

Play Magnus AS

Annual Report 2021



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PLAY MAGNUS
GROUP OF COMPANIES

Founded in 2013, Play Magnus Group's vision is to drive innovation in chess to bring a millennia-old sport into the future

Our Mission

- Introduce more people to **play** and **watch** chess
- Encourage more people to **learn** and **study** chess
- Enable more people to **earn a living** from chess

We want to bring chess to as many people around the world as possible.

Our products and services are geared to make it easy, fun and efficient to learn, play, and watch this timeless but modern activity, as well as to allow the industry content creators make a living from their contributions.

ECOSYSTEM OVERVIEW



PLAY MAGNUS
GROUP OF COMPANIES

PLAY



Whether it's competing online, challenging a friend, sparring with an AI version of Magnus, or solving puzzles, *Play* is central to the chess experience.

LEARN



Learning is at the heart of Play Magnus Group, where we have developed market-leading technologies, courses and materials for players of all levels to improve their chess.

WATCH



Capturing the thrill of the sport, our broadcasts and Tour bring together the world's best and most exciting players in top level competitions or casual shows with fans.

OUR LEADING BRANDS

chessable

<> Meltwater
**CHAMPIONS
CHESS TOUR**

chess24[®]

MAGNUS
CHESS ACADEMY

PLAY MAGNUS
APP SUITE

Aimchess

iChess.net

NEW IN CHESS



GingerGM

EVERYMAN CHESS

2021 IN REVIEW



Jan - Mar 2021

Expanded content library through acquisitions of New In Chess, Ginger GM and Everyman Chess



May 2021

Completed acquisition of Aimchess, a chess analytics service powered by AI



Aug 2021

Completed acquisition of Silver Knights Chess Academy (rebranded to Magnus Chess Academy in March 2022)



**CHAMPIONS
CHESS TOUR**
2022

Dec 2021

Magnus Carlsen defends World Championship title for fifth time amidst record viewership for chess



Jan 2021

Meltwater announced as Title Partner of the Meltwater Champions Chess Tour



Mar 2021

Received additional \$8.3M from exercise of all warrants from the Series B financing round of February 2020



Jul 2021

Launched Chessable Classroom during Chessable Masters tournament of the Tour



Sep 2021

2021 Final concludes the first full season of the Tour which saw new partners including Mastercard, the first pure NFT trophy in sports, and record-breaking viewership



Dec 2021

Finished 2021 with full year results of 164% bookings growth Y/Y and 172% revenue growth Y/Y

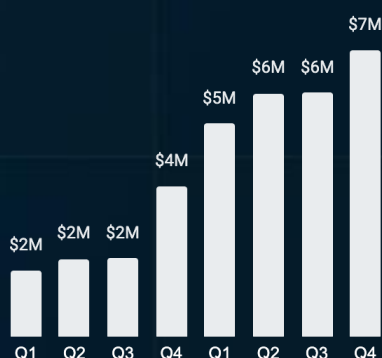
KEY FIGURES



FY 2021 BOOKINGS

\$24.5M

164% Y/Y



Q4 2021 AVG MONTHLY PAYING USERS

64.6K

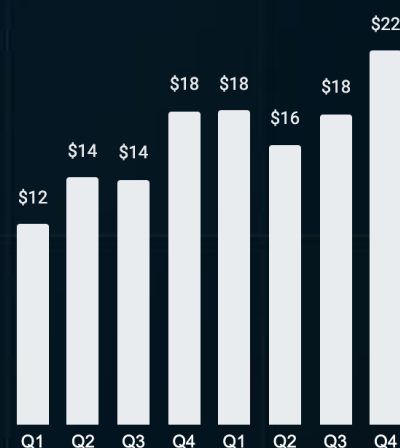
46% Y/Y



Q4 2021 AVG ARPPU

\$21.9

19% Y/Y



115M

Live broadcast views of the Meltwater Champions Chess Tour in 2021

283K

Peak concurrent viewers of the Meltwater Champions Chess Tour in 2021 (during Opera Euro Rapid)

\$6M

Total prizes and course revenue shares paid out to chess players and content creators in 2021 by PMG

109%

Growth of Courses bookings FY 2021 Y/Y

1,300+

Digital courses published by PMG companies to date

MANAGEMENT TEAM



Andreas Thome

Chief Executive Officer

Play Magnus Group since 2017



Arkus Fredriksson

Chief Strategy Officer

Play Magnus Group since 2016



Myriam Ben Farhat

VP, People & Culture

Play Magnus Group since 2020



Scott Dodson

Chief Marketing Officer

Play Magnus Group since 2021



Arne Horvei

Tour Director

Play Magnus Group since 2014



Dmitri Shneider

Chief Financial Officer

Play Magnus Group since 2019



David Kramaley

Chief Operating Officer

Chessable since 2015, Play Magnus Group since 2019



Sebastian Kuhnert

Chief Business Development Officer

chess24 since 2017, Play Magnus Group since 2019



Tatiana Guarconi

Chief Information Officer

Play Magnus Group since 2021



Geert van der Velde

CEO, Chessable

Chessable since 2018, Play Magnus Group since 2019



CEO STATEMENT

ANDREAS THOME

Chief Executive Officer

2021 was a transformative year of growth for Play Magnus Group as we built on the momentum from 2020. Across the two areas of Play Magnus Group's leading ecosystem of products and services in elearning and esports, we saw significant numbers of new users, fans and partners join the chess community as part of our mission to introduce more people to play, watch, learn and make a living from chess. Chessable continued to expand its position as the leading platform for chess improvement, while the Champions Chess Tour had a successful launch of its first full season, establishing itself as the most relevant professional online chess circuit. At the same time, Play Magnus Group acquired five companies to expand our content library, add new platforms, and enter new verticals such as the scholastic market. On top of all of this, our key ambassador and co-founder, Magnus Carlsen, won his fifth classical World Championship title, cementing his place as one of the greatest chess players of all time.

On behalf of everyone at Play Magnus Group, I would like to congratulate Magnus for his historic victory. Magnus is our co-founder and top shareholder, our most important ambassador, most active player in our Tour and supports our partnerships as well as other content and critical activities. However, perhaps most importantly, he's an inspiration for the chess community, and our own employees who work tirelessly to grow the popularity of chess.



Play Magnus Group financials reflected the hard work of all of our people and the progress that we've achieved in 2021 as bookings grew to USD \$24.5M, up 164% YoY in 2021, vastly ahead of guidance at the beginning of the year of USD \$14M-\$16M. It is exciting to see the Financial Times recognize the efforts of our employees and stakeholders, naming us the #27 fastest growing overall, and #1 company in the gaming segment in Europe over the past three years. Going into 2022, while additional macroeconomic uncertainties are on the rise, Play Magnus Group will continue to deliver innovative products and services that bring joy and learning to the chess community.

FT FINANCIAL
TIMES

statista

**1000 EUROPE'S
FASTEST GROWING
COMPANIES 2022**

PLAY MAGNUS
GROUP OF COMPANIES

#1 GAMING #27 OVERALL

A key driver of the growth of Play Magnus Group in 2021 was the Meltwater Champions Chess Tour. While we had high hopes for the Tour when it launched in November 2020, by all accounts the expectations were greatly exceeded by both the quality of the product, especially the broadcast from the Oslo studio, but also the reception that it has received from fans, players and partners. Over 283,000 people tuned in to the Opera Euro Rapid, the third event of the Tour, which held the record for peak concurrent viewership for chess on online streaming platforms until the end of 2021 when 613,000 viewers tuned in for the World Championship match. The Tour achieved 115 million live views on online streaming platforms and nearly 30 million hours watched. In media and social media, the Tour attracted over 7,500 news articles and 172,000 social posts for a combined reach of over 32 billion. The Tour has affirmed its place as the leading online circuit in chess with an emphasis on top players, rising stars, exciting formats and leading prizes as well as being optimized for partners to associate with the sport as more brands see the value of chess.

In 2021, brands moved into chess in a significant way. Several of the biggest companies in the world have used chess in their product launches, fashion lines and advertisements, including Louis Vuitton, Sony and McDonalds, and various high-profile celebrities and influencers have been public about enjoying playing our wonderful game with their friends and family. In a landmark partnership, Mastercard became a partner of the Meltwater Champions Chess Tour in the fall of 2021. In addition,



throughout 2021, we were fortunate to have great partners such as TV 2, NRK, Skilling, Airthings, Julius Baer, Opera, Meltwater, Aker BioMarine, Breakthrough Initiatives, FTX, Goldmoney, Mastercard, MU.ST Group, and Concordium that have supported the Champions Chess Tour.

The Play Magnus Group ecosystem focuses on esports and elearning. They complement each other well as once someone learns how to play and starts to enjoy playing and watching matches, many will naturally want to improve their game. In the realm of elearning, Chessable, the leading platform for chess improvement, continued to have rapid growth, nearly doubling its registered base of users who enjoyed an ever-expanding catalog of content from the world's best players and coaches. Chessable published hundreds of courses, including several authored by players in the current top 10, top juniors, and award-winning coaches. Play Magnus Group also signed on key content creators such as Judit Polgar and Simon "Ginger GM" Williams, who created courses and other content for the Group.

In 2021, thanks to Chessable publishing hundreds of courses and the acquisitions of leading publishers New in Chess and Everyman Chess, Play Magnus Group formed the largest digital content library in the industry. We are proud of the quality and quantity of content on our platforms and will work hard to continue to provide a world class learning library for our users going forward.



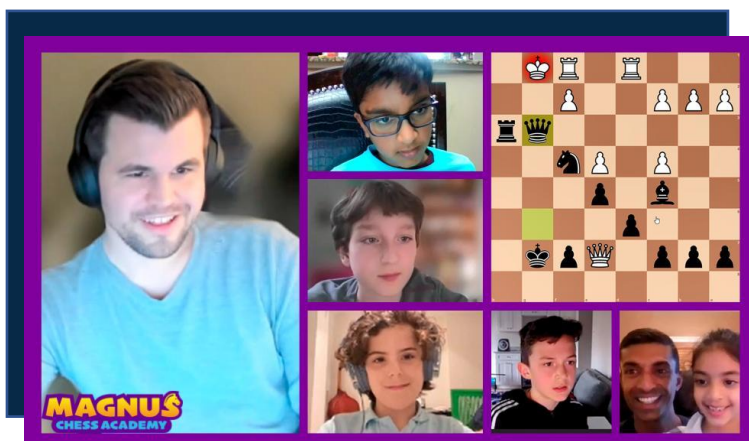
While content has been a core focus, similarly important has been the continuing innovation and improvement of our suite of edtech tools for users to consume content and learn in an effective way. In early 2021, Chessable launched its mobile app on iOS and Android which provides users an even more efficient way of consuming Chessable courses. In the summer of 2021, Chessable unveiled its Chessable Classroom platform, which delivers a suite of tools for online chess lessons and activities including a live video of a multi-user, synced online chess classroom with an interactive board. We are proud to say that the FIDE Chessable Academy, co-organized by FIDE, the world chess federation, and Chessable, which consists of the world's leading coaches and most talented juniors, have been using the Chessable Classroom for their lessons,

along with other coaches and academies. Much more is on the way in 2022 that will allow for a better learning experience and more personalized content on Chessable. Personalization of content and training is a focus area and in 2021 Play Magnus Group acquired Aimchess, a chess analytics startup powered by AI that delivers personalized insights and training exercises based on users' historical games.

One of the key goals of Play Magnus Group is to ensure that all children, wherever they are, can have access to a quality chess education offering. In addition to launching the Chessable Classroom as the first step towards this goal, in August 2021, we took a bigger step with the acquisition of the chess programs of Silver Knights, a leading US scholastic chess education provider which has taught over 100,000 kids since

inception. This entity has been rebranded to Magnus Chess Academy and will spearhead Play Magnus Group's efforts in the scholastic market. It will also absorb activities related to CoChess in relation to the live lesson offerings.

In 2021, Play Magnus Group began closely following the innovation in web3 to understand the potential for



chess and our activities. During the second half of 2021 Play Magnus Group began its initiatives in this vertical, starting with an NFT collection tied to the best moments, players, and tournaments of the Meltwater Champions Chess Tour. During the Tour Final in September, Play Magnus Group auctioned a single copy of the first ever pure NFT trophy for a professional sports event which was awarded to Magnus Carlsen after his 2021 Tour victory. Play Magnus Group is continuing to take a leading position in web3 for chess, partnering with multiple crypto and web3 companies including FTX, Animoca Brands, MU.ST Group, Concordium and NEAR Foundation.

