10101)
Herold Verwaltungs GmbH, Espelkamp	Play-Fair Casino GmbH & Co. KG, Espelkamp (Commercial register Bad Oeynhausen district court A 10089)
Merkur Spielbank Duisburg Verwaltungs GmbH, Duisburg	Merkur Spielbank Duisburg GmbH & Co.KG, Duisburg (Commercial register Duisburg district court A 10026)
Merkur Spielbanken Sachsen-Anhalt Verwaltungs GmbH, Leuna	Merkur Spielbanken Sachsen-Anhalt GmbH & Co KG, Leuna (Commercial register Stendal district court A 4530)

General partner

msp Münzspielpartner Verwaltungs-
GmbH, Essen

Spielbank Berlin Entertainment
Verwaltungs-GmbH, Berlin

Spielbank Berlin Verwaltungs-
gesellschaft mbH, Berlin

Spielbank Mainz Beteiligungs-GmbH,
Mainz

MERKUR Immobilienmanagement
GmbH (formerly: Spielothek Immobilien
GmbH), Espelkamp

Merkur Spielbank Monheim
Verwaltungs GmbH, Duisburg

Limited partnership

msp Münzspielpartner GmbH & Co. KG, Essen
(Commercial register Essen district
court A 6572)

Spielbank Berlin Entertainment
GmbH & Co. KG, Berlin
(Commercial register Berlin district court
A 99649)

Spielbank Berlin GmbH & Co. KG, Berlin
(Commercial register Berlin district
court A 16057)

Spielbank Mainz GmbH & Co. KG, Mainz
(Commercial register Mainz district
court A 43084)

MERKUR Immobilien und Bauprojekte GmbH
& Co. KG (formerly: Spielothek Immobilien
Gauselmann Beteiligungs GmbH & Co. KG),
Espelkamp (Commercial register Bad
district court A 5360)

Merkur Spielbank Monheim GmbH & Co. KG,
Duisburg (Commercial register Duisburg
district court A 13189)

The provisions of § 264 para. 3 or § 264 b of the German Commercial Code (HGB) do not apply to the following subsidiaries, since the conditions of § 264 para. 3 Nos. 1 through 5 of the German Commercial Code (HGB) or § 264 b Nos. 1 through 4 of the German Commercial Code (HGB) have been satisfied or will be at a later date:

adp Merkur GmbH (formerly: adp Gauselmann GmbH)

Alpha Automatenbetrieb GmbH

Alphabet Automatenbetrieb GmbH

ART Casino GmbH

Automaten Rehpenning GmbH

BEIT GmbH

Bluhm & Reinhardt GmbH

Casino Area GmbH

Casino City GmbH

Casino COSMOS Automatenspiele Aufstellung und Vertrieb GmbH

Casino FORTUNA-Unterhaltungs- und Spielgeräte GmbH

Casino Line GmbH
Casino MFRKUR-Spielgeräte Betriebs- und Entwicklungsgesellschaft mit
beschränkter Haftung
Casino Multi-Elektronik Verwertungs-GmbH
Casino Prater Spielhallen Gesellschaft mit beschränkter Haftung
Casino Road GmbH
edict eGaming GmbH
E.Duske GmbH & Co KG
Euro Payment Group GmbH
G + E Die Spielfreude GmbH & Co. KG
Gerdes Spielkonzepte GmbH & Co. KG
GeWeTe Geldwechsel- & Sicherheitstechnik GmbH
Glückstern Freizeitgestaltungs-GmbH
Gustav Lauser GmbH
HESS Cash Systems GmbH
Innovative Unterhaltungsgesellschaft mbH
JUMP Casino GmbH
Jump In Spielhallenbetriebs GmbH
m.a.s.s. marketing and sales service GmbH
MBG Casino Fantastico UG (haftungsbeschränkt)
Merkur Air GmbH
Merkur Betrieb münzbetätigter Unterhaltungsgeräte GmbH
Merkur Casino GmbH
MERKUR Immobilien und Bauprojekte GmbH & Co. KG
(formerly: Spielothek Immobilien Gauselmann Beteiligungs GmbH & Co. KG)
Merkur Immobilien- und Beteiligungs GmbH
Merkur Interactive GmbH
MERKUR MEDIA GmbH
Merkur Service GmbH (formerly: MSG Merkur Spielgeräte Service GmbH)
Merkur Spielbank Duisburg GmbH & Co.KG
Merkur Spielbank Monheim GmbH & Co. KG
MERKUR Spielbanken Beteiligungs GmbH
(formerly: Gauselmann Spielbanken Beteiligungs GmbH)
Merkur Spielbanken NRW GmbH
Merkur Spielbanken Sachsen-Anhalt GmbH & Co. KG
Merkur Spielothek Wolfratshausen GmbH

Merkur Sports & Gaming GmbH
 Merkur Sportwetten GmbH
 MFC-Betreiber GmbH
 msp Münzspielpartner GmbH & Co. KG
 msp Spielstätten GmbH
 ODDSLINE Entertainment GmbH
 PALIO REH Spielstätten GmbH
 Play-Fair Casino GmbH & Co. KG
 Schneider Automaten GmbH
 Sunny World GmbH
 TTS GmbH
 WGI World of Game and Internet GmbH
 XTIP Sportwetten Shops GmbH

The total auditor's fee for the audit of the 2022 consolidated financial statements was €440 thousand. This amount pertained exclusively to fees for audit services.

(9) Consolidation scope

The following companies were included in the consolidated financial statements:

	Equity	Share of equity
		%
adp Merkur GmbH (formerly: adp Gauselmann GmbH), Espelkamp	€15,340 thousand	100
Alliance Gaming Solutions Limited, Douglas	GBP 5.4 thousand	100
Alpha Automatenbetrieb GmbH, Espelkamp	€184.1 thousand	100
Alphabet Automatenbetrieb GmbH, Espelkamp	€153.4 thousand	100
altmann-druck GmbH, Berlin	€1.000 thousand	100
Amusementshal "City Hall" B.V., Rotterdam	€20.9 thousand	100
ART Casino GmbH, Espelkamp	€52 thousand	100
Automaten Rehpenning GmbH, Espelkamp	€50 thousand	100

	Equity	Share of equity
		%
Baleday Limited, Milton Keynes	GBP 1	100
BALKAN BET d.o.o. Beograd (formerly: BEO IMPERA d.o.o.), Belgrade	RSD 100,967 thou.	67.,5
BC Belgium NV, Hasselt	€275.7 thousand	79.33
BC-Wetten Beteiligungsgesellschaft mbH, St. Pölten	€36 thousand	79.17
Bede Gaming (Holdings) Limited, Newcastle Upon Tyne	GBP 15.2 thous.	100
Bede Gaming Canada Limited, Vancouver	CAD 10	100
Bede Gaming Limited, Newcastle Upon Tyne	GBP 11.2 thous.	100
Bede Gaming Malta (Holdings) Limited, Sliema	€1.2 thousand	100
Bede Gaming Malta Limited, Sliema	€40 thousand	100
Bede Software Bulgaria EOOD, Sofia	BGN 2	100
Bee Cool Gaming GmbH, Raaba-Grambach	€35 thousand	100
BEIT GmbH, Espelkamp	€102.3 thousand	100
Benter Freizeitanlagen und Automaten GmbH, Neumünster	€38.5 thousand	100
Betcenter Group NV, Hasselt	€72 thousand	79.35
Betcom Ltd., Newark	GBP 100	100
Big Win Casino B.V., Valkenburg	€1	100
BLC Deutschland GmbH, Paderborn	€25 thousand	49
BLC Holding Limited, Žebbuġ	€1.2 thousand	49
BLC Solutions GmbH, Paderborn	€25 thousand	39.2
BLC Systems Limited, Sliema	€40 thousand	49
BLUEPRINT GAMING INC, Coral Springs		100
BLUEPRINT GAMING LTD, Newark	GBP 2	100
Blueprint Holdings (Malta) Ltd., Žebbuġ	€1.2 thousand	100
Blueprint Operations Limited, Newark	GBP 1,500.1 thou.	100
Blueprint Technologies (Gibraltar) Limited, Gibraltar	GBP 100	100
Blueprint Technologies (Malta) Ltd., Žebbuġ	€40 thousand	100
Blueprint Technologies Ltd., Newark	GBP 100	100
Bluhm & Reinhardt GmbH, Espelkamp	€25 thousand	100
Bührmann A + I GmbH, Espelkamp	€57 thousand	100
Cashino Gaming (E&J) Limited, Milton Keynes	GBP 1	100
Cashpoint (Malta) Limited, St. Julians	€15,780 thousand	100

