



F12 GAMING N.V.

ANNUAL REPORT AND ANNUAL ACCOUNTS
FOR THE PERIOD FROM 14 JANUARY 2022 TO 31 DECEMBER 2022

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ANNUAL REPORT AND UNAUDITED ANNUAL ACCOUNTS

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DIRECTOR'S REPORT

To the attention of the shareholders of F12 Gaming N.V.,

Dear Sirs,

The Management herewith submits the financial statements of F12 Gaming N.V. (hereinafter: "the company") for the year 31 December 2022. Based on the data supplied to us, we have reviewed the financial statements of the company.

The financial statements consist of a balance sheet, profit and loss and notes to the financial statements.

Executive summary:

After 20+ successful years in indoor football, Falcão started in 2018 a new challenge – in content and social media. As a natural step in his career evolution, Falcão joined a team of experienced entrepreneurs from the entertainment industry that announced in early 2022, F12 Entertainment, a digital entertainment company, targeting the Brazilian igaming market.

In 2022, F12 Gaming N.V., incorporated and licensed in Curaçao, embarked in the gaming industry, on its trading journey with exciting prospects.

The year 2022 was the foundation year and was marked by the setup of strategic, financial and operational performance. Alongside our revenue growth, the company remains committed in continuing our evolution as an industry recognized local player, driving growth, innovation, capability, player protection and customer centricity.

Our strategy is clear: leveraging and embracing the powerful advantages of our unique local content and marketing networks to deliver on our core pillars of growth and sustainability.

Brazil, together with the regulated market of Portugal, remains as our strategic market, driving at this stage 100% of the group revenue.

F12 Gaming N.V. initiated activities with the aim of being a top 10 brand and since then is investing heavily to become a leading brand on the soon to be regulated local regulated market.

In the online sports betting sector alone, Brazil is the most promising territory, with a projection, according to BNL Data, of earning BRL 12 billion in 2023, an increase of 71% compared to the BRL 7 billion accounted in 2020.

Despite reporting a net loss of € 1,640,494 for the year, the company remains optimistic about its financial performance. The net loss was primarily attributed to initial marketing investments, strategic player acquisition efforts, and one-off costs associated with establishing a strong foundation.

These factors are indicative of the company's commitment to growth and its proactive approach to capturing market share. As F12 Gaming N.V. continues to refine its strategies and capitalize on emerging opportunities, it remains poised for future success.

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Financial highlights for the year ended December 31, 2022:

1. Revenue:

- The company generated total revenues of € 16,630,030 during the year.
- The revenue performance was marked by a strong revenue acceleration, with constant growth month after month.
- Affiliate traction and CRM synergies decreased the average CPA while increase player value.

2. Net profit:

- The company reported a net loss of € 1,640,494 for the year.
- The net profit was heavily marked by the company investment in player acquisition and brand awareness. Competitors are operating in the market with high budgets and investments diluted over years of operational growth. F12 Gaming N.V. intends to use the latecomer advantage and will require substantial capital and potential period of net losses to consolidate the long term (post regulation) growth plan.

3. Assets:

- The total assets of the company as of December 31, 2022, amounted to €1,640,299.

4. Liabilities:

- The total liabilities of the company as of December 31, 2022, amounted to €3,280,706.

5. Equity:

- The company's total capital, including share capital and retained earnings, was €1,640,407.

6. Outlook:

Despite the net loss of €1,640,494 in 2022, F12 Gaming N.V. is poised for a promising future.

The company has laid a strong foundation during its initial year of trading, which included significant investments in marketing, player acquisition, and one-off costs.

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Looking ahead, the company is strategically positioned to capitalize on emerging opportunities and drive financial growth.

Market expansion:

F12 Gaming N.V. aims to expand its market reach by targeting new geographic regions of Brazil and diversifying its product offerings.

By identifying untapped markets and analyzing consumer trends, the company plans to leverage its competitive advantage and increase its customer base.

Cost optimization:

The company recognizes the need to optimize costs and streamline operations to improve profitability.