As we start 2022, we now see increased uncertainty as online traffic is impacted by the return to normal after covid-19, macroeconomic challenges related to factors such as inflation and rise in interest rates, as well as the Russian invasion of Ukraine. In response to the invasion, Play Magnus Group has organized multiple charitable fundraisers including making the second tournament of the Tour the 'Charity Cup' together with UNICEF to raise funds and awareness for those in need. Management is carefully assessing areas that may have the most potential challenges and will take actions as necessary to mitigate these factors. While it is difficult to make predictions of the impact of these challenges, we have high conviction that more people will continue to play, watch and learn chess and the opportunity in our market segments remains substantial.

Throughout 2021, Play Magnus Group continued to add new hires, filling out key roles in its management and product teams in 2021. We expect the pace of hiring to

stabilize in 2022. Play Magnus Group's ambition is to reach over a \$100 million bookings run-rate by the end of 2025, and achieve an EBITDA break-even run-rate by the end of 2022. In pursuit of profitability, Play Magnus Group is further aligning costs to growth areas of the business, simplifying its corporate structure and improving its systems and processes which management believes should result in more efficient operations and reduced costs over the coming years.

It is an exciting time for chess and Play Magnus Group is well positioned to maintain and grow its leading ecosystem in the chess industry. We are focused on growing the Tour, increasing the quality of the formats, and expanding the distribution, as well as growing our elearning business by increasing the quantity and quality of content and improving the tools and products used to consume them. We are excited to have a bigger impact in the scholastic chess scene and to explore new areas such as web3. Play Magnus will continue to deliver innovative products and services that encourage users to play, watch, learn, and make a living from chess.

SOCIAL COMMITMENT

As a company, Play Magnus Group has worked to ensure that our mission to promote chess and chess learning fosters positive social outcomes. Chess is recognized by the United Nations as a sport that offers important opportunities in the implementation of its Sustainable Development Goals. These include strengthening education, realizing gender equality and the empowerment of women and girls, fostering inclusion, tolerance, mutual understanding, and respect. In 2021, beyond the Group's core initiatives, Play Magnus Group supported a number of initiatives to promote social impact in chess.

Scholastic Initiatives

Play Magnus Group is proud to support chess in schools worldwide. The Group's suite of learning tools helps children develop their skills from beginner to master and beyond.

According to a survey from the Group's friends at Chess in the Schools (CIS), a New York nonprofit promoting free chess programs in public schools that has taught chess to over 500,000 kids in its existence, 91% of teachers reported the growth of analytical and logical reasoning skills in their students as well as an improved ability to concentrate. 97% of teachers reported that chess had a

meaningful positive influence on their students.

In addition to providing a substantial number of free courses and subscriptions, Play Magnus Group's platforms have helped livestream events that featured prominent players and chess celebrities to raise funds for the CIS cause.

Chessable is a proud supporter of the US Chess School, a non-profit dedicated to supporting the most talented youth in the United States.

Beginning in 2020, chess24 began organizing the World Online School Chess Tournament, which featured over 2,000 participants representing nearly 300 schools from 54 countries. Together with the Spanish Pavilion of the Expo Dubai 2020, the tournament culminated in a final event that brought together finalists from all over the world and coincided with the World Chess Championship at the end of 2021.



To promote access to education in Africa, Chessable supports Chess in Slums which aims to empower impoverished children in the Nigerian slums of Lagos through chess education. The Group provides chess courses created by some of the top players in the world for free and an online chess learning environment that allows teachers to connect with students around the world. In addition, Chessable is supporting Chess in Slums in their fundraising efforts and providing additional resources and financial support.

Promoting Gender Equality

There remains a significant gap in participation of men and women at all levels in the chess world. At the professional level, only about 2.5% of the top 1500 players in the world are women. While approximately 11% of the full FIDE database of rated players are female, filtering for those born after 2000 shows approximately 19% of players are female.

Grandmaster Judit Polgar, far and away the best female player ever, has worked tirelessly to encourage women and girls to learn and play chess. She remains the only woman to have broken into the top 10 players in the world — reaching the number 8 spot in 2004. She joined Play Magnus Group in 2021 as an ambassador to support and promote more female participation in chess through our newly-launched Challengers Chess Tour and beyond.

In 2021, Play Magnus Group launched the Challengers Chess Tour with the mission to promote gender balance in chess and provide talented young players with access to top level mentors. The Challengers

Chess Tour was shortlisted for the ESG Award in 2021 for improving gender equality.

Diversity and Employee Well-Being

Play Magnus Group is taking steps to increase gender diversity in its internal hiring practices, and since 2020 increased the percentage of female team members from 18% to 28%. The Company's global team includes members of over 30 nationalities with different cultural and ethnic backgrounds. Play Magnus Group strongly respects and supports diversity.

Play Magnus Group invested in building an in-house mentoring program to support employees with skills training, physical health, and any other personal challenges they seek support for. Over 500 hours of coaching sessions were hosted to more than 100 employees in 2021. Out of 46 managers at Play Magnus Group, 16 are female (35%) and Play Magnus Group endeavors to continue coaching and promoting more females into leadership roles in 2022 and beyond.



BOARD OF DIRECTORS' REPORT

Overview

Play Magnus Group is driving innovation in chess to bring a millennia-old sport into the future. We want to bring chess to as many people around the world as possible. Our products and services are geared to make it easy, fun and efficient to learn, play, and watch this timeless but modern activity, as well as to allow the industry content creators to make a living from their contributions.

Play Magnus AS is the parent company of Play Magnus Group and was admitted to Euronext Growth, a multilateral trading facility operated by the Oslo Stock Exchange, in October 2020. Play Magnus Group is a global company headquartered in Oslo, Norway. As of year-end 2021, the company teams were predominantly based in Norway, United Kingdom, Spain, Germany, USA, Poland and the Netherlands.

Review of the consolidated financial statements

Play Magnus Group's consolidated financial statements follow the International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU).

On the 29th of January 2021, Play Magnus Group acquired the publishing company Interchess B.V., operator of New In Chess, which is included in the consolidated statements since the date of the acquisition. On the 24th of February 2021, Play Magnus Group acquired the educational chess

company Ginger GM Ltd, operator of Ginger GM, which is included in the consolidated statements since the date of the acquisition.

On the 2nd of March 2021, Play Magnus Group acquired the publishing company Gloucester Publishers Ltd, operator of Everyman Chess, which is included in the consolidated statements since the date of the acquisition.

On the 14th of May 2021, Play Magnus Group acquired the educational chess business Aimchess from Coachevnik OU. The business is operated by a new entity Aimchess by PMG AS, and is included in the consolidated statements since the date of the acquisition.

On the 30th of August 2021, Play Magnus Group acquired the educational chess business from Silver Knights Enrichment. The business is operated by a new entity Silver Knights Chess LLC, and is included in the consolidated statements since the date of the acquisition.

Consolidated operating revenue for the financial year 2021 was USD 21.5 million compared to USD 7.9 million for the financial year 2020, representing 172% growth with increases across all operating segments. Pro-forma growth was 160% with 2020 at USD 8.7 million, which includes the revenue from iChess prior to the acquisition date of 1 December 2020.

Operating expenses for the financial year 2021 were USD 41.1 million whereof share-

based compensation expense and related payroll taxes and contingent consideration accounted for USD 0.8 million. Tour prizes accounted for USD 1.5 million. EBITDA for the financial year 2021 was USD -14.5 million compared to USD -11.2 million for 2020. After adjusting for share-based compensation expense and related payroll taxes, acquisition related expenses, EBITDA represented USD -13.8 million for the financial year 2021 compared to USD -5.1 million for the financial year 2020.

Depreciation and amortization expenses for the financial year 2021 were USD 5.1 million, compared to USD 3.1 million for the financial year 2020. For the financial year 2021, the Group had on a consolidated basis net financial expenses of USD 0.4 million, compared to USD 1.5 million for the financial year 2020. The decrease in net financial expenses was primarily caused by exchange rate differences on foreign currency held in the parent company. The Group's liquidity is diversified across NOK, GBP, EUR and USD, and as of year-end 2021 was mostly situated in Norwegian Krone, the functional currency of Play Magnus, and US Dollars with the majority of the rest of the balance in Euros and British Pounds.

Play Magnus Group had assets of USD 54.7 million as of 31 December 2021. Non-current assets were USD 30.0 million whereof goodwill and intangible assets accounted for USD 26.8 million. Current assets were USD 24.7 million whereof cash and cash equivalents represented USD 20.3 million. Non-current liabilities were USD 3.7 million. Current liabilities at the end of 2021 were USD 8.8 million whereof deferred revenue represented USD 2.9 million. The majority of the deferred

revenue is related to subscriptions and Tour partnership revenue invoiced or received but not yet recognized. The equity ratio for Play Magnus Group as of 31 December 2021 was 77.3%.

The liquidity for Play Magnus Group is strong with a cash balance of USD 20.3 million as of 31 December 2021.

Cash flow from operations was USD -13.0 million for the financial year 2021, cash flow from investing activities was USD -9.4 million, of which USD -0.4 million was related to the iChess acquisition, USD -2.4 million was related to the Interchess acquisition, USD -0.3 million was related to the Ginger GM acquisition, USD -1.5 million was related to the Gloucester Publishers acquisition, USD -0.3 million was related to the Aimchess acquisition, USD -2.0 million was related to the Silver Knights Chess acquisition and USD -2.2 million related to investments in tangible and intangible assets, of which USD -2.0 million were capitalized employee and consultant fees.

Cash flow from financing activities was USD 7.8 million, primarily related to the exercise of warrants that were granted to shareholders in the Series B financing round in February of 2020.

Review of the parent company's financial statements

The annual accounts for the parent company have been prepared according to IFRS. Revenue for the parent company was NOK 46.5 million for the financial year 2021 compared to NOK 14.0 million for the financial year 2020. Operating result for the financial year 2021 was NOK -63.3 million.

Total equity for the parent company was NOK 577.3 million as of 31 December 2021.

Allocation of net profit in the parent company

The parent company Play Magnus AS recorded a net loss of NOK 57.4 million for the financial year 2021. The Board of Directors proposes the net loss to be allocated to retained earnings.

Going concern

In accordance with the Norwegian Accounting Act, the board of directors confirms that the annual accounts have been prepared in accordance with the going-concern assumption. Play Magnus Group had a loss in 2021 which has been consistent with forecasts and business plan given its growth strategy. Additionally, there have been a number of acquisitions with financing and adviser fees throughout the year which have led to sizable cash outflows, which are expected to be much less in size going forward. The company expects operating losses to narrow in 2022.

Impact of covid-19 on operations

Management believes that Play Magnus Group has not been negatively impacted by the pandemic over the course of the 2020 and 2021 calendar years. The business model of the Group is based on online products, services and experiences and online activity saw accelerated growth in the first half of 2021 relative to prior years, benefiting Play Magnus Group's revenue growth. The positive benefits of more people staying at home and playing and learning chess online outweighed disruptions related

to cancelled in-person tournaments and activities, reduced ability to travel and create content for key personnel and also limited travel for management and other internal stakeholders. Play Magnus Group has offices in multiple countries with a number of personnel distributed globally, and even prior to the pandemic has had a robust remote work culture which has proved to be resilient during the difficulties of the past year. Management believes that the impact of covid-19 on operations has been normalizing since the second half of 2021 and that Play Magnus Group is well positioned for a post-pandemic environment over the coming years.

Impact of Russia's attack on Ukraine in 2022

In February 2022, Russian armed forces invaded Ukraine. This has caused the fastest growing humanitarian crisis in Europe since the Second World War. Play Magnus Group condemns the attack and in response to the ongoing situation, the Champions Chess Tour in partnership with UNICEF held a charity tournament in March 2022, named the Charity Cup and raised over USD 150,000 for those in need. Play Magnus Group also has initiated other activities raising funds for organizations such as the Norwegian Refugees Council. Play Magnus Group has no employees in Ukraine. The Group uses the services of a small number of consultants who are based in Russia. The company has no planned activities or future projects in neither Russia nor Ukraine. Management is handling this event and its development proactively and is taking actions to mitigate any potential risks.