	Equity	Share of equity
		%
Cashpoint Agentur & IT-Service GmbH, Gerasdorf	€75 thousand	100
Cashpoint Denmark ApS, Rødovre	DKK 50 thousand	100
Cashpoint Solutions GmbH, Gerasdorf	€100 thousand	100
Cashpoint Solutions Malta Limited, Sliema	€40 thousand	100
Cashpoint Sportwetten Vertrieb GmbH, Gerasdorf	€5,175.4 thousand	100
Casino Area GmbH, Espelkamp	€50 thousand	100
Casino City GmbH, Espelkamp	€50 thousand	100
Casino COSMOS Automaten Spiele Aufstellung und Vertrieb GmbH, Espelkamp	€52 thousand	100
Casino FORTUNA-Unterhaltungs- und Spielgeräte GmbH, Espelkamp	€52 thousand	100
Casino Line GmbH, Espelkamp	€50 thousand	100
Casino MERKUR-Spielgeräte Betriebs- und Entwicklungsgesellschaft mit beschränkter Haftung, Espelkamp	€52 thousand	100
Casino Multi-Elektronik Verwertungs-GmbH, Espelkamp	€52 thousand	100
Casino Prater Spielhallen Gesellschaft mit beschränkter Haftung, Espelkamp	€30 thousand	100
Casino Road GmbH, Espelkamp	€50 thousand	100
Classic Leisure (Northern) Limited, Milton Keynes	GBP 1	100
CoAm Gaming Emmen B.V., Emmen	€120	100
CP Beteiligungsverwaltungs GmbH, Vienna	€50 thousand	100
DGGS Deutsche Gesellschaft für Glücksspiel mbH (formerly: Memov Betriebsgesellschaft mbH), Berlin	€25 thousand	50
Dolphin Gaming Ltd., Milton Keynes	GBP 1	100
DOO PIONIR INTERNACIONAL NOVI SAD, Novi Sad	RSD 96,846.1 thou.	51
DOO SunLab Studio Beograd-Nov, Belgrade	RSD 0.1 thous.	100
edict eGaming GmbH, Hamburg	€56.2 thousand	100
Edict Malta Limited, Żebbuġ	€40 thousand	100
E.Duske GmbH & Co KG, Neumünster	€511.3 thousand	51
EPG FINANCIAL SERVICES HOLDING LIMITED, Sliema	€14,398 thousand	100
EPG FINANCIAL SERVICES LIMITED, Sliema	€14,498 thousand	100
Euro Payment Group GmbH, Espelkamp	€25 thousand	100

	Equity	Share of equity
		%
Eyas Gaming Holding Limited, Žebbuġ	€1.2 thousand	49
Eyas Gaming Limited, Žebbuġ	€100 thousand	49
Eyas Services Limited, Gibraltar	GBP 1	49
Eyas Services UK Limited, London	GBP 100	49
Falcon Topco Ltd., Newcastle Upon Tyne	GBP 7.5 thousand	100
Fritz D U S K E Gesellschaft mit beschränkter Haftung, Neumünster	€30 thousand	51
Funny-Land Spiel- und Freizeitzentren GmbH, Espelkamp	€25.6 thousand	50
G + E Die Spielfreude GmbH & Co. KG, Espelkamp	€690 thousand	100
G + E Die Spielfreude Verwaltungs-GmbH, Espelkamp	€25 thousand	100
GAME ZONE Entertainment AG, Gerasdorf	€19,000 thousand	100
games and more GmbH, Espelkamp	€25 thousand	50
GAP Projektentwicklung GmbH, Espelkamp	€100 thousand	50
Gauselmann AG, Espelkamp	€188,136.6 thousand	100
Gerdes Spielkonzepte GmbH & Co. KG, Espelkamp	€26.6 thousand	100
Gerdes Spielkonzepte Verwaltungs GmbH, Espelkamp	€25.5 thousand	100
GeWeTe Geldwechsel- & Sicherheitstechnik GmbH, Mechernich	€50 thousand	100
Glückstern Freizeitgestaltungs-GmbH, Espelkamp	€25.6 thousand	100
Gustav Lauser GmbH, Espelkamp	€1,100 thousand	100
Herold Verwaltungs GmbH, Espelkamp	€25 thousand	100
HESS Austria GmbH, Gratkorn	€36.3 thousand	100
HESS Cash Systems GmbH, Magstadt	€200 thousand	100
HESS Schweiz AG, Bern	CHF 200 thousand	100
Imbi-Gaststätten GmbH, Espelkamp	€276 thousand	100
Imbi Spielhallen- und Gaststätten-GmbH, Espelkamp	€25.6 thousand	100
Innovative Unterhaltungsgesellschaft mbH, Espelkamp	€50 thousand	100
JUMP Casino GmbH, Bischofsheim	€25 thousand	100
Jump In Spielhallenbetriebs GmbH, Espelkamp	€25 thousand	100
Las Vegas Automaten B.V., Nieuwekerk	€18.2 thousand	100
Lucky Gaming Industry d.o.o., Belgrade	RSD 71,820.6 thou.	100
Lucky Nugget Gaming Private Limited, New Delhi	INR 200 thousand	100

	Equity	Share of equity
		%
m.a.s.s. marketing and sales service GmbH, Espelkamp	€26.1 thousand	100
Mayfair Acquisitionco Limited, Milton Keynes	GBP 1	100
MBG Casino Fantastico (UG) haftungsbeschränkt, Espelkamp	€2 thousand	100
Media Verkaufsförderung- und Werbeagentur GmbH, Espelkamp	€25.6 thousand	100
Merkur Air GmbH, Espelkamp	€25 thousand	100
Merkur Betrieb münzbetätigter Unterhaltungsgeräte GmbH, Espelkamp	€25.6 thousand	100
Merkur Bingo and Casino Entertainment UK Limited, Milton Keynes	GBP 49 thousand	100
Merkur Casino Almere B.V., Hoofddorp	€25 thousand	100
MERKUR CASINO a.s., Prague	CZK 100,000 thou.	100
Merkur Casino Boskoop B.V., Hoofddorp	€18 thousand	100
MERKUR CASINO d.o.o., Zagreb	HRK 2,000 thous.	100
Merkur Casino GmbH, Espelkamp	€1,074.4 thousand	100
MERKUR CASINO GmbH, Vienna	€4,500 thousand	100
Merkur Casino Holding Limited, Birkirkara	€3,201.2 thousand	100
Merkur Casino Holdings UK Limited, Milton Keynes	GBP 1	100
Merkur Casino LTD, Birkirkara	€3,201.2 thousand	100
Merkur Casino UK Limited, Milton Keynes	GBP 1	100
Merkur Distribution Perú S.A.C., Lima	PEN 1 thousand	100
Merkur Dosniha S.L., Palma de Mallorca	€100 thousand	92.5
Merkur Entertainment NRW GmbH, Duisburg	€25 thousand	100
Merkur eSolutions Malta Ltd., Sliema	€1.2 thousand	100
Merkur Freizeit Leasing GmbH, Espelkamp	€511.3 thousand	100
MERKUR GAMES d.o.o., Belgrade	RSD 87,109.8 thou.	51
Merkur Games Holding B.V., Hoofddorp	€1,082.4 thousand	100
Merkur Games International C.V., Hoofddorp	€12,037.4 thous.	100
Merkur Games Management B.V., Hoofddorp	€18.2 thousand	100
MERKUR GAMING AFRICA (PTY) LTD., Midrand	ZAR 550 thousand	100
MERKUR GAMING ARGENTINA S.A., Buenos Aires	ARS 1,230.9 thous.	100
Merkur Gaming Colombia S.A.S., Bogotá D.C.	COP 10,098,050 thous.	100

	Equity	Share of equity
		%
Merkur Gaming Distribution S.R.L., Bucharest	RON 452 thous.	100
Merkur Gaming G.m.b.H., Vienna	€200 thousand	100
Merkur Gaming India Private Limited, New Delhi	INR 1,000.6 thous.	100
MERKUR GAMING MEXICO S.A.DE C.V., Mexico City	MXN 100 thous.	100
Merkur Gaming Netherlands B.V., Boxmeer	€25 thousand	100
MERKUR GAMING PERÚ S.A.C., Lima	PEN 1,143 thous.	100
Merkur Gaming Slots d.o.o. Beograd, Belgrade	RSD 6,000 thous.	51
Merkur Gaming UK Limited, Newark	GBP 59,148.2 thou.	100
M. Hartmann-Automaten Gesellschaft mit beschränkter Haftung, Essen	€52 thousand	51
MERKUR Immobilien und Bauprojekte GmbH & Co. KG (formerly: Spielothek Immobilien Gauselmann Beteiligungs GmbH & Co. KG), Espelkamp	€1,001.6 thousand	94.01
MERKUR Immobilienmanagement GmbH (formerly: Spielothek Immobilien GmbH), Espelkamp	€25 thousand	100
Merkur Immobilien- und Beteiligungs GmbH, Espelkamp	€12,782.3 thous.	100
Merkur Interactive GmbH, Espelkamp	€4,000 thousand	100
Merkur Interactive Italia S.r.l., Cinisello Balsamo	€1,000 thousand	100
MERKUR MEDIA GmbH, Espelkamp	€25 thousand	100
Merkur Service GmbH (formerly: MSG Merkur Spielgeräte Service GmbH), Lübbecke	€51.2 thousand	100
Merkur Slots S.L., Palma de Mallorca	€3 thousand	100
Merkur Slots UK Limited, Milton Keynes	GBP 200 thous.	100
Merkur Spielbank Duisburg GmbH & Co.KG, Duisburg	€10,000 thousand	100
Merkur Spielbank Duisburg Verwaltungs GmbH, Duisburg	€25 thousand	100
Merkur Spielbank Monheim GmbH & Co. KG, Duisburg	€10 thousand	100
Merkur Spielbank Monheim Verwaltungs GmbH, Duisburg	€25 thousand	100
MERKUR Spielbanken Beteiligungs GmbH (formerly: Gauselmann Spielbanken Beteiligungs GmbH), Espelkamp	€100 thousand	100