By implementing efficient processes, negotiating favorable supplier contracts, and leveraging economies of scale, F12 Gaming N.V. aims to enhance its cost structure and achieve better financial results.

Product innovation and development:

F12 Gaming N.V. remains committed to continuous product innovation and development. By staying abreast of technological advancements and consumer preferences, the company aims to offer cutting-edge gaming experiences and stay ahead of the competition.

Customer retention and engagement:

Customer retention and engagement will be a key focus for F12 Gaming N.V.

The company aims to build strong relationships with its existing customer base through personalized experiences, loyalty programs, and exceptional customer service. By fostering customer loyalty, the company expects to drive recurring revenue and long-term success.

Financial sustainability:

The company is dedicated to achieving financial sustainability in the long run. F12 Gaming N.V. plans to implement rigorous financial management practices, including stringent budgeting, cost control measures, and prudent risk management. These efforts will contribute to improving profitability and ensuring the company's financial stability.

Ongoing evaluation and adaptation:

F12 Gaming N.V. recognizes the dynamic nature of the gaming industry and the importance of adaptability. The company will continuously monitor market trends, consumer preferences, and regulatory changes to make informed strategic decisions.

By proactively adjusting its strategies and offerings, the company aims to stay relevant and seize new growth opportunities.

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In conclusion, despite the net loss in 2022, F12 Gaming N.V. is positioned for future success. Through market expansion, cost optimization, product innovation, customer engagement, financial sustainability, and ongoing evaluation, the company is confident in its ability to overcome challenges and achieve profitability. With a forward-looking mindset and a commitment to excellence, F12 GAMING NV is poised to capitalize on emerging opportunities and create long-term value for its stakeholders.

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Downtown E-Commerce Company B.V.

Director

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STATEMENT OF FINANCIAL POSITION

Balance Sheet on 31 December 2022

(Values in euros)

	Notes	31.Dez.22	31.Dez.21
Assets			
Cash and cash equivalents	4	293 213,53	-
Other Receivables	5	1 347 085,52	-
Total of Current Assets		1 640 299,05	-
		1 640 299,05	-
Capital			
Share Capital	6	87,36	-
Net Result of period		(1 640 494,37)	-
Total Capital		(1 640 407,01)	-
Liabilities			
Trade Payables	7	191 273,97	-
Other Payables	8	2 789 432,09	-
Provisions	9	300 000,00	-
Total of Current Liabilities		3 280 706,06	-
Total Liabilities		3 280 706,06	-
Total Liabilities and Capital		1 640 299,05	-

Curaçao, 21 July, 2023

The Accountant

The Management

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INCOME STATEMENT

Period ended on 31 December 2022

(Values in euros)

	<u>Notes</u>	<u>31.Dez.22</u>	<u>31.Dez.21</u>
Revenues	10	16 630 030,12 €	-
Cost of Sales	11	(4 973 993,68)	-
Administration Expenses	12	(10 629 038,21)	-
Provisions (increases/reductions)	13	(300 000,00)	-
Other income	14	39 892,10	-
Other expenses	15	(2 407 384,70)	-
EBITDA		(1 640 494,37)	-
Depreciation on property, plant & equipment		-	-
EBIT		(1 640 494,37)	-
Finance Income/Costs		-	-
Result before taxes		(1 640 494,37)	-
Income Tax		-	-
Net Result		(1 640 494,37)	-

Curaçao, 21 July, 2023

The Accountant

The Management

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NOTES TO THE ACCOUNTS

Selected notes to annual accounts as of and for the period ending 31 December 2022.

1. General Information

F12 Gaming N.V. is a limited liability company and is incorporated in Curaçao since 14 January 2022, with registration number 159643, registered address on Zuikertuintjeweg Z/N (Zuikertuin Tower), Curaçao and director Downtown E-Commerce Company B.V.

The company is focused in sports entertainment online and online betting, whether for casino, poker and other games, whether to be operated through internet, mobile or interactive media.

The revenue is made up of income from the betting and sports activities.