Risk and risk management

Risk management is a continuous process and an integral part of decision making across Play Magnus Group. All managers are required to assume ownership for their areas of responsibility and ensure that risk management is integrated into day-to-day processes. We have identified the following risks and uncertainties that may have a material adverse effect on our business, financial condition, results of operations or reputation. The risks described below are not the only risks we face.

Market risk

Play Magnus Group is exposed to several market-related risks, including but not limited to: access and ability to keep qualified employees, ability to secure long-term agreements with key content creators as well as key Tour partners, continued commercial value of the previously created content catalogue and technology, ability to keep and grow the user engagement and brand awareness, change in user behavior for existing and new users of the products offered by the Group, ability to convert non-paying users to paying customers, relative competitiveness in the markets where the Group operates, and global or regional economic market conditions.

Credit risk

Play Magnus Group is exposed to credit risk from its operating activities, primarily from potential long-term receivable obligations from its Tour partners. The Group evaluates each of its partners based on numerous criteria to mitigate credit risks and believes the overall risk is low given the focus on

working with reputable brands with well established presence in the business community. The Group does not have significant credit risk associated with a single counterparty.

Currency risk

Due to the broad scope of the Group's international operations, a substantial portion of its assets, liabilities, sales and expenses are denominated in currencies other than NOK. Play Magnus Group primarily earns revenue in US Dollars, British Pounds and Euros. The sales mix is skewed towards US Dollars, while the costs are weighted towards British Pounds, Norwegian Krone and Euros. The Group aims to mitigate potential exchange rate fluctuations by matching the costs and revenues to the best of its ability by keeping the sales proceeds in the specific currencies which may be needed to pay for the respective costs. The Group cash balance is split between NOK, EUR, GBP and USD, with a higher weighting towards NOK. Management considers the primary foreign exchange exposure for the Group to be the cash balances.

Interest risk

The Group currently holds no material long-term borrowings or interest-bearing debt. Lease contracts resulting in a recognized lease liability are not subject to change in payments derived from interest fluctuations, and the Group's exposure to interest rate fluctuations and credit availability is therefore limited.

Liquidity risk

Play Magnus Group continues to maintain a strong financial position. Net cash from

operating activities in 2021 was USD -13.0 million as Play Magnus Group pursued its strategy of investing and growth. With a cash balance of USD 20.3 million and equity ratio of 76.3% as of 31 December 2021, as well as an additional USD 10 million of cash that was added in January 2022 with the investment by Breakthrough Initiatives Limited, management believes there is appropriate liquidity to execute on its business plan.

Mergers & Acquisitions risk

Play Magnus Group has grown both organically and via M&A and expects to continue to do more acquisitions in the future. In order to further develop, grow, and secure leadership in the online chess market, the Group may acquire or merge with other businesses, products, content and/or technologies. There can be no assurance that the Group is able to acquire suitable acquisitions on favorable terms or be able to integrate such acquisitions successfully with respect to used time, resources, attention from management and/or disrupt the existing business functions, and any failure may adversely affect the Group's performance.

Inflation risk

Inflation risks are starting to increase with uncertainty related to how transitory the recent rises are. Factors such as increased labor costs, increased costs due to less efficient supply chains, rise of commodity prices are all potential detractors. Management believes the main risk to Play Magnus Group is related to labor cost inflation, as its exposure to commodities and supply chains is a relatively insignificant portion of costs and revenues and mostly

are contained within its print books divisions. Play Magnus Group is carefully assessing these risks and believes impact could be mitigated via increased automation, as well as price increases given the strength of its product portfolio.

Key person risk

The Group is exposed to risk related to the behavior and public perception of key ambassadors. The Group works with public-facing chess personas and professional chess players, authors and coaches that represent the Group through delivering services, entertainment and/or content via the Group's platforms. In particular, the Group is closely associated with Magnus Carlsen, the World Chess Champion and namesake of the Group. He is the co-founder, ambassador and a key participant in core activities of the Group. The Group may be affected by unilateral actions or behaviors taken by Magnus Carlsen or other chess personas that the Group is associated with. These actions may adversely affect the Group's reputation and competitive position and reduce acceptance of the Group's platforms within the online chess community, which could have a material adverse effect on the Group's performance.

In 2021, the Group has taken actions to diversify its brand exposure by signing ambassadors such as Judit Polgar, one of the strongest players of all-time, as well as popular Grandmaster Simon "Ginger GM" Williams to long-term deals.

Directors and Officers liability insurance

Play Magnus AS has purchased a Directors and Officers liability insurance. The limit of liability in the aggregate is NOK 50 million.

Equal opportunities

At the end of 2021, Play Magnus Group had 234 full time equivalent employees and consultants, of which 28% were women. The chess and technology markets in which Play Magnus Group operates are somewhat overrepresented by men but Play Magnus Group is actively working towards a diversified working environment, including promotions of qualified women into leadership roles. Women are represented in the vast majority of the company's departments and the ratio between men and women will continue to be monitored. Play Magnus Group strongly respects and supports diversity in general and sees this as a competitive advantage to create value for the company and its shareholders. Play Magnus Group has a policy that includes the principle of equal opportunities for equal work, implying that every employee will have the same rights, salary and career options in the same position, all other factors being equal.

In 2021, Play Magnus Group organized the Challengers Chess Tour, which was a tournament of an equal number of talented young male and female players, and which was shortlisted for the ESG Award in 2021 for improving gender equality.

Discrimination

At Play Magnus Group we strongly believe that just like anyone should have the ability to play chess, regardless of age, gender, religion, race or nationality, a diverse workforce is key to developing the leading services and products that we bring to the market. The Company's global team includes members of over 30 nationalities

with different cultural and ethnic backgrounds.

Shareholders

Play Magnus Group has a total of 56.6 million common shares and more than 3,800 shareholders as of year-end 2021. The shares are listed on Euronext Growth on Oslo Stock Exchange with ticker code PMG.

Social Commitment

As a company, Play Magnus Group has worked to ensure that our mission to promote chess and chess learning fosters positive social outcomes and we are proud to support chess in the schools worldwide. The Group's suite of learning tools helps kids develop their skills from beginner to master and beyond. In 2021, beyond the Group's core initiatives, Play Magnus Group is supporting a number of non-profit partners, both within chess and beyond, including Chess in the Schools, US Chess School, FIDE Chess Academy, and has added more partners such as Chess in Slums in 2022.

Outlook 2022 and events after the end of the financial year

2021 was an exciting year for the chess industry and Play Magnus Group as we experienced significant growth and launched new business lines and products across out elearning and entertainment areas.

In 2021, Play Magnus Group successfully ran the first edition of the Champions Chess Tour with participation from most of the world's top players, building on the Magnus

Carlsen Invitational in 2020. In 2021, Play Magnus Group also launched innovative new events such as the Challengers Chess Tour which focused on the next generation of talented young male and female players. The Tour has been able to attract the support of many partners, the quantity and quality of which has grown significantly since inception and is expected to grow further in 2022. In 2022, Play Magnus Group will continue to refine, experiment and innovate with the Tour, in its ambition to grow it to the level of other professional sports.

Play Magnus Group also has continued to execute on its elearning strategy of bringing leading content to users in a format that makes it more fun and efficient to improve. Play Magnus Group has continued to improve its products, both new and existing, while at the same time expanding the content library organically, as well as via the acquisitions of leading chess publishers New In Chess and Everyman Chess.

2022 has started off with increased uncertainty as online traffic is impacted by the return to normal after covid-19, macroeconomic challenges related to factors such as inflation and rise in interest rates, as well as the Russian attack on Ukraine. While it is difficult to make predictions of the impact of these macroeconomic factors, management has high conviction that more people will continue to play, watch and learn chess. With that said, management is carefully assessing areas that may have most potential impact and will take actions as necessary to mitigate these factors. Throughout 2021, Play Magnus Group also continued to add key employments, filling out key roles in its management and product teams. Management expects the pace of

hiring to stabilize in 2022. Play Magnus Group also continues to simplify its corporate structure and improve its systems and processes which management believes should result in more efficient operations and reduced costs over the coming years.

The strong growth was helped by significant investment in 2021 and with the private placement of USD 10 million from the Breakthrough Initiatives in January 2022, management believes there's a strong cash balance to support operations until profitability can be reached.

As Play Magnus Group is innovating, the chess industry will also continue to experience new competitors, business models, user preferences, technologies, and product launches. Play Magnus Group will stay dynamic and continue to add value for its users through a persistent focus on innovation and creativity to retain its users' brand loyalty and attract further interest within all user categories.

It is an exciting time for chess and Play Magnus Group is well positioned to maintain and grow our leading ecosystem in the chess industry and to deliver innovative products and services that encourage users to play, watch, learn, and make a living from chess.

Oslo, April 25th, 2022

The Board of Directors of Play Magnus AS

DocuSigned by:

8837328F748D434
Anders Brandt
Chairman

DocuSigned by:

7709093D84A84F8
Espen Agdestein
Board member

DocuSigned by:

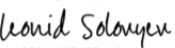
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Jens Hilgers
Board member

DocuSigned by:

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Henrik Albert Carlsen
Board member

DocuSigned by:

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Irene Kristiansen
Board member

DocuSigned by:

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Leonid Solovyev
Board member

DocuSigned by:


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Patrick Sandahl
Board member

DocuSigned by:

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Nils Lorenz Lensch-Franzen
Board member

DocuSigned by:

288C5811A3584F8
Andreas Thome
CEO

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Play Magnus Group Consolidated Financial Statements

Consolidated statements of comprehensive income

| Amounts in USD thousands (except per share amounts) | Note | 2021 | 2020 |
|--|--------|----------------|----------------|
| Revenue from customers | 9, 10 | 21 505 | 7 902 |
| Total operating revenue | | 21 505 | 7 902 |
| Course content and subscription sales expenses | | 4 442 | 1 812 |
| Tournament prize expenses | | 1 522 | 1 412 |
| Employee benefit expenses | 11, 12 | 10 692 | 2 437 |
| Share-based compensation expense | 13 | 681 | 2 811 |
| Consultancy fees | | 10 509 | 4 037 |
| Other operating expenses | 21 | 8 083 | 3 319 |
| Depreciation, amortization and impairment | 15, 23 | 5 080 | 3 088 |
| Equity funding transaction expenses | 21 | - | 2 360 |
| Loss on contingent consideration | 6 | 77 | 882 |
| Total operating expenses | | 41 087 | 22 156 |
| Operating profit (loss) | | -19 583 | -14 255 |
| Financial income | 22 | 624 | 196 |
| Financial expenses | 22 | 990 | 1 677 |
| Financial income (expense), net | | -366 | -1 481 |
| Profit (loss) before tax | | -19 948 | -15 735 |
| Tax expense | 20 | 1 135 | 604 |
| Profit (loss) | | -18 813 | -15 132 |
| Other comprehensive income | | | |
| <i>Items that will be reclassified to profit or loss:</i> | | | |
| Exchange differences on translation of foreign operations | | -141 | 131 |
| <i>Items that will not be reclassified to profit or loss:</i> | | | |
| Exchange differences on translation to USD presentation currency | | -874 | 3 238 |
| Total | | -1 014 | 3 369 |
| Total comprehensive income | | -19 827 | -11 763 |
| Earnings per share/diluted earnings per share | 25 | -0.35 | -0.40 |

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated statements of financial position

ASSETS

| Amounts in USD thousands | Note | 31.12.2021 | 31.12.2020 |
|----------------------------------|-------|---------------|---------------|
| Deferred tax assets | 6, 20 | 55 | 7 |
| Goodwill | 6, 14 | 8 745 | 7 041 |
| Intangible assets | 15 | 18 010 | 15 000 |
| Tangible and right-of-use assets | 23 | 3 090 | 1 024 |
| Non-current financial assets | 16 | 52 | 51 |
| TOTAL NON-CURRENT ASSETS | | 29 952 | 23 123 |
| Inventory | 7 | 1 128 | - |
| Other current assets | | 1 636 | 1 216 |
| Other current financial assets | 16 | 400 | 240 |
| Accounts receivable | 17 | 1 272 | 227 |
| Cash and cash equivalents | 18 | 20 278 | 35 276 |
| TOTAL CURRENT ASSETS | | 24 714 | 36 959 |
| TOTAL ASSETS | | 54 666 | 60 082 |

EQUITY AND LIABILITIES

| Amounts in USD thousands | Note | 31.12.2021 | 31.12.2020 |
|---|------|---------------|---------------|
| Share capital | | 64 | 61 |
| Share premium | | 78 540 | 71 906 |
| Treasury shares | | -453 | - |
| Retained earnings | | -40 897 | -23 474 |
| Other components of equity | | 5 004 | 4 164 |
| TOTAL EQUITY | | 42 258 | 52 657 |
| Non-current financial liabilities | 27 | 2 457 | 816 |
| Non-current portion of deferred revenue | 10 | 511 | 332 |
| Deferred tax liabilities | 20 | 683 | 1 322 |
| Total non-current liabilities | | 3 650 | 2 470 |
| Current portion of deferred revenue | 10 | 2 380 | 1 287 |
| Accounts payable | | 2 047 | 1 052 |
| Taxes payable | 20 | 116 | 1 |
| Other current financial liabilities | 27 | 1 141 | 216 |
| Other current liabilities | 19 | 3 076 | 2 399 |
| Total current liabilities | | 8 759 | 4 955 |
| TOTAL LIABILITIES | | 12 409 | 7 425 |
| TOTAL EQUITY AND LIABILITIES | | 54 666 | 60 082 |

The accompanying notes are an integral part of the consolidated financial statements.