	Equity	Share of equity
		%
Merkur Spielbanken NRW GmbH, Duisburg	€27 thousand	100
Merkur Spielbanken Sachsen-Anhalt GmbH & Co. KG, Leuna	€1,000 thousand	75
Merkur Spielothek Bad Fallingbommel GmbH, Espelkamp	€100 thousand	50
Merkur Spielothek Cham I GmbH, Espelkamp	€50 thousand	50
Merkur Spielothek Eggenfelden GmbH, Espelkamp	€100 thousand	50
Merkur Spielothek Ingolstadt II GmbH, Ingolstadt	€50 thousand	50
Merkur Spielothek Ingolstadt III GmbH, Espelkamp	€50 thousand	50
Merkur Spielothek RIPE-Beteiligungs GmbH, Espelkamp	€100 thousand	75
Merkur Spielothek Saarlouis II GmbH, Espelkamp	€100 thousand	50
Merkur Spielothek St. Augustin GmbH, Sankt Augustin	€100 thousand	50
Merkur Spielothek Stade GmbH, Espelkamp	€100 thousand	50
Merkur Spielothek Wolfratshausen GmbH, Espelkamp	€25 thousand	100
Merkur Sports & Gaming GmbH, Espelkamp	€100 thousand	100
Merkur Sportwetten GmbH, Espelkamp	€25 thousand	100
MERKUR-SUN spol.sr.o., Prague	CZK 100,100 thous.	100
Merkur Technical Support Limited, Milton Keynes	GBP 100 thousand	100
Merkur Technical Support UK Limited, Milton Keynes	GBP 1	100
Merkur-win S.r.l., Cinisello Balsamo	€10 thousand	100
Merkur Xtip a.s., Prague	CZK 2,000 thous.	100
Merkur Xtip Slots doo Stara Pazova, Stara Pazova	RSD 500	51
Mernov Vermögensverwaltungs- und Beteiligungs GmbH, Berlin	€25 thousand	50
MFC-Betreiber GmbH, Espelkamp	€25 thousand	100
Mirage Centres Limited, Milton Keynes	GBP 1	100
msp Münzspielpartner GmbH & Co. KG, Essen	€52 thousand	100
msp Spielstätten GmbH, Espelkamp	€25 thousand	100
ODDSLINE Entertainment GmbH, Espelkamp	€484 thousand	100
PALIO REH Spielstätten GmbH, Espelkamp	€25.5 thousand	100
PALMS MERKUR CASINO AG, Sofia	BGN 10,000 thous.	50
Play-Fair Casino GmbH & Co. KG, Espelkamp	€11 thousand	100
Reel Time Gaming Enterprise Pty Ltd., Taringa	AUD 20	63

	Equity	Share of equity
		%
Regal Amusement Machine Sales Limited, Preston	GBP 24,990	100
S.B.S. Sicherheitsservice Beratung Schulung GmbH, Berlin	€25.6 thousand	100
Schneider Automaten GmbH, Köln	€1,600 thousand	100
Solar Holding Limited, Sliema	€10 thousand	74.9
Solar Operations Limited, Sliema	€100 thousand	74.9
Solis Ortus Holding Ltd., Sliema	€1.2 thousand	100
Solis Ortus Service Ltd., Sliema	€100 thousand	100
Spielbank Berlin Entertainment GmbH & Co. KG, Berlin	€580 thousand	40
Spielbank Berlin Entertainment Verwaltungs-GmbH, Berlin	€25 thousand	40
Spielbank Berlin GmbH & Co. KG, Berlin	€7,537.5 thousand	40
Spielbank Berlin Verwaltungsgesellschaft mbH, Berlin	€52 thousand	40
Spielbank Mainz Beteiligungs-GmbH, Mainz	€25 thousand	33
Spielbank Mainz GmbH & Co. KG, Mainz	€2,500 thousand	33
Spielothek AG, Espelkamp	€572 thousand	100
Spielothek Česká republika spol.sr.o., Prague	CZK 140,000 thou.	100
Spielothek Nederland B.V., Amsterdam	€453.8 thousand	100
Sunny World B.V., Hoofddorp	€113.4 thousand	100
Sunny World GmbH, Espelkamp	€25.6 thousand	100
Sunshine Games LLC, Reno	USD 100 thousand	100
TAYLOR'S Kft., Budapest	HUF 3,000 thous.	100
Thomas Holdings Limited, Milton Keynes	GBP 1	100
TITAN GAMING GmbH, Laxenburg	€35 thousand	100
Tivoli Casino 2. Betriebsgesellschaft mbH, Neumünster	€25 thousand	100
Tivoli Casino 3. Betriebsgesellschaft mbH, Neumünster	€37.7 thousand	100
Tivoli Casino 4. Betriebsgesellschaft mbH, Preetz	€25 thousand	100
TREND GmbH, Espelkamp	€26 thousand	100
TTS GmbH, Espelkamp	€25 thousand	100
United Leisure Limited, Milton Keynes	GBP 1,170.2 thous.	100
VGL Betriebsgesellschaft mbH, Espelkamp	€27 thousand	50
V-Teck Consulting s.r.o., Bratislava	€5 thousand	75.5

	Equity	Share of equity
		%
V-Teck UK Limited, Newark	GBP 100	75
WGI World of Game and Internet GmbH, Espelkamp	€25 thousand	100
William Clark (Holdings) Limited, Milton Keynes	GBP 1	100
William Clark Limited, Milton Keynes	GBP 1	100
XOGOPRO SUR DE GALICIA SIGLO 21 S.L., Vigo	€200 thousand	51
XTiP Sportwetten Shops GmbH, Espelkamp	€25 thousand	100

Of the above-mentioned companies, the following companies were proportionally consolidated in the consolidated financial statements in accordance with § 310 of the German Commercial Code (HGB):

BLC Deutschland GmbH, Paderborn
 BLC Holding Limited, Žebbuġ
 BLC Solutions GmbH, Paderborn
 BLC Systems Limited, Sliema
 DGGs Deutsche Gesellschaft für Glücksspiel mbH (formerly: Mernov Betriebsgesellschaft mbH), Berlin
 Eyas Gaming Holding Limited, Žebbuġ
 Eyas Gaming Limited, Žebbuġ
 Eyas Services Limited, Gibraltar
 Eyas Services UK Limited, London
 Mernov Vermögensverwaltungs- und Beteiligungs GmbH, Berlin
 Spielbank Berlin Entertainment GmbH & Co. KG, Berlin
 Spielbank Berlin Entertainment Verwaltungs-GmbH, Berlin
 Spielbank Berlin GmbH & Co. KG, Berlin
 Spielbank Berlin Verwaltungsgesellschaft mbH, Berlin
 Spielbank Mainz Beteiligungs-GmbH, Mainz
 Spielbank Mainz GmbH & Co. KG, Mainz

The following companies were included in the consolidated financial statements because of the right to appoint or dismiss the majority of members of the administrative, management or supervisory bodies responsible for setting financial and business policy:

Funny-Land Spiel- und Freizeitzentren GmbH, Espelkamp
games and more GmbH, Espelkamp
GAP Projektentwicklung GmbH, Espelkamp
Merkur Spielothek Bad Fallingbommel GmbH, Espelkamp
Merkur Spielothek Cham I GmbH, Espelkamp
Merkur Spielothek Eggenfelden GmbH, Espelkamp
Merkur Spielothek Ingolstadt II GmbH, Ingolstadt
Merkur Spielothek Ingolstadt III GmbH, Espelkamp
Merkur Spielothek Saarlouis II GmbH, Espelkamp
Merkur Spielothek St. Augustin GmbH, Sankt Augustin
Merkur Spielothek Stade GmbH, Espelkamp
PALMS MERKUR CASINO AG, Bulgaria
VGL Betriebsgesellschaft mbH, Espelkamp

The following companies exited the consolidation scope:

through absorption

BALKAN BET d.o.o. Beograd (successor company: BEO IMPERA d.o.o.
(jetzt: BALKAN BET d.o.o. Beograd))
Goldberg Sportwetten BVBA (successor company: Betcenter Group NV)
Matchpoint BVBA (successor company: Betcenter Group NV)
Personal Mex Juegos S.A. de C.V. (successor company: MERKUR GAMING MEXICO
S.A.DE C.V.)
Sebenza BVBA (successor company: Betcenter Group NV)
Sonka BVBA (successor company: Betcenter Group NV)

through accretion

TREND GmbH & Co. KG (successor company: TREND GmbH)

through the use of the option allowed under § 296 para. 2 of the German Commercial Code (HGB)

Ebbene Services Sp. z o. o., Poland
Merkur Interactive Malta plc. i. L., Malta

through sale

PALMS MERKUR CASINO.BG EOOD, Bulgaria
Totolotek S.A., Poland

The following companies were first-time consolidated:

BLC Deutschland GmbH, Paderborn
BLC Holding Limited, Żebbuġ
BLC Solutions GmbH, Paderborn
BLC Systems Limited, Sliema
DGGG Deutsche Gesellschaft für Glücksspiel mbH (formerly: Mernov Betriebsgesellschaft mbH), Berlin
DOO SunLab Studio Beograd-Novi Beograd, Serbia
Merkur Spielbank Monheim GmbH & Co. KG, Duisburg
Merkur Spielbank Monheim Verwaltungs GmbH, Duisburg
Mernov Vermögensverwaltungs- und Beteiligungs GmbH, Berlin
Solar Holding Limited, Sliema
Solar Operations Limited, Sliema
Solis Ortus Holding Ltd., Sliema
Solis Ortus Service Ltd., Sliema

Because of the change in consolidation scope this year, comparability with the previous year is not given unconditionally.