2. Basis of preparation

The annual accounts have been prepared in accordance with the Generally Accepted Accounting Principles. The annual accounts for the period ended 31 December 2022 have not been audited.

These annual accounts have been prepared based on a going concern basis. This going concern basis of preparation assumes the company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The company's annual accounts are presented in Euros (EUR), which is the presentation and functional currency of the company.

3. Summary of significant accounting policies

3.1. Revenue recognition policy

Revenue comprises the fair value of the consideration received or receivable for the supply of services in the ordinary course of the company's activities. The company recognizes revenue, including other operating revenue, when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the company and when specific criteria have been met as described below.

Costs that are not reported as part of the net gain or loss within revenue include inter alia bank charges, fees paid to platform and payment providers and certain gaming taxes.

In contracting with own license operators, the company generates revenue by entering into a revenue share deal or a fixed deal where such revenue is apportioned on an accrual basis over the whole term of the contract. The consideration for such services is generally split between an initial setup to configure the software as per the customer's requirements and on-going charge invoiced monthly.

The uncertainty on the amount of revenue to be received is resolved at each calendar month end since the contracts are such that the amounts reset to zero on a monthly basis. Accordingly, it is appropriate for the company to recognize the monthly amounts invoiced in the P&L.

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The only difference between accounting for such arrangements under the previous revenue standard and IFRS 15 pertains to the set-up fees. Under IAS 18, the set-up fees were deferred over a period of (generally) six months until the go-live date. In accordance with IFRS 15, the set-up is not seen as a distinct PO as the customer cannot benefit from the set-up itself but for the agreement as a whole. Accordingly, the set-up fee is simply seen as being part of the consideration receivable for the software as a service (SAAS) agreement and should therefore be deferred over the period of the agreement.

Accounting Department performed a detailed analysis of such impact and concluded that this has an immaterial effect for the company.

3.2. Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits, and other cash applications that can be immediately mobilized with insignificant risk of loss of value.

3.3. Accounts receivable and accounts payable

Accounts receivable and accounts payable are principally short-term amounts relating to the settlement of transactions. They are recognized on a trade date basis and subsequently accounted for at amortized cost until their settlement.

Accounts payable are recognized initially at fair value, being subsequently recognized at amortized cost, discounted by any interest calculated and recognized in accordance with the effective interest rate method.

3.4. Provisions

Provisions are recognized when the company has a present obligation as a result of events arising before the balance sheet date and it is probable that economic resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Best estimates and assumptions are used when determining the amount to be recognized as a provision.

3.5. Accrual accounting

Expenses and income are recognized in the year they relate to, in accordance with the principle of accrual accounting, irrespective of when the transactions are invoiced. Expenses and income for which the real value is not known are estimated.

Expenses and income imputable to the current year where the expense and income on which will only take place in future periods, together with the expenses and income that have already occurred, but which relate to future periods and which will be imputed to the results of each of these periods, for the value corresponding to them, are stated in the deferrals captions.

Financial interest and income are recognized in accordance with the principle of accrual accounting and in accordance with the effective interest rate applicable.

3.6. Income tax

Income tax corresponds to the sum of current taxation and deferred taxation. Current tax and deferred tax are recorded in the Income Statement except when the deferred tax is related with items entered directly in equity. In these cases the deferred tax is also stated in equity.

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Current tax on income is calculated based on the taxable profit of the year. The taxable profit differs from the accounting result as it excludes diverse expenses and income that will only be deductible or taxable in subsequent years, as well as expenses and income that will never be deductible or taxable in accordance with the tax rules in force.

3.7. Events after the balance sheet date

Events that occur after the of balance sheet date and which provide additional information regarding conditions that existed on the of balance sheet date are reflected in the annual accounts. Events which occur after the Balance Sheet date which provide information on conditions that may occur after the Balance Sheet date, that do not result in adjustments, are disclosed in the annual accounts, if they are considered material.