Oslo, April 25th, 2022

The Board of Directors of Play Magnus AS

DocuSigned by:

 88377328F3460434
 Anders Brandt
 Chairman

DocuSigned by:

 7703003D04A04F8
 Espen Agdestein
 Board member

DocuSigned by:

 D034012005A0435
 Jens Hilgers
 Board member

DocuSigned by:

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 Henrik Albert Carlsen
 Board member

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 Irene Kristiansen
 Board member

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 Leonid Solovye
 Board member

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 Patrick Sandahl
 Board member

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 Nils Lorenz Lensch-Franzen
 Board member

DocuSigned by:

 200C5011A5004F3
 Andreas Thome
 CEO

Consolidated statements of cash flows

| Amounts in USD thousands | Notes | 2021 | 2020 |
|---|--------|----------------|---------------|
| Operating activities | | | |
| Profit (loss) before tax | | -19 948 | -15 735 |
| Paid taxes | 20 | -32 | -5 |
| Depreciation | 23 | 693 | 217 |
| Amortisation of intangible assets | 15 | 4 386 | 2 871 |
| Share based compensation expense | 13 | 681 | 1 610 |
| Items classified as investing or financing activities | | 395 | 121 |
| Gain (loss) on contingent consideration | 27 | 77 | 882 |
| <i>Working capital adjustments:</i> | | | |
| Changes in inventories | 7 | -90 | - |
| Changes in accounts receivable | | -215 | -103 |
| Changes in financial assets | | -162 | 18 |
| Changes in other current assets | | -344 | -1 061 |
| Changes in deferred revenue | | 680 | 812 |
| Changes in accounts payable | | 403 | 838 |
| Changes in other current liabilities | | 507 | 1 026 |
| Net cash provided from operating activities | | -12 967 | -8 509 |
| Investing activities | | | |
| Investments in tangible and intangible assets | 15, 23 | -2 224 | -2 315 |
| Payment of contingent consideration, Chessable | | - | -2 497 |
| Payment for acquisition of iChess LLC, net of cash acquired | 6 | -400 | 55 |
| Payment for acquisition of Interchess BV, net of cash | 6 | -2 387 | - |
| Payment for acquisition of Ginger GM Ltd, net of cash | 6 | -272 | - |
| Payment for acquisition of Gloucester Publishers Ltd, net of cash | 6 | -1 548 | - |
| Payment for acquisition of Aimchess, net of cash | 6 | -348 | - |
| Payment for acquisition of Silver Knights Chess, net of cash | 6 | -1 999 | - |
| Transaction expenses acquisitions | | -261 | -85 |
| Net cash used in investing activities | | -9 438 | -4 841 |
| Financing activities | | | |
| Issuance of new shares | | 8 289 | 45 620 |
| Transaction expenses related to issuance of new shares | | - | -394 |
| Repayment of convertible loan | | - | -952 |
| Interest payment on convertible loan | | - | -68 |
| Principal elements of lease payments | 23 | -396 | -164 |
| Interest paid on lease agreements | 23 | -134 | -36 |
| Net cash provided by (used in) financing activities | | 7 760 | 44 006 |
| Foreign currency effects on cash and cash equivalents | | -354 | 2 473 |
| Net increase (decrease) in cash and cash equivalents | | -14 999 | 33 129 |
| Cash and cash equivalents at the beginning of year | | 35 276 | 2 147 |
| Cash and cash equivalents at end of year | 18 | 20 278 | 35 276 |

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated statements of changes in equity

| Amounts in USD thousands | Share capital | Share premium | Treasury shares | Other components of equity | Translation differences reserves ¹⁾ | Retained earnings | Total equity |
|--|---------------|---------------|-----------------|----------------------------|--|-------------------|----------------|
| Total equity 01.01.2020 | 32 | 21 948 | - | 1 838 | -31 | -7 063 | 16 724 |
| Profit / (-) loss for the period | - | - | - | - | - | -15 132 | -15 132 |
| Other comprehensive income that will be recycled | - | - | - | - | 131 | - | 131 |
| Other comprehensive income that will not be recycled | 3 | 4 384 | - | 131 | - | -1 280 | 3 238 |
| Total comprehensive income for the period | 3 | 4 384 | - | 131 | 131 | -16 411 | -11 763 |
| <i>Transactions with owners and their capacity as owners:</i> | | | | | | | |
| Employee stock option expense | - | - | - | 1 410 | - | - | 1 410 |
| Share consideration iChess LLC acquisition, not registered | - | - | - | 385 | - | - | 385 |
| Contingent equity consideration Chessable Ltd | 1 | - | - | - | - | - | 1 |
| Capital increase in private placement 1 | 10 | 13 739 | - | 300 | - | - | 14 049 |
| Capital increase in private placement 2 | 15 | 32 177 | - | - | - | - | 32 192 |
| Transaction expenses related to private placements | - | -394 | - | - | - | - | -394 |
| Exercise of warrants | - | 53 | - | - | - | - | 53 |
| Total equity 31.12.2020 | 61 | 71 906 | - | 4 064 | 100 | -23 474 | 52 657 |
| Total equity 01.01.2021 | 61 | 71 906 | - | 4 064 | 100 | -23 474 | 52 657 |
| Profit / (-) loss for the period | - | - | - | - | - | -18 813 | -18 813 |
| Other comprehensive income that will be recycled | - | - | - | - | -141 | - | -141 |
| Other comprehensive income that will not be recycled | -2 | -2 152 | 12 | -122 | - | 1 391 | -874 |
| Total comprehensive income for the period | -2 | -2 152 | 12 | -122 | -141 | -17 422 | -19 827 |
| <i>Transactions with owners and their capacity as owners:</i> | | | | | | | |
| Employee stock option expense | - | - | - | 681 | - | - | 681 |
| Share consideration Ginger GM Ltd acquisition, not registered | - | - | - | 213 | - | - | 213 |
| Share consideration Aimchess by PMG AS acquisition, not registered | - | - | - | 115 | - | - | 115 |
| Share consideration Silver Knights Chess LLC acquisition, not registered | - | - | - | 502 | - | - | 502 |
| Exercise of warrants | 5 | 8 376 | - | - | - | - | 8 381 |
| Acquisition of Interchess BV | - | - | -465 | - | - | - | -465 |
| Share consideration iChess LLC acquisition | - | 409 | - | -409 | - | - | - |
| Total equity 31.12.2021 | 64 | 78 540 | -453 | 5 044 | -41 | -40 897 | 42 258 |

¹⁾ Translation differences reserves does not include the exchange rate differences resulting from translation to the presentation currency in the parent company

The accompanying notes are an integral part of the consolidated financial statements.

Note 1 Reporting Entity

The reporting entity reflected in these financial statements comprises Play Magnus AS and consolidated subsidiaries (Play Magnus Group or the Group). The parent company, Play Magnus AS, is listed on Euronext Growth Oslo, a multilateral trading facility (MTF) operated by Euronext. Play Magnus Group's corporate headquarters are in Oslo, Norway.

Play Magnus AS is the owner of the Play Magnus apps and the parent company of the following brands: Chessable, chess24, Champions Chess Tour, New In Chess, Everyman Chess, iChess, Ginger GM, Aimchess, Magnus Chess Academy (formerly Silver Knights) and CoChess. The Group is a global leader in the chess industry, with market-leading positions in the elearning and entertainment space. The Group also organizes top-level chess competitions online.

Play Magnus Group's consolidated financial statements for the year ended 31 December 2021 were approved by the Board on 25 April 2022.

Note 2 Basis of Preparation

The consolidated financial statements of Play Magnus AS and its subsidiaries are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) and Norwegian authorities and effective as of 31 December 2021. Play Magnus Group also provides disclosures as specified under the Norwegian Accounting Act (Regnskapsloven).

The financial statements are prepared on a historical cost basis, except for certain assets, liabilities, and financial instruments, which are measured at fair value. Preparation of financial statements including note disclosures requires management to make estimates and assumptions that affect amounts reported. Actual results may differ. Slight rounding differences may occur between the financial statements and the note disclosures.

The functional currency of Play Magnus AS is the Norwegian krone (NOK). Play Magnus Group financial statements are presented in USD thousands. Play Magnus Group uses USD as the presentation currency for the consolidated financial statements as this is the currency senior management uses to analyze the key performance indicators of the business and make operational decisions. Additionally, Play Magnus Group operates in a global market, in terms of customers, employees, and investors. A USD presentation currency makes it easier for all of Play Magnus Group's stakeholders to better understand the Group.

The foreign currency exchange differences that are recycled from OCI to the P&L arise from the translation differences upon consolidation of the subsidiaries. The foreign currency exchange differences that are not recycled from OCI to the P&L arise from the translation differences upon consolidation of the share capital in the parent company, Play Magnus AS from its functional currency NOK to the presentation currency of USD.

Related to the six acquisitions completed during 2020 and 2021, for accounting purposes Play Magnus Group consolidated statement of comprehensive income only includes revenues (and related expenses) as from the date of the acquisition. This is as of 1 December 2020 for iChess LLC, 29 January 2021 for Interchess BV, 24 February 2021 for Ginger GM Ltd, 2 March 2021 for Gloucester Publishers Ltd, 14 May 2021 for Aimchess by PMG AS, and 30 August 2021 for Silver Knights Chess LLC.

Note 3 Significant Accounting Policies

The following description of accounting principles applies to Play Magnus Group's 2021 financial reporting, including all comparative figures. The relevant accounting policies for selected financial statement line items are described in detail in the specific notes in this set of financial statements. Changes in accounting policies and new pronouncements are discussed at the end of this section.

Statement of cash flows

Play Magnus Group uses the indirect method to present cash flows from operating activities. Interest and dividends received as well as interest paid are included in cash flows from operating activities.

Basis of consolidation

The consolidated financial statements include Play Magnus AS and subsidiaries, which are entities in which Play Magnus Group has the power to govern the financial and operating policies of the entity (control). Control is normally achieved through ownership, directly or indirectly, of more than 50 percent of the voting power. Play Magnus AS has 100% of the voting power in all group subsidiaries. Subsidiaries are included from the date control commences until the date control ceases.

Intercompany transactions and balances have been eliminated. Profit and loss resulting from intercompany transactions have been eliminated.

Foreign currency transactions

Transactions in foreign currencies are initially recorded in the functional currency of the transacting entity by applying the rate of exchange as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of the entity at the rate of exchange at the balance sheet date. Currency gains or losses are included in the Finance expense.

Foreign currency translation

For consolidation purposes, the financial statements of subsidiaries with a functional currency other than the presentation currency of the United States dollar (USD) are translated into USD. Assets and liabilities, including goodwill, are translated using the rate of exchange as of the balance sheet date. Income, expenses, and cash flows are translated using the average exchange rate for the reported period. Goodwill is recognized in the predominant functional currencies in the acquired businesses.

Translation adjustments are recognized in Other comprehensive income and accumulated in Currency translation differences in Other components of equity. On disposal of such subsidiary, the cumulative translation adjustment of the disposed entity is recognized in the income statement as part of the gain or loss on disposal.

Measurement of fair value

Play Magnus Group measures certain assets and liabilities at fair value for the purposes of recognition or disclosure. Non-recurring fair value measurement is used for transactions, such as business combinations, contingent consideration, and other non-routine transactions. Play Magnus Group does not have any recurring fair value measurement as the group does not have any derivative financial instruments, equity investments, or other similar financial assets or liabilities that are measured at fair value. Stock option expense is measured using the fair value measurement rules in accordance with IFRS 2 Share-based Payment.