The following companies were not included in the consolidated financial statements because of their immaterial impact in accordance with § 296 para. 2 of the German Commercial Code (HGB):

	<u>Equity interest</u>
	%
Avalon Casino Development B.V., the Netherlands	100
BLUEPRINT GAMING, INC, the Philippines	100
Cashpoint.de GmbH, Espelkamp	100
Clausewitz Projekt GmbH & Co. KG, Espelkamp	100
Clausewitz Verwaltungs GmbH, Espelkamp	100
DIE SPIELEMACHER Gesellschaft für Produktion und Aufstellung von Spielen GmbH, Espelkamp	100
Ebbene Services Sp. z o.o., Poland	100
Face Check GmbH, Espelkamp	100
Gaming Centres Ltd., Great Britain	100
Haus der Automatenwirtschaft GmbH & Co. KG, Berlin	87.5
Intellectual Property Consultants Pty. Ltd., Australia	51
JUSTJOY Szerencsejáték Szervező Kft., Hungary	100
Merkur Case de Schimb Valutar S.R.L., Romania	100
MERKUR CASINO GAMES in Liquidation GmbH, Austria	100
MERKUR Entertainment AG, Austria	100
Merkur Gaming Poland Sp. z o. o., Poland	100
Merkur Gaming US, LLC., USA	100
Merkur Group Limited, Malta	100
Merkur Interactive Malta plc. i. L., Malta	100
Merkur Online NL B.V., the Netherlands	100
Merkur Services UK Limited, Great Britain	100
Merkur Spielbanken Sachsen-Anhalt Verwaltungs GmbH, Leuna	100
MORDINO HOLDINGS LIMITED, Cyprus	50.01
M-Games Berlin GmbH, Berlin	100
msp Münzspielpartner Verwaltungs-GmbH, Essen	100
New Star Play Kft., Hungary	100
Online Enterprises Limited, Malta	99.95
Primebet International Ltd., Malta	100
Single Site Software Limited, Great Britain	100

	<u>Equity interest</u>
	%
Spiel Tech 13 GmbH, Lübbecke	100
Spiel Tech 17 GmbH, Lübbecke	100
Spiel Tech 21 GmbH, Hadamar	100
Top Sportwetten G.m.b.H., Austria	100
XTIP Polska Sp. z o. o., Poland	100
Zweite Spielothek Immobilien Gauselmann Beteiligungs GmbH & Co. KG, Espelkamp	100
Zweite Spielothek Immobilien GmbH, Espelkamp	100
one other company held through a trust	

For part of the information disclosed in accordance with § 313 para. 2 No. 1 of the German Commercial Code (HGB), the exemption clause in § 313 para. 3 of the German Commercial Code (HGB) was applied in order to avoid significant disadvantages to the companies of the Gauselmann AG Group.

The separate and combined impact of the 37 companies not included in the consolidated financial statements, in accordance with § 296 para. 2 of the German Commercial Code (HGB), on the financial position, cash flows and profit performance is immaterial. The company therefore chose not to include them in the consolidated financial statements.

The consolidation scope therefore includes 214 fully consolidated companies.
The closing date of the separate company financial statements for all consolidated companies is December 31, 2022.

The following associated companies are shown under investments in associated companies:

	<u>Equity interest</u>
	%
IGEU Feuerwehrbereitschaft GmbH, Espelkamp	25.25
Gill + Gauselmann Grundstücksverwaltung OHG, Rauschenberg	50
STBO GmbH, Bielefeld	33.33
Automatenbörse vs GmbH, Hanau	50
Entertainment Park GmbH, Espelkamp	50
Royal Casino DGS GmbH, Kirchlingern	50

To the extent that they involve investments in associates as defined by § 271 para. 1 of the German Commercial Code (HGB) or a similar investment held by a person on behalf of Gauselmann AG or by another company included in the consolidated financial statements, the designation of the name and registered office of other companies, as well as the relative equity interests, equity amounts and recent years' results of these companies for which financial statements have been prepared are omitted given their lack of material impact (see § 313 para. 3 line 4 of the German Commercial Code (HGB)).

(10) Management Board and Supervisory Board

In 2022, the Management Board comprised the following members:

Paul Gauselmann, Espelkamp, Entrepreneur (Chairman)
Armin Gauselmann, Lübbecke, Entrepreneur (Deputy Chairman)
Dr. Werner Kurt Schröer, Bocholt, Head of Technology and Development
Jürgen Stühmeyer, Minden, Head of Merkur Distribution
Dieter Kuhlmann, Lübbecke, Head of Gaming Operations
Lars Felderhoff, Rahden, Chief Financial Officer
Manfred Stoffers, Düsseldorf, Head of Marketing and Communications

Through a resolution of the Gauselmann AG Supervisory Board dated March 14, 2023, Stefan Bruns was appointed to the Management Board of Gauselmann AG. Management Board compensation totaled €7,440 thousand in 2022.

In 2022, pension payments to former Management Board members totaled €252 thousand. At the end of the reporting period, the pension reserve included €1,091 thousand in pension obligations for former Management Board members.

As of December 31, 2021 the Supervisory Board comprised the following members:

Manfred Grünewald, Mönchengladbach (Chairman),
former Managing Partner of tobaccoland GmbH & Co. KG
Karsten Gauselmann, Inzell, Hotel owner
Janika Gauselmann, Munich

The Supervisory Board received compensation totaling €29 thousand in 2022.

Espelkamp, May 4, 2023

Gauselmann AG
The Management Board

.....
Paul Gauselmann

.....
Armin Gauselmann

.....
Dr. Werner Kurt Schröder

.....
Jürgen Stühmeyer

.....
Dieter Kuhlmann

.....
Lars Felderhoff

.....
Manfred Stoffers

.....
Stefan Bruns

Gauselmann AG, Espelkamp**Consolidated cash flow statement for 2022**

		€ thousands
1.	Result for the period (consolidated net income) including net income attributable to non-controlling interests	33,352
2.	+/- Depreciation and amortization of / write-ups to non-current assets	264,843
3.	+/- Increase/decrease in long-term provisions	5,844
4.	+/- Other non-cash expenses/income	<u>-24,502</u>
5.	= DVFA/SG cash flow	279,537
6.	+/- Increase/decrease in current provisions	-5,761
7.	-/+ Gain/loss from the disposal of non-current assets	-6,835
8.	-/+ Increase/decrease in inventory, trade receivables and other assets not attributable to the investing or financing activities	-68,289
9.	+/- Increase/decrease in trade payables and other liabilities not attributable to the investing or financing activities	68,207
10.	+/- Interest expense / interest income	2,526
11.	- Other income from investments	-1,698
12.	+/- Corporate tax expense/credit	58,144
13.	-/+ Corporate tax payments/refunds	<u>-47,697</u>
14.	= Cash flow from operating activities (sum of 5 through 13)	<u>278,134</u>

Appendix 4

2

€ thousands

15.	+	Proceeds from the disposal of property, plant and equipment	33,665
16.	-	Payments for investments in property, plant and equipment	-232,436
17.	+	Proceeds from disposals of intangible assets	1,991
18.	-	Payments for investments in intangible assets	-11,172
19.	+	Proceeds from disposals of financial assets	542
20.	-	Payments for investments in financial assets	-5,576
21.	+	Proceeds from exits from the consolidation scope	13,470
22.	-	Payments for additions to consolidation scope	-1
23.	+	Interest received	93
24.	+	Dividends received	1,698
25.	=	Cash flow used for investing activities (sum of 15 through 24)	<u>-197,726</u>
26.	+	Proceeds from capital contributions by non-controlling interests	1,534
27.	-	Payments for capital reductions to shareholders of the parent company	-1,314
28.	-	Payments for capital reductions to non-controlling interests	-19,947
29.	+	Proceeds from the issuance of bonds and assumption of financial debt	257,369
30.	-	Payments for the repayment of bonds and financial debt	-24,957
31.	-	Interest paid	-2,619
32.	-	Dividends to non-controlling interests	<u>-11,586</u>
33.	=	Cash flow used for financing activities (sum of 26 through 32)	<u>198,480</u>

Appendix 4

3

€ thousands

34.	Changes in cash and cash equivalents through cash flows (sum of 14, 25 and 33)	278,888
35.	+/- Changes in cash and cash equivalents due to exchange rates and valuations	-4,188
36.	+/- Changes in cash and cash equivalents due to changes in consolidation scope	-595
37.	+ Cash / cash equivalents at the beginning of the period	<u>361,589</u>
38.	= Cash and cash equivalents at the end of the period (sum of 34 through 37)	<u>635,694</u> =====

Gauselmann AG, Espelkamp

Consolidated equity statement for the period from January 1 through December 31, 2022

	Shareholders' equity of the parent company														Non-controlling interests		Consolidated equity
	Reserves																
	Subscribed capital	Additional paid-in capital under § 272 para. 2 No. 4 (HGB)	Legal reserve	Other retained earnings	Total retained earnings	Total reserves	Currency translation differences	Profit/loss carried forward	Consolidated net income attributable to the parent company	Total	Non-controlling interests before currency translation differences and net income	Currency translation differences attributable to non-controlling interests	Gains/losses attributable to non-controlling interests	Total			
	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€		
Balance 1/1/2022	188,136,600.00	828,041,000.00	11,781,902.44	137,861,330.54	149,643,232.98	777,684,232.98	7,526,481.46	193,265,098.23	1,166,612,422.67	45,815,283.99	308,158.04			46,123,422.03	1,212,735,844.70		
Capital increase																	
Allocation to reserves																	
Dividend																	
Currency translation																	
Other changes																	
Changes in consolidation scope																	
Consolidated net income																	
				</													

Gauselmann AG, Espelkamp
Group Management Report for 2022

I. Gauselmann AG Group business model

The Gauselmann AG Group is a large, family-owned “Mittelstand” company. It has grown from a one-man operation into a powerful high tech multinational company in the amusement industry with more than 14,500 employees at end-2022. The cornerstone of this success story was laid back in 1957 by company founder Paul Gauselmann. The Group is headquartered in the eastern Westphalian city of Espelkamp. The company’s corporate identity is the laughing Merkur sun. This popular symbol of games and luck has embodied modern, appealing leisure time entertainment “made in Germany” for decades in both the domestic and international markets. Under the motto “more than a game,” the broadly positioned family-led company is a globally networked provider of games of chance and dedicated to fun entertainment for grown-ups through games with small cash prizes. The Group’s core competencies in content, technology and operations enable it to offer fun and games entertainment everywhere and at all times in accordance with the applicable legal framework. Gauselmann AG Group is also committed to operating with a high degree of social responsibility. The latest findings in compulsive gaming prevention and consumer protection are always taken into account and continuously integrated into game development and game product technology.