4. Cash and cash equivalents

The cash and cash equivalents detailed in the Balance Sheet are available and ready for use and are decomposed in the way:

Cash and Cash equivalents

	<u>31/dez/22</u>
Bank Deposits	293 213,53
	<u>293 213,53</u>

5. Accounts receivable

The accounts receivable is decomposed in the following way:

	<u>31/dez/22</u>	
	<u>Current</u>	<u>Non Current</u>
Suppliers	1 117 085,52	-
Income Accrual	230 000,00	-
	<u>1 347 085,52</u>	-
Impairment losses	-	-
	<u>1 347 085,52</u>	-

The supplier's balance is referent to payments made to F12 Entertainment Ltd. during 2022, which didn't issue the corresponding invoices for the same period. The income accrual is fully referent to a dispute with a credit note pending to be issued by the supplier.

6. Share capital

The company capital is constituted of 100 ordinary shares, with a nominal value of 1,00 USD (United States Dollar) and was fully paid as at 31 December 2022.

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7. Trade payables

The accounts payable is decomposed in the following way:

	31/dez/22	
	Current	Non Current
Suppliers	191 273,97	-
	191 273,97	-
Impairment losses	-	-
	191 273,97	-

8. Other payables

The other payable is decomposed in the following way:

	31/dez/22	
	Current	Non Current
Other suppliers	638 495,82	-
Customer deposits	402 496,53	-
Cost accruals	1 748 439,74	-
	2 789 432,09	-
Impairment losses	-	-
	2 789 432,09	-

The cost accrual amount corresponds to costs whose invoices were issued by suppliers in 2023, with reference to 2022 services.

9. Provisions

The provisions for the period evolved in the following way:

	31/dez/22	
	Current	Non Current
Balance at 14 January 2022	-	-
Increases	300 000,00	-
Reductions	-	-
Balance at 31 December 2022	300 000,00	-

10. Income

The revenues registered by F12 Gaming N.V. were all obtained from the sports, casino and game online betting, in the Brazilian market.

	31/dez/22		
	Internal Market	External Market	Total
Revenues	-	16 630 030,12	16 630 030,12
	-	16 630 030,12	16 630 030,12

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11. Cost of sales

The costs of sales are referent to the costs with the platform, games and PSP's.

	<u>31/dez/22</u>
Cost of sales	4 973 993,68
	<u>4 973 993,68</u>

12. Administration expenses

The administration expenses are related with the online betting operational activities and reflect the investment made to develop the brand.

	<u>31/dez/22</u>
Advertising & Marketing	7 140 844,37
Other Expenses	3 488 193,84
	<u>10 629 038,21</u>

The other expenses are mainly referent to managed brands expenses.

13. Provisions

	<u>31/dez/22</u>
Other risks and charges	300 000,00
	<u>300 000,00</u>

In November 2022, the company filed a legal complaint against undetermined persons, for taking illegal possession of a payment in the total amount of € 300.000 . The Directors, based on the opinion of its legal advisors and in view of the historic resolution of such cases, recognized in the annual accounts as of 31 December.

14. Other income

	<u>31/dez/22</u>
Exchange rates (Gains/Losses)	39 892,10
	<u>39 892,10</u>

15. Other expenses

	<u>31/dez/22</u>
Other expenses	2 407 384,70
	<u>2 407 384,70</u>

The expenses registered under other expenses mainly refer to expenses to intermediate parties to operate the Brazilian market.

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16. Related parties

	<u>31 December 2022</u>
	<u>Payables</u>
	<u>Other Payables</u>
	<u>Euros</u>
F12 Entertainment Ltd.	332 433,92
F12 Entertainment Ltd - PT Branch	10 197,14
	<u>342 631,06</u>

	<u>Dec 2022</u>
	<u>Purchases</u>
	<u>Euros</u>
F12 Entertainment Ltd	1 031 271,06
F12 Entertainment Ltd - PT Branch	63 237,14
	<u>1 094 508,20</u>

17. Others

17.1. Litigation

There is no knowledge of existing litigations against the company.

21 July, 2023


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The Director