Changes in accounting policies and new pronouncements

None of the issued, not yet effective, accounting standards or amendments to such standards are expected to have significant effects on Play Magnus Group's financial reporting.

Note 4 Significant estimates and judgments

The application of accounting policies requires that management makes estimates and judgments in determining certain revenues, expenses, assets, and liabilities. The following areas involve a significant degree of judgment and complexity, and may result in significant variation in amounts:

- Valuation of deferred tax assets – see note 20
- Identification and initial measurement of intangible assets acquired in a business combination – see note 6
- Fair value of the shares issued as consideration in connection with a business acquisition – see note 6
- Valuation of contingent consideration in connection with a business acquisition – see note 6
- Capitalization of internally generated intangible assets - see note 15.

Note 5 Financial risk disclosures

Credit risk

Credit risk for the Group consists of balances held at Play Magnus Group collection agents such as Apple, Google, and other well-established entities; as well as, cash deposits held at several banks that have a long history and credible reputations. There may be some credit risk related to partnership customers for longer-term contracts, though management believes this risk is very low given the focus on working with reputable brands with a well-established presence in the business community. Management observes platform customer risk is very low as customers generally need to pay upfront in order to receive services.

Liquidity risk

The Group needs to maintain enough liquidity in order to pay content creators as well as salaries and other major operational costs such as Tour prizes. Most of the Chessable content creators get paid on a revenue share basis, with the payout occurring approximately 30-60 days after the course sale. Tour prizes are paid within 2 weeks after the end of the tournament. Non-current lease liabilities have a maturity of 5 years, and all other financial liabilities (current lease liabilities and accounts payable) are due within 12 months. There may be contingent consideration due to current employees of acquired companies over the next year should certain financial targets be met and which are categorized under operational expenses. Play Magnus Group has ample cash to support operations and liabilities, no investments in equity securities, and does not use financial derivatives as of 31 December 2021.

Foreign exchange risk

Play Magnus Group primarily earns revenue in US Dollars, British Pounds, and Euros. The sales mix is skewed towards US Dollars, while the costs are weighted towards British Pounds, Norwegian Krone, and Euros. The Group aims to mitigate potential FX fluctuations by matching the costs and revenues to the best of its ability by keeping the sales proceeds in the specific currencies which may be needed to pay for the respective costs.

The Group also has multiple intra-group loans between the parent company and the subsidiaries which are denominated in the functional currency of the subsidiary. Management considers the primary foreign exchange exposure for the Group to be the intra-group loans and the cash balances in the parent company. The cash balance in the company as of 31 December 2021 was mostly situated in Norwegian Krone and US Dollars with the majority of the rest of the balance in Euros and British Pounds.

The sensitivity analysis depicted in the table below reflects the effect on the Group's loss if the following currencies had strengthened or weakened against the functional currency of the parent company.

Amounts in USD thousands

| Currency | Change in exch. rate | Impact 2021 | Impact 2020 |
|-----------------|-----------------------------|--------------------|--------------------|
| USD | +/- 10% | 499 | 514 |
| GBP | +/- 10% | 868 | 1 041 |
| EUR | +/- 10% | 201 | 649 |

Capital management

Management believes that Play Magnus Group is in a growth phase and intends to invest in hiring and in new and existing products to grow the market share. Additionally, management will undertake M&A where it sees market growth opportunities. The Group intends to fund M&A and internal growth with current cash balances and equity capital with no intention of using debt until the company is more profitable. The Group Policy is to keep its cash in a checking account or invest in government securities. The banks where Play Magnus Group keeps excess liquidity are well established and reputable with a long history of holding deposits without defaults.

Note 6 Business combinations

Accounting policies for business combinations

Business combinations are accounted for using the acquisition method in accordance with IFRS 3 Business Combinations. Consideration is the sum of the fair values, as of the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued in exchange for control of the acquiree.

The acquiree's identifiable assets, liabilities, and contingent liabilities are recognized separately at the acquisition date at their fair value irrespective of any non-controlling interest, and goodwill is recognized to the extent the consideration exceeds identified net assets.

Significant judgment in accounting for business combinations

In a business combination, consideration, assets, and liabilities are recognized at estimated fair value, and any excess purchase price is included in goodwill. In the businesses Play Magnus

Group operates, fair values of individual assets and liabilities are normally not readily observable in active markets. Estimation of fair values requires the use of valuation models for acquired assets and liabilities as well as ownership interests. Such valuations are subject to numerous assumptions and are thus uncertain. The quality of fair value estimates may impact periodic depreciation and amortization of fixed assets, and assessment of possible impairment of assets and/or goodwill in future periods. The specific significant judgments for Play Magnus Group during 2021 include the fair value of the shares issued as consideration, the identification and fair value of the acquired intangible assets and inventories. These are all discussed below in the specific relevant section.

Acquisition of Interchess BV

On 29 January 2021 Play Magnus AS acquired 100% of Interchess BV. Interchess is a chess publisher based in the Netherlands that controls the New In Chess brand. In addition to publishing chess books, Interchess is known for its flagship chess periodical with readers in 116 countries. The purchase consideration was USD 3 494 557 paid in cash.

| | |
|-------------------------------------|---------------|
| <i>Purchase consideration:</i> | USD thousands |
| Cash paid | 3 495 |
| Total purchase consideration | 3 495 |

The assets and liabilities recognized as a result of the acquisition are as follows:

| <i>Amounts in USD thousands</i> | <i>Fair value as of acquisition date</i> |
|---|--|
| Fixed assets | 18 |
| Cash | 1 116 |
| Trade receivables | 552 |
| Other current assets | 76 |
| Shares in Play Magnus AS | 465 |
| Deferred tax asset | 36 |
| Inventory | 556 |
| Brand - New In Chess | 516 |
| Publishing rights | 667 |
| Customer relationships | 516 |
| Total assets | 4 519 |
| Trade creditors | 443 |
| Deferred revenue | 594 |
| Other short-term liabilities | 331 |
| Deferred tax on excess values | 311 |
| Total Liabilities | 1 679 |
| Net identifiable assets | 2 840 |
| Goodwill | 655 |
| Total consideration for the shares | 3 495 |
| Of which cash | 3 495 |
| Of which equity | - |

Significant judgments related to the identification of the acquired intangible assets, inventory, and their valuation

Interchess is a leading chess publisher with a sizable library of chess content comprising books, ebooks and magazine subscriptions. It is also the operator of the well-known New In Chess magazine, to which most of the world's top players contribute to on a regular basis. Having been around since 1984, the New In Chess brand is well established with a strong reputation for delivering quality chess content both in its magazine as well as via its books. It is estimated to have one of the leading market shares in book sales amongst chess publishers and its titles are consistently in the top rankings of Amazon sales. Management estimates the value of the New In Chess brand to be USD 516 000.

Interchess has built up a leading library of content having published approximately 200 titles, with 42 of them having been digitized and sold on Chessable as of year-end 2021. Interchess is one of the Chessable's largest suppliers of content, and benefits as the Chessable platform continues to grow. Interchess also publishes the iconic New In Chess magazine which has accumulated significant IP with pictures and other original content throughout the years. Management estimates the value of this intellectual property, content and publishing rights to be USD 667 000.

Customer relationships. Interchess has built up various relationships with loyal customers, geographically skewed towards Europe and the United States. There were approximately 7 000 paying subscribers to the New In Chess magazine and New In Chess Yearbook at the time of acquisition. Management estimates the value to be USD 516 000 based on existing and future cash flows from the New In Chess magazine and buyers of chess books.

Inventory value is estimated to be at USD 556 000. This is based on the number of titles in stock and the capitalized cost to produce these titles.

Acquisition of Ginger GM Ltd

On 24 February 2021, Chessable Ltd acquired 100% of Ginger GM Ltd. Ginger GM Ltd is a UK-based chess content and technology company that operates the websites www.gingergm.com and www.gchess.com. Ginger GM primarily sells chess courses and is founded and run by the well-known international grandmaster Simon Williams (whose nickname is *Ginger GM*). The website has approximately 30 courses that can be downloaded upon purchase. Ginger GM has also been developing a chess learning technology platform that allows users to create a database of games and look up their favorite opening or chess games. The purchase consideration was USD 533 492, split into a cash consideration of USD 320 000 and 69 283 shares in Play Magnus AS equivalent to USD 213 492 at the time of acquisition.

| | |
|-------------------------------------|---------------|
| <i>Purchase consideration:</i> | USD thousands |
| Cash paid | 320 |
| Ordinary shares issued | 213 |
| Total purchase consideration | 533 |

The assets and liabilities recognized as a result of the acquisition are as follows:

| | |
|---|--|
| <i>Amounts in USD thousands</i> | <i>Fair value as of acquisition date</i> |
| Cash | 51 |
| Fixed Assets | 2 |
| Website/mobile technology - gChess | 71 |
| Brand - GingerGM | 313 |
| Content/licenses | 141 |
| Customer relationships | 141 |
| Total assets | 718 |
| Non-current liabilities | 51 |
| Other short-term liabilities | 8 |
| Deferred tax on excess values | 126 |
| Total Liabilities | 185 |
| Net identifiable assets | 533 |
| Goodwill | - |
| Total consideration for the shares | 533 |
| Of which cash | 320 |
| Of which equity | 213 |

Significant judgments related to the identification of the acquired intangible assets and their valuation

Ginger GM is primarily a website that sells chess courses. The website has approximately 30 courses that can be downloaded upon purchase, with many done by Simon Williams (*Ginger GM*) himself but also by other authors.

At time of acquisition, Ginger GM has also been developing a chess learning technology platform called gChess that allows users to look up their favourite openings or games and create a database. Management believes the Ginger GM brand is the largest individual asset of the Ginger GM entity given that it's widely associated with the founder and creator, Simon Williams. Management assigned a value of USD 313 000 given potential sales from current and future customers.

Ginger GM has approximately 30 courses and management valued this content at USD 141 000 based on estimated value of future sales.

Ginger GM has developed numerous customer and partner relationships and management valued this at USD 141 000 given potential from future sales.

The gChess technology was very early in its development when Ginger GM was acquired. Management valued the technology at USD 71 000 based on the estimated fair market value of the cost of developing the site today.

Significant judgment related to the fair value of the shares issued as contingent equity consideration in the acquisition of Ginger GM

The value of the Ginger GM acquisition was agreed between the contracting parties to be approximately USD 533 492 with an initial consideration of USD 320 000 in cash and USD 213 492 in shares. The value of the shares was agreed to be NOK 26.00, which was the market value at the closing date.

Acquisition of Gloucester Publishers Ltd

On 2 March 2021 Chessable Ltd acquired 100% of Gloucester Publishers Ltd. Gloucester Publishers Ltd is a UK-based chess publishers that operates the brand Everyman Chess. At the time of acquisition, Gloucester Publishers had a catalog of approximately 400 books, including books by award-winning authors such as Yasser Seirawan and Garry Kasparov. 21 of the books were already digitized for the Chessable platform. The purchase consideration was USD 2 089 203, with an initial cash consideration of USD 1 742 681 and an additional contingent cash consideration based on various incentive targets of USD 346 522.

| <i>Purchase consideration:</i> | USD thousands |
|--|---------------|
| Cash paid | 1 743 |
| Contingent consideration (fair value at date of acquisition) | 347 |
| Total purchase consideration | 2 089 |

The assets and liabilities recognized as a result of the acquisition are as follows:

| <i>Amounts in USD thousands</i> | <i>Fair value as of acquisition date</i> |
|---|--|
| Cash | 187 |
| Other current assets | 1 |
| Accounts receivable | 283 |
| Inventory | 488 |
| Brand - Everyman Chess | 314 |
| Publishing rights | 419 |
| Customer relationships | 314 |
| Total assets | 2 005 |
| Trade creditors | 152 |
| Other short-term liabilities | 296 |
| Deferred tax on excess values | 263 |
| Total Liabilities | 711 |
| Net identifiable assets | 1 295 |
| Goodwill | 795 |
| Total consideration for the shares | 2 089 |
| Of which cash | 2 089 |
| Of which equity | - |

Significant judgments related to the identification of the acquired intangible assets, inventory and their valuation

Gloucester Publishers is a leading chess publisher with a sizable library of chess content comprising books and ebooks. It was founded in the 1940s as Pergammon Chess and its imprints include Cadogan Chess and Everyman Chess, under which it operates currently. The brand has longevity and Everyman Chess published some of the most well-known titles in chess history, including by multiple popular World Champions. Management estimates the value of the Everyman Chess brand to be USD 314 000.