The company’s family ownership and management have long been closely intertwined. From the start, Gauselmann AG Group’s business model has focused on long-term sustainability and capital preservation. To secure the Group’s long-term existence as an employer and economic engine from one generation to the next, the family owners decided to manage the Group as of 2016 through the Gauselmann family foundation created in 2015. The family owners contributed all shares in Gauselmann AG to the foundation at year-end 2015. As permanent members of the foundation’s Management Board, family members determine the policies of the foundation and, in particular, Gauselmann AG Group’s future direction and management. Starting in 2016, all fundamental strategic decisions affecting the operating business will therefore be made by the Management Board of the family-run foundation.

The Group also plays a strong role in the influential industry associations. In Germany, it has been a leading participant in the various industry associations for more than 50 years. Until he stepped down in the summer of 2019, company founder Paul Gauselmann was the head of the German Amusement Machine Industry Association (Verband der Deutschen Automatenindustrie - VDAI) for more than 38 years. Before that he was generally a leading player in the installer trade associations dating back to 1966.

The Group's operating activities are organized into two large business segments.

The traditional core segment in the so-called "Merkur Division" is oriented toward business customers (B2B) and combines the development, production and distribution of games and amusement machines in Germany and abroad, with the main focus on the invention and development of games by 16 teams from Australia to Las Vegas. It also manufactures and distributes money management systems for banks and local authorities. The mainstay product of this segment is amusement with prize (AWP) machines, with Germany as the core market. The sales activity is largely focused on attractive commercial rental, leasing and licensing models.

The Group's second business segment is oriented toward end customers (B2C). This segment includes primarily the operation of modern entertainment centers and the very successful entry into the casino business. As of December 31, 2022, Gauselmann AG Group operated 344 high-tech arcades in Germany (2021: 361) and 451 in seven other European countries (2021: 419). The U.K.-based Praesepe Group was the largest division in the rest of Europe with 222 arcades (2021: 204). Serbia was the second-largest market, with 175 arcades (2021: 153). The remaining arcades are spread among sites in other Western and Eastern European countries. In 2022, the Group also continued to operate its casinos in Dortmund-Hohensyburg, Duisburg, Aachen, Bad Oeynhausen, Leuna, Magdeburg and Halle. In March 2023, the Group opened the Monheim casino, the fifth site in North Rhine Westphalia. The Group also held equity interests in the largest German casino operator in Berlin with four sites and the Mainz casino operator with three sites. In Germany, Gauselmann AG Group is the market leader in the arcade segment. Alongside the traditional gaming activities of casinos and arcades, in 2022 the Group further built up its activities in the virtual reality game segment. Five Group companies in this segment received permits in Germany and are thereby among the pioneers in the legal online gaming. The Group's B2C segment also includes sports betting both as a provider and agent through the Cashpoint Group based in Austria. Europe is the core market for the sports betting activity.

With this comprehensive array of future-oriented products and services, Gauselmann AG Group has a solid and competitive position and is a fixed presence in the German and European amusement machine and entertainment industry.

The consolidation scope includes 214 companies, of which 111 have their registered offices abroad. In 2022, 13 companies were added to the consolidation scope while 11 companies exited. The comparability of the previous year's financial statements is not materially affected by these changes.

II. Economic report

1. Overall economic trend

After a strong start to the year, global economic growth weakened significantly over the remainder of 2022, mainly as a result of the war in Ukraine, rapidly rising energy prices and high inflation. The manufacturing sector in particular was further affected by international supply chain problems and higher raw materials prices. The International Monetary Fund (IMF) calculated that global economic output increased by 3.4%.

2. German economic trend

The German economy was also marked by the economic fallout from Russia's war of aggression against Ukraine and related energy supply challenges. Real gross domestic product (GDP) rose by 1.8% in 2022. GDP was therefore 0.7% higher than in 2019, the last year before the start of the coronavirus pandemic. The German economy thereby showed its overall resilience despite the difficult conditions. Strong overall economic growth momentum was notably evident at the start of the year, spurred on by strong pent-up demand following the pandemic. By year-end, this trend was increasingly dampened by high energy prices and inflation, resulting in declining purchasing power. Disruptions to international supply chains combined with materials shortages also led to longer delivery times and higher prices.

3. Sector-related conditions in Germany

Commercial gaming in Germany was and remains confronted with massive restrictions. Sector-related conditions have steadily worsened for regulated gaming products and services in recent years and in particular for commercial arcades and food service establishments.

In 2017, the German Constitutional Court ruled that stricter requirements for arcade permits and operations under the First Amended State Treaty on Gambling and related provisions at the German state level are in fact constitutional. According to the ruling, German states have exclusive jurisdiction over arcade laws, including the authority to regulate commercial law requirements for arcade operations and permits. Up until 2006, this authority was held at the federal level.

On March 12, 2020, the German states reached an agreement on a new State Treaty on Gambling (*Glücksspielstaatsvertrag*). This treaty was ratified by all German states as of end-April 2021, allowing it to take effect as planned starting July 1, 2021. The strict arcade regulations remain in effect, although in the case of existing multiple concessions the German states may renew the permits on up to three concessions as long as the operators satisfy certain quality criteria. Only eight German states have adopted this escape clause in their own state laws. To the extent the escape clause has not been enacted at the respective state levels, municipalities will no longer grant hardship case permits for operators of multiple concession sites. This led to substantial reductions in the number of machines and to arcade closures.

For the first time ever, this State Treaty on Gambling will also regulate the sector of virtual reality and online casino games. The sports betting and online gaming markets were opened, with permits issued to private operators, albeit with strict rules and requirements for youth and gamer protections. For online gaming, a so-called transitional phase began on October 15, 2020 during which it was exempt from legal challenges as long as the operators were already implementing the regulations prescribed by the future State Treaty on Gambling. In addition to the permitting process for online gaming advancing at only a snail's pace, with the first permit issued in late April 2022, the new State Treaty on Gambling (*Glücksspielneuregulierungsstaatsvertrag – GlüNeuRStV*) also provides for the establishment of a gaming supervisory authority at the federal level in order to be able to prosecute illegal gaming effectively.

In 2022, the regulatory focus was on mandatory access controls introduced by the State Treaty on Gambling and applicable across the board to all forms of gaming as well as the cross-referencing of gamer data with the nationwide player exclusion database Oasis. The gamer protection measures endorsed by the industry could run up against customer concerns over data protection and cause legally operating providers to lose customers.

After the last coronavirus restrictions were lifted and the negative effects of the pandemic were overcome at the end of the first quarter, business trends in the amusement machine industry were marked by the consequences of the war in Ukraine and in particular related energy price increases.

In 2022, the industry continued to deal with the new gaming ordinance. Whereas the previous gaming ordinance was designed to make the industry more appealing and competitive, the current one in effect focuses solely on compulsive gaming protections. Restrictions on key game parameters, among other factors, are intended to reduce the appeal of the games. Meanwhile, the rising costs induced by inflation cannot be passed on to gamers through price increases because of statutory limits imposed on the hourly gaming revenues of an AWP machine.

The amusement machine industry – which currently provides direct employment for around 70,000 people and offers fun games and entertainment to more than 10 million customers – nevertheless believes it is well positioned and views the enormous challenges that lie ahead as opportunities to reinvent and clean itself up. Thanks to its *internal preparations and commitment to the rule of law, the industry is confident that it will be able to overcome the immense challenges in the years ahead.*

4. European arcade market conditions

In the rest of Europe, economic growth also slowed in the Gauselmann AG Group's respective countries in 2022. This slowdown adversely affected the growth of the European arcade business. With the exception of stable markets in England, Bulgaria and Serbia, the legal frameworks in European gaming markets are increasingly restrictive. In Slovakia, for example, a new gaming law entered into effect in 2019 that includes, among other measures, a verification requirement for gamers as well as reduced opening hours for all operators. Moreover, a city-wide gaming ban was enacted for the capital city of Bratislava as of January 2021. Gauselmann AG Group therefore exited Slovakia, closing all its arcades in that country by year-end 2020 and divesting the country subsidiary as of January 31, 2022. In Czechia, the city of Prague decided in September 2020 that video lottery terminals in the metropolitan region would only be authorized during a transition period through end-2023. The Gauselmann AG Group already closed one site in Prague, and three other arcades must be relinquished by December 31, 2023. Such generally unpredictable country-specific regulations are not the exception in the European arcade market. They disrupt market conditions and create uncertainty for market participants. Site operators must constantly review their legal and generally proven business models to ensure their viability and profitability and, when necessary, make adjustments for the new market requirements. This growing legal uncertainty also complicates the outlook for expansion into new target markets, since the business forecasts cannot always be ensured over the entire investment horizon.

5. Financial position, cash flows and profit performance

5.1. Financial performance indicators

Of the financial performance indicators used by management to steer the company, we focus on sales growth, operating income and liquidity.

5.2. Sales

In contrast to the comparison year of 2021, coronavirus-related restrictions only affected the 2022 fiscal year during the first quarter. External sales rose by 40.9% from €1,829.8 million to a record high of €2,577.6 million in 2022. Both German and foreign sales rose, with the share of domestic sales rising slightly from 42.8% to 44.2%.

The business customer (B2B) segment in Germany continued to suffer from the implementation of state arcade laws, as customers in some cases close down their arcades or are forced to reduce their number to a single concession. In Germany, sales in this segment fell by 4.2% from €343.6 million to €329.3 million. When measured against the 2019 result of €438.4 million, sales in this segment have fallen by 24.9% because of the adverse impact of the First Amended State Treaty on Gambling. In this segment, a large portion of domestic sales is derived from the marketing of gaming packages in the framework of licensing agreements.

Meanwhile, the end customer (B2C) segment in Germany was able to post significant gains thanks to the lifting of measures aimed at fighting the coronavirus pandemic. Despite substantial governmental measures to regulate commercial gaming through the implementation of state arcade laws, German sales rose by 84.4% to €809.9 million. This increase was mainly driven by casino operations.

Prompted by an increasingly restrictive business environment in Germany, the Gauselmann AG Group has expanded its foreign business activities in recent years. Thanks to a successful product and export initiative, with a mix of innovative amusement machine cabinets, tailored game packages specifically designed for the respective target markets and service offerings, the B2B segment's foreign sales jumped by 32.4% from €201.0 million to €266.1 million. This increase was enabled to a large degree by the use of the Bede technology in Canada and in the English market.

Once again in 2022, the Gauselmann Group's B2C activities were concentrated almost entirely in Europe. As in Germany, foreign sales recovered in this segment following the lifting of coronavirus-related restrictions for arcades and for the sports betting activity, rising by a significant 38.6% from €846.0 million to €1,172.4 million in 2022. The increased foreign sales in Serbia and Great Britain were also enabled by new sites.

5.3. Profit performance

After the Gauselmann AG Group's steady profit performance was abruptly interrupted by pandemic-related impacts on the business activity during the previous two years, in 2022 it was adversely affected by inflation-driven cost increases stemming from the Ukraine war.

Driven mainly by increased sales, total operating performance rose by 43.9% from €1,885.4 million to €2,712.2 million in 2022.

The cost of materials rose by 34.7% from €781.0 million to €1,052.1 million in 2022. This lesser rate of increase relative to total operating performance enabled gross operating income to rise by 50.3% from €1,104.4 million to €1,660.1 million.

Other operating income, which the previous year included significant non-recurring income pursuant to § 314 para. 1 no. 23 of the German Commercial Code (HGB), fell by €151.7 million to €66.4 million.

Personnel expenses rose by 33.2% from €431.0 million to €574.1 million in 2022. Along with the increase in the number of employees and wage and salary adjustments made during the year, these expenses were also affected by comparison year effects. *In 2021, during periods when sites were closed to prevent the spread of coronavirus, the company made use of short-time work programs. Meanwhile, similar governmental support programs of various types were used in several other countries to lower personnel costs during state-ordered lockdown phases. At the end of the reporting period, the Group had a total of 14,590 employees worldwide.*

Other operating expenses increased by 32.8% from €413.4 million to €549.1 million in 2022. The higher business volume led to additional marketing and distribution costs. Other contributing factors included significantly higher energy costs as well as general price increases caused by inflation.

The lifting of pandemic-related restrictions on arcades and casinos ultimately resulted in increased gaming and entertainment tax liabilities, such that other taxes jumped by 92.6% from €121.5 million to €234.1 million in 2022.

Depreciation and amortization of property, plant and equipment and intangible assets was €268.1 million, down 1.1% from €271.1 million the previous year. Once again, the bulk of the depreciation was attributable to the domestic operating lease business, with €69.9 million (2021: €76.8 million). Depreciation and amortization includes impairment expense totaling €15.0 million (2021: €6.5 million).

Operating income (EBIT) rose by €15.7 million to €101.2 million in 2022. Adjusted for non-recurring income and expenses pursuant to § 314 para. 1 no. 23 of the German Commercial Code (HGB), operating income even improved by €159.9 million relative to the previous year.

The negative net financial result further deteriorated from a loss of €5.8 million to one of €9.7 million in 2022, mainly as a result of impairment of marketable securities.

The above-mentioned intermediate results led to an improvement in earnings before tax, which rose by €11.9 million from €79.6 million to €91.5 million. Meanwhile, net income after corporate tax contracted from €43.7 million to €33.4 million, as tax expense increased by a disproportionate €22.2 million to €58.1 million. This increased tax expense was due to non-tax-deductible goodwill amortization related to the equity consolidation as well as higher non-tax-deductible losses at separate companies.

5.4. Cash flow

The Group's DVFA/SG cash flow contracted in 2022, mainly as a result of the lower net income, falling by 8.3% from €304.8 million to €279.5 million. Cash flow from operating activities also fell, but to a lesser extent, from €295.9 million to €278.1 million. Despite the €64.9 million increase in capital expenditure for property, plant and equipment, cash flow used for investing activities fell from €242.3 million to €197.7 million, mainly as a result of the €83.4 million decrease in cash used for additions to the consolidation scope. Cash flow used for investing activities was entirely covered by cash flow from operating activities. Cash flow from financing activities underwent significant changes. After net debt totaling €16.8 million was paid down the previous year, in 2022 additional debt in the amount of €232.4 million was subscribed, of which €150 million used to settle short-term borrowings. Overall, cash flow from financing activities increased by €229.1 million to €198.5 million. After deducting the cash flow used for investing activities from the cash flow from operating and financing activities, net cash flow totaled €274.1 million. The net cash position consisting of marketable securities, cash and cash equivalents less bank liabilities due on demand thereby increased from €361.6 million to €635.7 million in 2022.

5.5. Investments

In 2022, the Gauselmann AG Group's continuous innovation and investment process continued apace with total investments of €249.2 million (2021: €195.2 million) despite the challenging overall global economic situation and restrictive legal framework in Germany. As usual, the bulk of the investments (€86.8 million compared with €63.5 million the previous year) went toward amusement with prize (AWP) machines for the domestic leasing business. The increased investment spending on AWP machines despite the continuing reduction in the number of concessions resulted from the pent-up demand following the coronavirus pandemic.

5.6. Group balance sheet ratios

Total asset increased by 4.7% from €2,069.2 million to €2,166.0 million in 2022. Non-current assets continue to account for the bulk of these assets, even as their share fell from 56.1% to 50.3%. In absolute terms, non-current assets contracted from €1,161.3 million to €1,088.3 million. The relative share of receivables and inventory increased slightly from 15.7% to 17.4%. The share of cash, cash equivalents and marketable securities also increased by 4.0 percentage points to 31.4% of consolidated total assets. Gauselmann AG Group is thereby very well positioned financially and well equipped for future growth.

On the shareholders' equity and liabilities side, the relative share of current and medium-term liabilities (excluding shareholder loans) increased from 32.6% to 36.3% of total capital. Long-term debt also saw its relative share rise slightly from 3.4% to 3.7%. Meanwhile, shareholders' equity contracted from €1,212.7 million to €1,196.1 million, mainly through the decrease in currency translation differences on equity and payments to non-controlling interests. Given the increase in total assets and reductions to equity due to currency translation differences, the consolidated equity ratio fell from 58.6% to 55.2%. Shareholders' equity nevertheless continues to account for the dominant share of total capital.

III. Outlook

The International Monetary Fund (IMF) is forecasting 2.8% global economic growth for 2023. Persistent high inflation is the main cause for concern. Economic output will grow only slowly, especially in the industrial countries, while in the emerging markets and developing countries the outlook is significantly better, according to the IMF.

The German Council of Economic Experts, which in its fall 2022 forecast called for a recession in Germany due to impending gas shortages following the cessation of Russian deliveries, now projects 0.2% growth in gross domestic product (GDP) in its current assessment of overall economic growth for 2023. Thanks largely to a mild winter, the worst-case scenario did not materialize. The loss in purchasing power due to higher inflation, deteriorating borrowing conditions resulting from higher interest rates and a sluggish recovery in foreign demand nevertheless stand in the way of a stronger recovery. Overall, the economy is only expected to post measurable gains starting in 2024, as energy supply risks remain a factor.

As a well-established player in the global gaming business, Gauselmann AG Group always sets new challenges for itself. In Germany, the State Treaty on Gambling, state arcade laws and increases in municipal entertainment taxes have put pressure on the entire German amusement machine industry and limit its economic prospects. In order to offset the resulting sales declines, Gauselmann AG Group will strive to add market share by continuing to penetrate new domestic and international markets and business segments, and by developing numerous innovative and attractive amusement machines and game software.

In the business to business (B2B) segment, Gauselmann AG Group is well positioned in Germany and abroad. In Germany, the market's future development remains unclear given the current legislation and customer uncertainty regarding the future of the industry, such that over the medium term the domestic market will depend on statutory regulations. The Group's international trading companies will in all likelihood build on the favorable results prior to the pandemic. The U.K. market in particular, with its stable legal framework, could see Group companies and their products make significant inroads and deliver satisfactory earnings contributions. The activities in this area will therefore be further expanded in 2023. With the acquisition in 2020 of the U.K.-based online technology specialist Bede Gaming, a major step forward was taken toward strengthening the online gaming activities. The Bede technology's powerful capabilities are of tremendous benefit to OLG, a Canadian governmental agency whose productivity has been greatly enhanced.