Everyman Chess has built up a leading library of content having published approximately 400 titles, with 20 of them having been digitized and sold on Chessable as of year-end 2021. Importantly, the content library has some of the most well-known titles in chess literature, including the *Play Winning Chess* series by Grandmaster Yasser Seirawan, *My Greatest Predecessors* series by World Champion Garry Kasparov and *Life and Games of Mikhail Tal* by World Champion Mikhail Tal. Everyman Chess is one of the Chessable's largest suppliers of content, and benefits as the Chessable platform continues to grow. Management estimates the value of this intellectual property and content at USD 419 000.

Customer relationships. Everyman Chess has built up various relationships with loyal customers, geographically skewed towards Europe and the United States. At the time of acquisition USD 314

000 is the estimated value of customer relationships based on existing and future cash flows from purchases of its print and ebooks.

Inventory value is estimated to be at USD 488 000. This is based on the number of titles in stock and the capitalized cost to produce these titles.

Contingent consideration Gloucester Publishers Ltd

The contingent consideration maximum payout is GBP 370 000 (USD 470 996) upon Gloucester Publishers meeting the agreed-upon key performance metrics for the fiscal year 2021. The contingent consideration will primarily be measured based on gross profit performance. Based on probabilities management estimated that the discounted expected value of the contingent consideration was GBP 248 350 (USD 346 522) at the time of acquisition. As of 31 December 2021, management's expected value for the contingent consideration was GBP 293 951 (USD 396 212). The contingent consideration was settled at GBP 295 000 and will be paid in Q2 2022.

Acquisition of Aimchess

On 14 May 2021 Play Magnus AS acquired all assets and liabilities in the Aimchess business in an asset purchase agreement. The assets and liabilities were transferred from an Estonian entity to a new Norwegian entity Aimchess by PMG AS. The transaction qualifies as a business combination in accordance with IFRS 3. Aimchess is an innovative chess website and app focused on helping chess players improve through analytics from their own games. The concept behind the learning is that the users upload their games from one of the major chess playing sites such as chess24.com, lichess.com or chess.com and receive instant feedback on their strengths and weaknesses. Unique lessons are created by a team of grandmasters and coaches. The purchase consideration was USD 484 934, with a cash consideration of USD 370 000 and an additional consideration of 60 107 shares in Play Magnus AS with a value of USD 114 934 at the time of acquisition.

| <i>Purchase consideration:</i> | USD thousands |
|-------------------------------------|---------------|
| Cash paid | 370 |
| Ordinary shares issued | 115 |
| Total purchase consideration | 485 |

The assets and liabilities recognized as a result of the acquisition are as follows:

| <i>Amounts in USD thousands</i> | <i>Fair value as of acquisition date</i> |
|---|--|
| Cash | 22 |
| Website/mobile technology - AimChess | 485 |
| Total assets | 507 |
| Other short-term liabilities | 22 |
| Total Liabilities | 22 |
| Net identifiable assets | 485 |
| Goodwill | - |
| Total consideration for the assets | 485 |
| Of which cash | 370 |
| Of which equity | 115 |

Significant judgments related to the identification of the acquired intangible assets and their valuation

Aimchess is an innovative chess website focused on helping chess improvers use analytics from their games to improve at chess.

The concept behind the learning is that a user uploads their games from one of the major playing chess sites such as Lichess or Chess.com and shortly after the Aimchess algorithm provides instant feedback on the strengths and weaknesses of the user. Afterwards, Aimchess provides personalized puzzles built from the user's mistakes and unique lessons that are created by a team of grandmasters and coaches. The value of the technology is estimated based on the fair market value cost of developing the site today.

Significant judgment related to the fair value of the shares issued as contingent equity consideration in the acquisition of Aimchess

The value of the Aimchess acquisition was agreed between the contracting parties to be approximately USD 484 934 with an initial consideration of USD 370 000 in cash and USD 114 934 in shares. The value of the shares was agreed to be NOK 15.78, which was the market value at the closing date.

Acquisition of Silver Knights Chess

On 30 August 2021 Play Magnus Group acquired the chess education business of Silver Knights Enrichment LLC in an asset purchase agreement. The assets and liabilities were transferred to a new US entity, Silver Knights Chess LLC, fully owned by Play Magnus USA, Inc., a subsidiary of Play Magnus AS. The transaction was considered a business combination in accordance with IFRS 3. Silver Knights Chess is a leading chess education provider, offering after-school chess

teaching services, chess camps, tournaments, as well as an online subscription offering service. Silver Knights Chess has been around since 2006 and has taught chess to approximately 100 000 children.

The purchase consideration was USD 2 501 838, with a cash consideration of USD 2 000 000 and an additional consideration of 221 973 shares in Play Magnus AS with a value of USD 501 838 at the time of acquisition.

| <i>Purchase consideration:</i> | USD thousands |
|-------------------------------------|---------------|
| Cash paid | 2 000 |
| Ordinary shares issued | 502 |
| Total purchase consideration | 2 502 |

The assets and liabilities recognized as a result of the acquisition are as follows:

| <i>Amounts in USD thousands</i> | Fair value as of acquisition date |
|---|-----------------------------------|
| Course Materials/IP | 200 |
| Brand - Silver Knights | 200 |
| Customer relationships | 1 600 |
| Total assets | 2 000 |
| Other short-term liabilities | - |
| Total Liabilities | - |
| Net identifiable assets | |
| Goodwill | 502 |
| Total consideration for the assets | 2 502 |
| Of which cash | 2 000 |
| Of which equity | 502 |

Significant judgments related to the identification of the acquired intangible assets and their valuation

Silver Knights Chess is a leading chess education provider, offering after-school chess teaching services, chess camps, tournaments as well as an online subscription offering service. They have been around since 2006 and have taught approximately 100 000 kids and have led teams to win numerous scholastic titles in the state and nationally.

Pre-covid, they were in approximately 300 schools with a peak of nearly 5 000 kids in their programs and activities annually, with a major portion of these customers returning as covid normalizes. We allocate USD 1 600 000 to customer relationships.

Silver Knights have taught in the Virginia area for over a decade and have a significant market share of eligible school programs in the state. The Silver Knights name is known locally and signifies quality chess instruction and activities. It is amortized over a three-year period as Silver Knights is rebranding to Magnus Chess Academy though will keep the Silver Knights name locally for a potentially longer period for a transition. Management allocated USD 200 000 to the brand value of Silver Knights.

The intellectual property of Silver Knights consists mainly of several internal curriculum textbooks that Silver Knights has created over the course of over 15 years of teaching chess to children. Management allocated USD 200 000 to intellectual property.

The rest is allocated towards goodwill given potential synergies of Silver Knights with the rest of Play Magnus Group, and its brand, technology and marketing resources.

Significant judgment related to the fair value of the shares issued as contingent equity consideration in the acquisition of Silver Knights Chess

The value of the Silver Knights Chess acquisition was agreed between the contracting parties to be approximately USD 2 501 838 with a consideration of USD 2 000 000 and USD 501 838 in shares in Play Magnus AS. The value of the shares was agreed to be NOK 19.60, which was the market value at the closing date.

Additional financial information and Pro-forma revenue and profit (loss)

Related to the acquisitions presented above and completed during 2021, for accounting purposes the Play Magnus consolidated statement of comprehensive income only includes revenues (and related expenses) as from the date of the acquisitions. This is as of 29 January 2021 for Interchess BV, 24 February 2021 for Ginger GM Ltd, 2 March 2021 for Gloucester Publishers Ltd, 14 May 2021 for Aimchess and 30 August 2021 for Silver Knights Chess. Relevant information is as follows:

Pro-forma figures

- The revenue and loss, respectively, of the combined Play Magnus Group for the current reporting period (2021) as though the acquisition date for all combinations that occurred during the year had been as of the beginning of the annual reporting period is USD 22 748 thousand and USD 18 632 thousand.
- The revenue and the loss, respectively, for the Interchess acquisition since the acquisition date of 29 January 2021 in the consolidated accounts was USD 2 441 thousand and USD 61 thousand.

- The revenue and the loss, respectively, for the Ginger GM acquisition since the acquisition date of 24 February 2021 in the consolidated accounts was USD 115 thousand and USD 30 thousand.
- The revenue and the profit, respectively, for the Gloucester Publishers acquisition since the acquisition date of 2 March 2021 in the consolidated accounts was USD 810 thousand and USD 364 thousand.
- The revenue and the loss, respectively, for the Aimchess acquisition since the acquisition date of 14 May 2021 in the consolidated accounts was USD 162 thousand and USD 256 thousand.
- The revenue and the loss, respectively, for the Silver Knights Chess acquisition since the acquisition date of 30 August 2021 in the consolidated accounts was USD 466 thousand and USD 178 thousand.

Acquisition of iChess LLC

On 1 December 2020 Play Magnus AS acquired 100% of iChess LLC. iChess LLC is a US-based chess content company that operates the websites www.iChess.net and www.iChess.es. iChess offers quality chess training materials. It has nearly two thousand chess video products in its large and growing content marketplace. The purchase consideration was USD 400 000, and 153 869 shares equivalent to USD 385 259 and additional contingent consideration based on various incentive targets of USD 173 825.

| <i>Purchase consideration:</i> | USD thousands |
|--|---------------|
| Cash paid | 400 |
| Ordinary shares issued | 385 |
| Contingent consideration (fair value at date of acquisition) | 174 |
| Total purchase consideration | 959 |

The assets and liabilities recognized as a result of the acquisition are as follows:

| | |
|---|--------------|
| <i>Amounts in USD thousands</i> | |
| Cash | 55 |
| Trade receivables | 16 |
| Brand - iChess | 121 |
| Content/Licenses | 486 |
| Customer relationships | 607 |
| Total assets | 1 285 |
| Trade creditors | - |
| Public duties payable | - |
| Other short-term liabilities | 71 |
| Deferred tax on excess values | 255 |
| Total Liabilities | 326 |
| Net identifiable assets | 959 |
| Goodwill | 0 |
| Total consideration for the shares | 959 |
| Of which cash | 574 |
| Of which equity | 385 |

Significant judgments related to the identification of the acquired intangible assets and their valuation

iChess is a chess video content website with a significant amount of traffic relative to the rest of its peers that sell video content. Relative to Chessable, iChess has been around much longer and has a significantly higher number of titles on offer. It has an established brand which management estimates to be worth approximately USD 120 000. The company has invested a sizable amount of time and resources into building up search engine optimization. As a result of this, iChess.net ranks highly amongst peers for various keywords and overall traffic in the chess world.

Additionally, iChess has built up various relationships with high-value customers, geographically skewed towards the US who have a relatively high willingness and ability to spend. Management estimates a value of USD 600 000 for customer relationships based on potential future cash flows.

The library of content at the time of acquisition has an estimated value of USD 486 000. The content includes courses as well as various bundles of these courses. At the time of the acquisition, iChess had approximately 1850 products in its marketplace, of which it owned about 500, and the rest are sold on a revenue share basis.

Contingent consideration iChess

The contingent consideration maximum payout was USD 200 000 upon iChess meeting the agreed-upon key performance metrics for the fiscal years of 2021 and 2022. The contingent consideration was to be measured and paid in two installments, each worth USD 100 000. Management estimated at the date of acquisition that there was a 99% probability that the first installment would be paid and a 99% probability that the second installment would be paid. The total estimated fair value of the contingent consideration on 1 December 2020 was USD 173 825. As of 31 December 2020, management's expectations of the probability of iChess meeting the relevant targets within the target deadline for both the deferred share consideration and cash consideration were unchanged. As of 31 December 2021, iChess had reached the target for the first installment of the contingent consideration, and USD 100 000 was paid in February 2022. Management's expectation for iChess meeting the targets for the second installment remains unchanged. The revaluation of the contingent consideration gave a loss on contingent consideration of USD 16 109 for 2021.

An estimate of the range of outcomes (undiscounted)

Management believed there was a 99% chance (based on a range of 98-100%) that the first installment of the contingent consideration and 99% chance (based on a range of 98-100%) that the deferred cash consideration would be paid out within three years based on the current revenue generation of iChess and expectation of future growth.

Significant judgment related to the fair value of the shares issued as contingent equity consideration in the acquisition of iChess

The value of the iChess acquisition was agreed between the contracting parties to be approximately USD 985 000 with an initial consideration of USD 400 000 in cash and USD 385 000 in shares. The deferred consideration has a value of USD 200 000, to be paid in cash. The value of the shares was agreed to be NOK 22.18, which was the market value at the closing date.

Note 7 Inventories

Accounting policies for inventories

Inventories are valued at the lower of cost, using the weighted average cost formula, or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and selling costs. Inventory write-downs to net realizable value occurs when the cost of the inventory is not recoverable, and is reversed in later periods if there is clear evidence of an increase in the net realizable value.

| <i>Amounts in USD thousands</i> | 31.12.2021 | 31.12.2020 |
|---|-------------------|-------------------|
| Opening balance | - | - |
| Acquisition of Interchess BV | 556 | - |
| Acquisition of Gloucester Publishers | 488 | - |
| Net change to inventories from operations | 90 | - |
| Foreign currency translation effect | -6 | - |
| Total inventories | 1 128 | - |

All inventories consist of chess books in Interchess BV and Gloucester Publishers Ltd.

Note 8 Financial assets and financial liabilities

Accounting policies for financial instruments

Financial assets and financial liabilities are recognized in accordance with IFRS 9 Financial Instruments.

Financial assets

Financial assets represent a contractual right by Play Magnus Group to receive cash or another financial asset in the future. Financial assets include cash and cash equivalents, accounts receivable, and withheld cash receivable. On initial recognition, a financial asset is measured at fair value and classified for subsequent measurement at amortized cost; at fair value through other comprehensive income (FVOCI), or at fair value through profit or loss (FVTPL). The classification depends on the business model and, for some instruments, the entity's choice. Financial assets are derecognized when the rights to receive cash from the asset have expired or when Play Magnus has transferred the asset.

Financial liabilities

Financial liabilities represent a contractual obligation by Play Magnus Group to deliver cash in the future and are classified as either current or non-current. Financial liabilities include the convertible loan, contingent consideration, accounts payable, and other financial liabilities. Financial liabilities are initially recognized at fair value, including transaction costs directly attributable to the transaction, and are subsequently measured at amortized cost. Financial liabilities are derecognized when the obligation is discharged through payment or when Play Magnus Group is legally released from the primary responsibility for the liability.

The specification given below relates to financial statement line items containing financial instruments. Information is classified and measured in accordance with IFRS 9. Financial assets, classified as current and non-current, represent the maximum exposure Play Magnus Group has towards credit risk as at the reporting date. All financial assets and financial liabilities at FAAC and FLAC in the table have an amortized cost that approximates fair value at the balance sheet date.

| <i>Amounts in USD thousands</i> | Category | 31.12.2021 | 31.12.2020 |
|---------------------------------|-----------------|-------------------|-------------------|
| Financial assets | | | |
| Non-current financial assets | FAAC | 52 | 51 |
| Current financial assets | FAAC | 400 | 240 |
| Accounts Receivable | FAAC | 1 272 | 227 |
| Cash and cash equivalents | FAAC | 20 278 | 35 276 |
| Total financial assets | | 22 002 | 35 794 |

| <i>Amounts in USD thousands</i> | Fair value level | Category | 31.12.2021 | 31.12.2020 |
|------------------------------------|-------------------------|-----------------|-------------------|-------------------|
| Financial liabilities | | | | |
| Non-current financial liabilities | | FLAC | 2 366 | 637 |
| Accounts payable | | FLAC | 2 047 | 1 052 |
| Current financial liabilities | | FLAC | 645 | 216 |
| Non-current financial liabilities | 3 | FVTPL | 91 | 179 |
| Current financial liabilities | 3 | FVTPL | 496 | - |
| Total financial liabilities | | | 5 644 | 2 083 |

FAAC - Financial assets at amortized cost

FVTPL - Fair value through P&L

FLAC - Financial liabilities at amortized cost

Note 9 Operating segments

Play Magnus Group identifies its reportable segments and discloses segment information under IFRS 8 Operating Segments, which requires Play Magnus Group to identify its segments according to the organization and reporting structure used by management. Operating segments are components of a business that are evaluated regularly by the chief operating decision-maker for the purpose of assessing performance and allocating resources. Play Magnus Group's senior management team, led by the CEO, Andreas Thome, is considered to be the chief operating decision-maker (CODM). Generally, financial information is required to be disclosed on the same basis that is used by the chief operating decision-maker.

IFRS 8.5(a)(b)(c) identifies three criteria for an operating segment of an entity. IFRS 8.5(b) requires that the operating results be regularly reviewed by the CODM and IFRS 8.5(c) requires the segment to have discrete financial information available. Play Magnus Group's areas of operations are interconnected, making it difficult to report to the CODM discrete financial information related to the different areas of the business (e.g. Courses, Subscriptions, and Tours and partnerships). In addition, management currently has a strong focus on growing revenues and gaining market share as the Group is in a scale-up growth phase. Therefore, Play Magnus currently does not meet the IFRS 8 definition for an operating segment, but rather the entire

Group would be one segment and the IFRS consolidated financial statements then representing the Group's reporting.

Management focuses on the following separately managed business areas with products serving different markets, or distinct elements of the business separately followed up and reported to the chief operating decision-maker. These business areas are Courses, Subscriptions, and Tour and partnerships.

Courses: Play Magnus Group offers online courses, including video content by top masters and grandmasters, primarily via Chessable and iChess as well as Ginger GM. Ebooks sold by Interchess and Gloucester Publishers are also identified as courses. Additionally, live lessons and courses by Magnus Chess Academy (previously known as Silver Knights Chess) are categorized under Courses.

Subscriptions: Play Magnus Group subscription revenue includes fees associated with the Play Magnus apps, chess24, Chessable, Aimchess, New In Chess and Magnus Chess Academy (previously known as Silver Knights Chess) memberships and subscriptions. gChess and iChess also offer subscriptions but the contribution is not considered to be material. The memberships of each entity provide a different set of features related to elearning content and entertainment. Most of the subscriptions are digital, aside from New In Chess which derives most of its subscription revenue from print. The general duration of the memberships ranges from monthly to those of one to three years.

Tour and partnerships: Play Magnus Group organizes top-level chess competitions with industry-leading prizes. Play Magnus Group's revenue from this segment is derived from media rights from TV and other broadcast partners, as well as from other brand partners.

Other revenue: Revenues from print books published by New In Chess and Everyman Chess comprise the majority of the Other category. The rest is mostly from ad revenue on chess24 as well as major entertainment platforms such as YouTube and Twitch. Play Magnus App Suite has in-app purchases which are included in the Other category, with the contribution being considered immaterial.

Play Magnus Group uses revenue as a key measure for monitoring the business area's performance. Management considers key performance indicators to be both bookings, as well as IFRS results with the difference primarily attributed to the recognition of subscription revenue that's longer than one year in duration and recognition of Tour and partnership revenues which have been contractually agreed to and/or already paid but will be recognized over time when

services are provided. Play Magnus Group's revenue that is not part of main operations is reported together with Other revenue. As the services of the Group are primarily delivered to the customers through web-based platforms, information based on the geographic location of the customer is not readily available within the context of segment reporting.

The following table includes information about Play Magnus Group's revenue measures, which are reported on a regular basis to the chief operating decision-maker.

Bookings are defined as revenue that has been paid or contractually agreed to be paid for by the customer. Revenue is considered booked at the time of the sale or signing of a contract. Accounting revenue (IFRS) is recognized at the time of delivery of the service.

Disaggregation of IFRS revenue from customers and bookings

| | 2021 | | |
|--|---------------|--------------|---------------|
| <i>Amounts in USD thousands</i> | IFRS | Bridge | Bookings |
| Courses | 9 696 | | 9 696 |
| Deferred revenue of courses - current portion | | 92 | 92 |
| Subscriptions | 4 442 | | 4 442 |
| Deferred subscription revenue recognized in period | | -1 077 | -1 077 |
| Deferred revenue of subscriptions - current portion | | 1 605 | 1 605 |
| Deferred revenue of subscriptions - non current portion | | 179 | 179 |
| Deferred revenue from acquisitions | | -594 | |
| Foreign currency translation effect | | 57 | 57 |
| Tour revenue and partnerships | 4 453 | | 4 453 |
| Deferred tour revenue and partnership recognized in period | | -210 | -210 |
| Deferred revenue tour and partnerships - current portion | | 683 | 683 |
| Contracted bookings that have not yet been invoiced* | | 2 454 | 2 454 |
| Foreign currency translation effect | | -217 | -217 |
| Other revenue | 2 914 | | 2 914 |
| Deferred other revenue recognized in period | | -10 | -10 |
| Foreign currency translation effect | | 6 | 6 |
| Revenue from contracts with customers | 21 505 | 2 967 | 24 472 |

2020

| <i>Amounts in USD thousands</i> | IFRS | Bridge | Bookings |
|--|--------------|---------------|-----------------|
| Courses | 3 787 | | 3 787 |
| Subscriptions | 2 516 | | 2 516 |
| Deferred subscription revenue recognized in period | | -716 | -716 |
| Deferred revenue of subscriptions - current portion | | 1 077 | 1 077 |
| Deferred revenue of subscriptions - non current portion | | 332 | 332 |
| Foreign currency translation effect | | -134 | -134 |
| Tour revenue and partnerships | 975 | | 975 |
| Deferred revenue tour and partnerships - current portion | | 210 | 210 |
| Contracted bookings that have not yet been invoiced* | | 641 | 641 |
| Foreign currency translation effect | | -50 | -50 |
| Other revenue | 623 | | 623 |
| Deferred other revenue recognized in period | | -10 | -10 |
| Foreign currency translation effect | | 6 | 6 |
| Revenue from contracts with customers | 7 902 | 1 357 | 9 258 |

* This comes from the change in contracted fees which have not been invoiced at the end of the financial year. Fees that have been agreed but which the customer is not contractually obliged to pay are not included.

Note 10 Revenue from customers

Accounting policies for revenue recognition

Play Magnus Group accounts for revenue in accordance with IFRS 15 *Revenue from Contracts with Customers*. IFRS 15 requires the reporting entity, for each contract with a customer, to identify the performance obligations, determine the transaction price, allocate the transaction price to performance obligations to the extent the contract covers more than one performance obligation, determine whether revenue should be recognized over time or at a point in time, and, finally, recognize revenue when or as performance obligations are satisfied.

A performance obligation is satisfied when or as the customer obtains control of the goods or services delivered. Play Magnus Group earns revenue via sales of content, subscriptions, books, chess classes and through media, rights partnerships, and ads.

A description of Play Magnus Group's principal revenue-generating activities and performance obligations are as follows:

Course sales: The Group offers online courses, including video content, primarily via Chessable and iChess as well as Ginger GM. Ebooks sold by Interchess and Gloucester Publishers are also identified as courses. Additionally, live lessons and courses by Magnus Chess Academy (previously known as Silver Knights Chess) are categorized under Courses.

The course content sales are recognized at the time of purchase. Chessable has a 30-day refund policy which allows users to receive a refund if they so choose. The refund rate on course revenue is approximately 7.5-8%, with majority of the refunds coming within two weeks. As of year-end 2021, the refund accrual was considered to be not significant in amount. iChess and Ginger GM offer a 30-day refund policy on all digital products with a refund rate of approximately 5%.

Subscriptions: The Group's subscription revenue includes fees associated with the Play Magnus apps, chess24, Chessable, Aimchess, New In Chess and Magnus Chess Academy (previously known as Silver Knights Chess) memberships and subscriptions. gChess and iChess also offer subscriptions but the contribution is not considered to be material. The memberships of each entity provide a different set of features related to elearning content and entertainment. The duration of the memberships ranges from monthly to those of one to three years. Monthly subscriptions are recognized at the time of purchase while annual and multi-year subscriptions are recognized on a pro-rata basis (over 12 months for an annual subscription, 36 months for a 3-year subscription). The rest is considered deferred revenue. The Play Magnus apps have in-app purchases that are recognized at the point of sale.

Tour and partnership revenue: The Group organizes top-level chess competitions with industry-leading prizes. Revenue from this segment is derived from media rights from TV and other broadcast partners, as well as from other brand partners. Revenue is recognized as partnership, tour events and relevant obligations are completed.