In the end customer (B2C) segment, careful site selection and optimized arcade operations will remain the most essential success factors to stabilize the business in 2023. The casino operations will be pursued and expanded. In March 2023, a new casino opened in Monheim (North Rhine Westphalia). In October 2020, the first 18 permits were issued to private sports betting operators, and a Gauselmann AG company received one of these sports betting concessions. From an international perspective, sports betting is already well established and long been regulated. The development of a competitive online technology as well as the entry into new markets and distribution channels across borders will be the main focus. The first permit was issued for virtual reality games in Germany to a Gauselmann AG subsidiary. One year later in April 2023 five Group companies have already received permits.

The forecast in the 2021 Management Report calling for significant sales growth was achieved, as sales rose by 40.9% in 2022. The projected sizeable contraction in net income also materialized, as consolidated net income fell by 23.6%.

In its business plan prepared in early 2022, the Gauselmann AG Group calls for significantly higher sales in 2023 relative to the previous year. The business plan also foresees substantial deterioration in profit performance.

In the fast-paced amusement machine industry, Gauselmann AG Group, as the German market leader with more than 50% market share, was again a strong presence in its key market segments worldwide in 2022. This presence lays the groundwork for Gauselmann AG Group to be recognized and accepted as a major player in the international gaming industry going forward. It is also well positioned for the years ahead thanks to decisions made in the past as well as measures that have been introduced and, in some cases, are already making an impact.

IV. Risk and opportunities report

As part of its global activities, Gauselmann AG Group is exposed to diverse risks that arise from increased competition and are inextricably linked to its activities. In order to make the best possible decisions, a multi-level, Group-wide planning and reporting system is used to closely monitor and orient business processes. The idea is that through permanent monitoring the Group can take measures in the timeliest possible manner to optimize business processes. Moreover, the Group ensures that all decision-makers, notably the Management Board, are informed at all times of risks in a timely fashion so that they may take appropriate corrective action.

The extent of the impact of the Ukraine war also remains unclear, since its duration, outcome and any future developments involving sanctions are hard to predict. The current high energy prices in commodity markets and continued high inflation are likely to further crimp investment and consumer spending by companies and households.

Going forward a major risk factor for the amusement machine industry in Germany is the implementation of the State Treaty on Gambling and related state arcade laws. Not all German states are taking advantage of the treaty's escape clause that allows permits for existing multiple concessions to be extended provided that these concessions satisfy certain quality standards. Another risk factor is the requirement to check gamer identifications against the OASIS player exclusion database, whose long-term impacts remain to be seen.

Despite the aforementioned uncertainties, Gauselmann AG's Management Board still does not currently see any risks that threaten the Group's existence.

However, future technological and sales growth in the business to business (B2B) segment will depend on the continued existence of a favorable sector environment as well as the timely and market-driven development, supply and marketing of innovative AWP and amusement machines and pioneering game platforms that comply with the new gaming ordinance. Achieving sales targets will also depend on the timely availability of supply parts, notably with respect to semiconductors, in an environment marked by the Ukraine war and greater supply chain problems.

Despite the deterioration in the overall environment, Gauselmann AG Group also sees favorable opportunities. Given its position as the technology and innovation leader in the German amusement machine industry, the Group enjoys much greater and growing market acceptance in this segment than do its competitors, especially with respect to product innovations. That allows the Group to stand apart from the rest of the industry in a down market and potentially win additional market share.

In the end customer (B2C) segment, the Gauselmann AG Management Board expects further reductions to the number of subsidiaries in Germany due to statutory provisions along with falling profitability resulting from cost increases in 2023. Despite the current legal uncertainties in the B2C segment, however, the medium-term opportunities and outlook for existing Gauselmann AG Group arcades are still deemed to be favorable. This assessment is based on the attractive line of products and services consisting of innovative AWP machines, modern and high-quality and high-value entertainment centers and proven customer service. Thanks to this very promising foundation and its market leadership in this segment, the Group is positioned to be much more resilient than the competition. In a survey conducted by Focus Money magazine in August 2022, Merkur Casino GmbH's arcades are the most popular in Germany. As the survey winner in both the general assessment and the individual categories of game offerings, service, atmosphere, seriousness and personnel, these arcades were more attractive for gamers than were those of the competition. And since regulatory authorities are increasingly focusing on the operation of perfectly legal and flawless arcades going forward, all sites have been certified by the TÜV.

Similar to the situation in Germany, the arcade market in the rest of Europe is undergoing structural changes. The plethora of laws and regulations is steadily increasing at all governmental levels. The operating business is increasingly affected by the same types of issues as in Germany, only with a slight lag. From the Gauselmann AG Group's standpoint, the vast majority of the legislative changes implemented tended to be positive, since large chains and companies already present in the market were generally favored by these measures.

Most notably in Germany, further investments are needed to penetrate the virtual reality game markets. The risk exists that on the customer side demand for the product remains insufficient going forward because of the statutory framework and inability by gaming supervisory authorities to block illegal offerings.

Before Gauselmann AG Group makes acquisitions or enters into joint ventures or strategic alliances, the related risks are also carefully reviewed and analyzed by outside consulting firms. Assessing the future development and success potential of these investments remains fraught with risk, however, and is recognized accordingly.

The statements in this report address currently known significant risks and opportunities that will affect the development of Gauselmann AG Group in the years ahead. They are based on current knowledge and as with all forward-looking statements, they entail uncertainties and risks. On the whole, the Group has adopted a full spectrum of measures to be able to respond appropriately to risks arising from changes in the global legal framework.

V. Risk reporting on the use of financial instruments

The goal of Gauselmann AG Group's financial and risk management is to protect against all types of financial risks. Financial instruments currently used by the Group include primarily financial assets, receivables, payables, marketable securities and bank deposits and debt. Given the structure of our customer base and business model, there are currently no major credit risks that could have a sustained negative impact on our financial position, cash flows or profit performance. Under ordinary business operations, total defaults on German receivables are an absolute exception to the rule. For a few less stable foreign markets, necessary impairment allowances were made. General default risk on receivables is taken into account through general provisions. As a rule, we settle our liabilities in accordance with the contractual payment terms. If default or credit risks are identified, impairment is recognized on the financial assets. If the impairment on variable rate bonds appears to be sustained, impairment losses are recognized to the extent that the net present value falls below cost as a result of unfavorable market developments.

Gauselmann AG Group manages interest rate, currency and liquidity risk through active cash management. The timely reporting on current business developments and ongoing dialogue with the commercial banks during the year ensure customized banking services that meet the Group's needs. Through daily cash pooling, deposits and overdrafts are continuously adjusted to meet payment needs. The existing credit facilities are sufficiently large and selectively distributed among diverse borrowers and creditors so as to limit our dependency. Any reduction or discontinuation of individual credit agreements would therefore not seriously jeopardize our overall financing. The strong equity position notwithstanding the impact of the pandemic provides the company with significant flexibility to obtain financing.

As a general rule, the financing of investments is matched to the investment term period at the corresponding long-term fixed rate. Operating equipment is financed using established lines of credit with variable-rate terms, portions of which are hedged against interest rate risk through appropriate instruments. On the whole, Gauselmann AG Group's interest rate risk is therefore considered minimal.

Espelkamp, May 4, 2023

Gauselmann AG
The Management Board

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Paul Gauselmann

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Armin Gauselmann

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Dr. Werner Kurt Schröder

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Jürgen Stühmeyer

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Dieter Kuhlmann

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Lars Felderhoff

.....
Manfred Stoffers

.....
Stefan Bruns

I n d e p e n d e n t A u d i t o r ' s R e p o r t

To Gauselmann AG:

Audit Opinions*

We have audited the consolidated financial statements of Gauselmann AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2022, the consolidated statement of profit and loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2022, and notes to the consolidated financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the group management report of Gauselmann AG for the financial year from January 1 to December 31, 2022.

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

- the accompanying consolidated financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Group as at December 31, 2022 and of its financial performance for the financial year from January 1 to December 31, 2022 in compliance with German Legally Required Accounting Principles, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to § [article] 322 Abs. [paragraph] 3 Satz [sentence] 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report.

We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

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

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the requirements of German commercial law and that the consolidated financial statements in compliance with German Legally Required Accounting Principles, give a true and fair view of the assets, liabilities,

financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal

requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German Legally Required Accounting Principles.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

Herford, May 4, 2023

DR. WOELKE AG
Wirtschaftsprüfungsgesellschaft

(Wilhelm Upheber)	(Thomas Lilienthal)
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

If the consolidated financial statements are published or reproduced in a different format from the official version (including a translation into other languages), no reference may be made to our audit opinion or our audit without first receiving our confirming opinion; see § 328 of the German Commercial Code (HGB).

*) Note: This is a convenience translation of the German original. Solely the original text of the German language is authoritative.

**Special terms of engagement for audits and related services
of DR. WOELKE AG
Wirtschaftsprüfungsgesellschaft**

Version: August 1, 2018

Preamble

These terms of engagement of DR. WOELKE AG Wirtschaftsprüfungsgesellschaft supplement and substantiate the General Terms of Engagement for Auditors and Audit Firms (*Allgemeinen Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften*), i.e. the version attached to the engagement letter, published by the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer e. V. – IDW*) and take precedence in their application. They are subordinate to an engagement letter. The engagement letter along with all appended materials constitute the "Overall Terms of Engagement".

A. Supplementary provisions for financial statement audits under §317 of the German Commercial Code (HGB) and comparable audits based on national and international audit principles

DR. WOELKE AG will conduct the audit in accordance with § 317 of the German Commercial Code (HGB) and the generally accepted audit principles of the Institute of Public Auditors in Germany (IDW). Accordingly, DR. WOELKE AG will adhere to principles of diligent professional conduct in planning and carrying out the audit such that inaccuracies and breaches that have a significant impact on the audit subject defined by the engagement letter can be ascertained with sufficient certainty.

DR. WOELKE AG will conduct all audit procedures that it deems necessary under the circumstances to reach its opinion and verify the form that the audit opinion will take in accordance with §322 of the German Commercial Code (HGB) with respect to generally accepted audit principles. DR. WOELKE AG will report on the review of the audit subject in accordance with customary professional practice. In order to meaningfully determine the nature, timing and scope of the respective audit procedures, DR. WOELKE AG will, to the extent deemed necessary, audit and assess the accounting internal control system, especially to the extent that this system ensures proper accounting. In keeping with standard professional practices, DR. WOELKE AG will conduct the audit procedures on the basis of test sampling, such that the unavoidable risk remains that significant false information may go undetected even in a legally implemented audit. Thus, for example, embezzlement and other such irregularities may not necessarily be revealed by the audit. DR. WOELKE AG notes that the audit is not designed to detect embezzlement or other irregularities that do not involve the audit subject's compliance with standard accounting principles. Should DR. WOELKE AG detect such occurrences in the course of its audit, however, they will be brought to the principal's attention without delay.

It is the responsibility of the principal's legal representative to correct material errors in the audit subject and to confirm to us in the letter of representation that the impacts of any uncorrected errors we revealed through this

current assignment, either individual errors or in their totality, are immaterial with respect to the audit subject.

B. Contractual relationship

In connection with the assignment and in order to understand the principal's business concerns, DR. WOELKE AG may potentially receive pertinent and legally relevant documents directly. DR. WOELKE AG explicitly states that it has neither an obligation to provide legal advice or review nor does this assignment encompass general legal advice; consequently, as regards the performance of this assignment, it is the principal's responsibility to submit any specific wording provided by DR. WOELKE AG to the principal's legal advisor for a definitive legal review. The principal is responsible for all management decisions in connection with the work of DR. WOELKE AG and applying the results of this work and any related decisions, insofar as the work of DR. WOELKE AG is suitable for the principal's own internal purposes.

C. Access to information

It is the responsibility of the principal's legal representative to ensure that DR. WOELKE AG has unrestricted access to records, written documents and other information needed for the assignment. The same also applies to the presentation of additional information (e.g. annual reports, findings regarding the compliance statement under § 161 of the Stock Corporation Act (AktG)) published by the principal along with the financial statements and, where applicable, the associated Management Report. The principal shall make these items available in a timely manner before the audit opinion is rendered or without delay as soon as they are available. All information provided by the principal or on his behalf ("*information provided by the principal*") to DR. WOELKE AG must be complete.

D. Verbal information

To the extent the principal intends to make a decision or other business arrangement based on information and/or advice provided verbally to the principal by DR. WOELKE AG, the principal is required to either (a) inform DR. WOELKE AG in a timely manner before such a decision and request that the principal's understanding of such information and/or advice be confirmed in writing, or (b) make any such decision based on its own assessment while assuming sole responsibility for the decision, recognising the above-mentioned risk of such information and/or advice provided verbally.

E. Draft versions

Draft versions of any work results are intended solely for our internal purposes and/or to be approved by the principal and therefore represent only a preliminary stage of the work results. They are not binding and are subject to further review.

F. Release

The principal is obligated to release DR. WOELKE AG from all third-party claims (including affiliated companies) as well as obligations, damages, costs and expenses (in particular reasonable external attorney fees) that arise from the use of the work results by the third parties and the delegation made by the principal directly or indirectly or at his behest. This obligation does not extend to the situations where DR. WOELKE AG has given explicit written consent that the third party may rely on the work results.

G. Electronic data transmission (E-mail)

The parties are authorised to use electronic media to share and transmit information, and this form of communication does not in and of itself constitute a breach of any confidentiality obligation. The parties recognise that the electronic transmission of information (notably through e-mail) entails risks (e.g. unauthorised access by third parties).

Any change to documents sent electronically by DR. WOELKE AG as well as the forwarding of such documents electronically to third parties may only occur with the written authorisation of DR. WOELKE AG.

H. Data protection

For the stated processing purposes, DR. WOELKE AG is authorised to process information about the principal that can be attributed to specific individuals (personal data) in the various jurisdictions where they are active.

DR. WOELKE AG processes personal data in accordance with applicable law and professional regulations, notably taking into account national (German Data Protection Act – *BDSG*) and European data protection regulations. DR. WOELKE AG requires that service providers processing personal data on behalf of DR. WOELKE AG also comply with these provisions.

I. Letter of representation

The letter of representation requested by DR. WOELKE AG from the legal representative shall, if necessary, include a confirmation appended to the letter of representation stating that the combined impact of any uncorrected, false information in the audit subject is immaterial both individually and as a whole.

J. Application scope

The terms included in the Overall Terms of Engagement (*Sämtliche Auftragsbedingungen*) – including terms involving liability – also apply accordingly to all other future assignments initiated by the principal, as long as in that case no special agreements are made or are included through a framework agreement, or to the extent domestic or foreign statutory or regulatory requirements binding on DR. WOELKE AG contravene individual terms favouring the principal.

For work performed by DR. WOELKE AG, only the terms contained in the Overall Terms of Engagement (*Sämtliche Auftragsbedingungen*) apply. Other terms become part of the assignments only if the principal has reached a separate express written agreement with DR. WOELKE AG. General purchasing terms referenced in automated orders are therefore not considered included, even if DR. WOELKE AG does not explicitly object to them or DR. WOELKE AG begins to perform the work unconditionally.

K. Applicable law/jurisdiction

For the performance of the assignment, the professional standards developed and approved by the main German professional organisations (WPK, IDW, StBK) are binding insofar as they can be applied to the specific assignment.

German law applies to the contractual relationship and to all non-contractual circumstances or obligations arising from it or related to the performance of the contractually agreed services.

Herford, Germany is the exclusive jurisdiction for all legal disputes arising from the assignment or services performed as part of the assignment.

L. Conditional use

In the audit report, the financial statements auditor summarises the results of his work, in particular for the company boards responsible for oversight. The audit report is therefore intended to support the company's oversight by the appropriate board through documentation of key audit findings. It is thereby intended exclusively for internal use by company boards, notwithstanding the possibility that special statutory provisions may confer a right for third parties to receive or inspect it.

Our audit report is therefore intended to serve exclusively as the basis for decision-making by company boards and is not to be used for anything other than its intended purposes, such that we assume no responsibility, liability or other obligations toward third parties, unless we have entered into a separate written agreement with the third parties or such a waiver of liability would be void.

We call attention to the fact that as long as no legal obligation exists, we do not update the audit report and/or audit opinion if events or circumstances change after the audit opinion has been issued.

General Engagement Terms

for

Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften

[German Public Auditors and Public Audit Firms]

20 of January 1, 2017

1 Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (*Wirtschaftsprüfer*) or German Public Audit Firms (*Wirtschaftsprüfungsgesellschaften*) – hereinafter collectively referred to as "German Public Auditors" – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing or prescribed by a mandatory rule.

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties.

2. Scope and execution of the engagement

(1) Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (*Grundsätze ordnungsmäßiger Berufsausübung*). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (*betriebswirtschaftliche Prüfungen*), the consideration of foreign law requires an express written agreement.

(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

5. The obligations of the originating party to cooperate

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

§ 7. *Practical Implications of the Study*

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the Independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

2. $f \in C^1(\mathbb{R}^n)$ and $\nabla f(x) = 0$ for all $x \in \mathbb{R}^n$.

To the extent that the German Public Auditor is required to present results in writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. Statements and information of the German Public Auditor outside of the engagement are always non-binding.

6. Distribution of a German Public Auditor's professional statement

(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor's written consent, unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.

(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

7. Delinquency recidivism

(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The engaging party must assert a claim for the rectification of deficiencies in writing (*Textform*) [Translators Note: The German term "*Textform*" means in written form, but without requiring a signature] without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

8. Confidentiality toward third parties and data protection

(1) Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: *Handelsgesetzbuch*], § 43 WPO [German Law regulating the Profession of Wirtschaftsprüfer: *Wirtschaftsprüferordnung*], § 203 StGB [German Criminal Code: *Strafgesetzbuch*]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

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(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: *Produkthaftungsgesetz*], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.

(4) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due to the German Public Auditor's negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

(5) An individual case of damages within the meaning of paragraph 2 also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(6) A claim for damages expires if a suit is not filed within six months subsequent to the written refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaftG. The right to invoke a plea of the statute of limitations remains unaffected.

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report, he may no longer use this auditor's report.

If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor's written consent and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

(3) The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the German Public Auditor has an appropriate lead time.

(3) Except as agreed otherwise in writing, ongoing tax advice encompasses the following work during the contract period:

- a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party
- b) examination of tax assessments in relation to the taxes referred to in (a)
- c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)
- d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)
- e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German Public Auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing.

(5) Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (*Steuerberatungsvergütungsverordnung*) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (*Textform*).

(6) Work relating to special individual issues for income tax, corporate tax, business tax, valuation assessments for property units, wealth tax, as well as all issues in relation to sales tax, payroll tax, other taxes and dues requires a separate engagement. This also applies to:

- a) work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax;
- b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;
- c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and
- d) support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the issue as to whether all potential sales tax allowances have been identified. No guarantee is given for the complete compilation of documents to claim the input tax credit.

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (*Textform*) accordingly.

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

(2) If the engaging party is not a consumer, then a set-off against the German Public Auditor's claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

The German Public Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (*Verbraucherschlichtungsstelle*) within the meaning of § 2 of the German Act on Consumer Dispute Settlements (*Verbraucherstreitbeilegungsgesetz*).

The contract, the performance of the services and all claims resulting therefrom are exclusively governed by German law.