Other revenue: Other revenue includes primarily sales of printed books by New In Chess and Everyman Chess, advertising revenue from chess24 as well as major entertainment platforms such as YouTube and Twitch. Play Magnus App Suite has in-app purchases which are included in the Other category, with the contribution being considered immaterial.

Course content and subscription sales expenses

The Group's primary cost of content is in relation to Chessable and iChess, and in compensating content creators, including authors and publishers. Play Magnus Group operates on a revenue share model in the majority of cases, with upfront cash payments being a less frequent method of compensation. The Group's policy is to pay content creators on a monthly basis with a lag of at least 30-60 days after course sales to account for any potential customer refunds. These revenue share payments are included in the Course content and subscription sales expenses in the Statement of comprehensive income. There are also additional content costs in the form of royalties to authors of New In Chess and Everyman Chess based on the sales of their print and ebooks.

Play Magnus Group also has subscription related costs that it pays to Apple and Google, primarily in its Play Magnus App Suite and Chessable offerings that are sold via those channels.

Revenue is only recognized from the acquisition date that iChess, New In Chess (Interchess BV), Ginger GM, Everyman Chess (Gloucester Publishers), Aimchess and Magnus Chess Academy (previously known as Silver Knights Chess) joined Play Magnus Group and the consolidated financial statements are not on a Pro-forma basis.

Disaggregation of revenue from contracts with customers

| <i>Amounts in USD thousands</i> | 2021 | 2020 |
|--|---------------|--------------|
| Courses | 9 696 | 3 787 |
| Subscriptions | 4 442 | 2 516 |
| Tour revenue and partnerships | 4 453 | 975 |
| Other revenue | 2 914 | 623 |
| Revenue from contracts with customers | 21 505 | 7 902 |

At a point in time revenue recognition

| <i>Amounts in USD thousands</i> | 2021 | 2020 |
|---|---------------|--------------|
| Courses | 9 345 | 3 787 |
| Subscriptions | - | - |
| Tour revenue and partnerships | - | - |
| Other revenue | 2 914 | 613 |
| Total at a point in time revenue recognition | 12 259 | 4 400 |

Over time revenue recognition

| <i>Amounts in USD thousands</i> | 2021 | 2020 |
|--|--------------|--------------|
| Courses | 351 | - |
| Subscriptions | 4 442 | 2 516 |
| Tour revenue and partnerships | 4 453 | 975 |
| Other revenue | - | 10 |
| Total over time revenue recognition | 9 246 | 3 502 |

Deferred revenue

| <i>Amounts in USD thousands</i> | 2021 | 2020 |
|---|--------------|-------------|
| Revenue recognized in this period that was included in the deferred revenue balance at the beginning of the period. | | |
| Subscriptions | 1 077 | 716 |
| Tour revenue and partnerships | 210 | - |
| Other revenue | - | 10 |
| Total revenue recognized | 1 287 | 726 |

| <i>Amounts in USD thousands</i> | 31.12.2021 | 31.12.2020 |
|--|-------------------|-------------------|
| Current portion of deferred revenue | | |
| Courses | 92 | - |
| Subscriptions | 1 605 | 1 077 |
| Tour revenue and partnerships | 683 | 210 |
| Total current portion of deferred revenue | 2 380 | 1 287 |

| <i>Amounts in USD thousands</i> | 31.12.2021 | 31.12.2020 |
|--|-------------------|-------------------|
| Non-current portion of deferred revenue | | |
| Subscriptions | 511 | 332 |
| Tour revenue and partnerships | - | - |
| Other revenue | - | - |
| Total non-current portion of deferred revenue | 511 | 332 |

Note 11 Employee benefit expense

Accounting policies for employee benefit expense

Payments to employees, such as wages, salaries, social security contributions, paid annual leave and bonus agreements are accrued in the period in which the associated services are rendered by the employee. Post-employment benefits are recognized in accordance with IAS 19 Employee Benefits.

Contributions to defined contribution plans are recognized in the statement of comprehensive income in the period in which they accrue.

Employee benefit expenses*

| <i>Amounts in USD thousands</i> | 2021 | 2020 |
|--|---------------|--------------|
| Salaries | 10 037 | 3 293 |
| Social security costs | 1 450 | 568 |
| Other personnel related costs | 188 | 77 |
| Pension expense | 53 | 19 |
| Total employee benefit expenses | 11 728 | 3 957 |
| Less capitalized personnel costs | 1 036 | 1 520 |
| Total employee benefit expenses | 10 692 | 2 437 |
| Average number of FTEs | 135.0 | 45.0 |

* Employee benefit expenses do not include senior management costs that are paid through a consultant's contract. See notes 12, 13, and 21 for additional information regarding management compensation. Employee benefit expenses do not include stock options expense, which is shown as a separate line item in the statement of comprehensive income.

Note 12 Management and board of directors remuneration

Main principles for the stipulation of salary and other remuneration to leading personnel

Play Magnus strives to provide a competitive compensation policy to incentivize the CEO and executive management to drive results in accordance with the business strategy and align their interests along with those of the shareholders. Executive management remuneration consists of a base wage and may also include incentive structures such as a cash bonus and share-based compensation. Executive management has consisted of both employees and consultants. Employees, depending on their jurisdiction, also may have pension and insurance scheme benefits. All pension payments are defined contributions. The CEO's salary and remuneration are decided by the Board of Directors. See also note 13 share-based compensation for additional information.

The Director's remuneration for 2021 shows the payment for the 2020 term, which was approved by the annual general meeting and paid in 2021. The Director's remuneration for 2020 shows the payment for the 2019 term, which was approved by the annual general meeting and paid in 2020. The Director's remuneration for 2021 that will be paid in 2022 has not yet been formally approved.

Payments to Board of Directors

| <i>Amounts in USD (except for share ownership)</i> | Director's remuneration paid in 2021 | Director's remuneration paid in 2020 | Shares 2021* | Shares 2020* |
|--|---|---|---------------------|---------------------|
| Anders Brandt, Chair ¹⁾ | 11 830 | 11 192 | 1 319 000 | 1 225 000 |
| Henrik Albert Carlsen ²⁾ | 11 830 | 11 192 | 5 088 157 | 4 950 480 |
| Patrick Sandahl, ³⁾ | - | - | 5 088 000 | 3 819 500 |
| Espen Agdestein, ⁴⁾ | - | - | 1 050 000 | 1 050 000 |
| Irene Kristiansen, ⁵⁾ | - | - | 14 000 | - |
| Nils Lorenz Lensch-Franzen, ⁶⁾ | - | - | 5 000 | - |
| Jens Hilgers, ⁷⁾ | - | - | - | - |
| Enrique Guzman Hinojosa, ⁸⁾ | 11 830 | 11 192 | 4 964 620 | 4 964 620 |
| Charles Stonehill, ⁹⁾ | 11 830 | 11 192 | 60 000 | 60 000 |
| Lars-Henrik Björn Schwabe, ¹⁰⁾ | 11 830 | 11 192 | - | - |
| Marco Pasetti Bombardella, ¹¹⁾ | 11 830 | - | - | - |
| Stanley Franklin Buchthal, ¹²⁾ | 11 830 | - | 2 536 900 | 2 536 900 |
| Total | 82 810 | 55 960 | 20 125 677 | 18 606 500 |

* Shares owned by the shareholder which the board member represents on the board.

- 1) Anders Brandt owns shares through Idekapital AS, which is controlled by Brandt and represents them on the Board of Directors.
- 2) Henrik Albert Carlsen owns shares through MagnusChess AS and represents them on the Board of Directors.

- 3) Patrick Sandahl represents Investinor Direkte AS on the Board of Directors.
- 4) Espen Agdestein owns shares through Espen Agdestein AS and represents them on the Board of Directors from 9 June 2021.
- 5) Irene Kristiansen owns shares through Spira Finans AS and represents them on the Board of Directors from 9 June 2021.
- 6) Nils Lorenz Lensch-Franzen has been on the Board of Directors since 9 June 2021.
- 7) Jens Hilgers has been on the Board of Directors since 9 June 2021.
- 8) Enrique Guzman Hinojosa owns shares through LT Holdings Ltd and represented them on the Board of Directors until 9 June 2021. LT Holdings Ltd is controlled by Guzman Hinojosa.
- 9) Charles Stonehill was on the Board of Directors until 9 June 2021. Stonehill holds 150 000 share options.
- 10) Lars-Henrik Björn Schwabe represented LT Holdings Ltd on the Board of Directors until 9 June 2021.
- 11) Marco Pasetti Bombardella represented LT Holdings Ltd on the Board of Directors until 9 June 2021.
- 12) Stanley Franklin Buchthal represented Cape Capital Holdings AG and Lapis Ventures SAC Ltd on the Board of Directors until 9 June 2021.

Payments to key personnel

| | 2021 | | | | | Direct and indirect share ownership at 31 December 2021 | Options outstanding as of 31 December 2021 |
|---|--------------------------|---|-----------------|--------------------|--------------------|---|--|
| | Salary / consultancy fee | Bonus / consultant incentive remuneration | Pension benefit | Other remuneration | TOTAL remuneration | | |
| | | | | | | | |
| <i>Amounts in USD (except for share ownership)</i> | | | | | | | |
| Andreas Thome, CEO ¹⁾ | 257 343 | 234 735 | - | - | 492 078 | 79 300 | 1 800 000 |
| Dmitri Shneider, CFO ²⁾ | 176 150 | 56 516 | - | - | 232 665 | 640 000 | 250 000 |
| David Kramaley, COO ³⁾ | 177 927 | - | - | - | 177 927 | 1 066 200 | 350 000 |
| Arkus Fredriksson, CSO ⁴⁾ | 146 443 | 45 213 | - | - | 191 656 | - | 350 000 |
| Sebastian Kuhnert, Chief Business Development Officer ⁵⁾ | 159 264 | - | - | - | 159 264 | 7 650 | 600 000 |
| Myriam Ben Farhat, VP of People & Culture ⁶⁾ | 84 620 | 22 606 | - | - | 107 227 | - | 20 000 |
| Geert van der Velde, VP of Content, CEO of Chessable ⁷⁾ | 170 567 | 16 955 | - | 13 250 | 200 772 | - | 150 000 |
| Arne Horvei, Tour Director ⁸⁾ | 157 080 | 13 488 | - | - | 170 567 | 44 900 | 50 000 |
| Tatiana Guarconi, CIO ⁹⁾ | 122 017 | 11 206 | - | - | 133 223 | - | 25 000 |
| Scott Dodson, CMO ¹⁰⁾ | 88 102 | 22 606 | - | 18 087 | 128 795 | - | 150 000 |
| Gerald Tan, CPO ¹¹⁾ | 241 555 | 47 932 | 1 815 | - | 291 302 | 27 200 | 350 000 |
| Total | 1 781 067 | 471 256 | 1 815 | 31 338 | 2 285 476 | 1 865 250 | 4 095 000 |

| | 2020 | | | | | Direct and indirect share ownership at 31 December 2020 | Options outstanding as of 31 December 2020 |
|---|--------------------------|---|-----------------|--------------------|--------------------|---|--|
| | Salary / consultancy fee | Bonus / consultant incentive remuneration | Pension benefit | Other remuneration | TOTAL remuneration | | |
| | | | | | | | |
| <i>Amounts in USD (except for share ownership)</i> | | | | | | | |
| Andreas Thome, CEO ¹⁾ | 229 064 | 55 029 | - | - | 284 093 | 44 300 | 1 800 000 |
| Dmitri Shneider, CFO ²⁾ | 130 255 | 29 813 | - | - | 160 068 | 611 100 | 250 000 |
| David Kramaley, CTO ³⁾ | 156 967 | 29 813 | 970 | - | 187 750 | 1 021 200 | 350 000 |
| Arkus Fredriksson, CSO ⁴⁾ | 126 587 | 23 850 | - | - | 150 437 | - | 350 000 |
| Gerald Tan, CPO ¹¹⁾ | 32 082 | - | 289 | - | 32 371 | 27 200 | 350 000 |
| Sebastian Kuhnert, Chief Business Development Officer ⁵⁾ | 154 053 | 22 012 | - | 885 328 | 1 061 393 | - | 600 000 |
| Total | 829 008 | 160 517 | 1 259 | 885 328 | 1 876 111 | 1 703 800 | 3 700 000 |

- 1) Andreas Thome is the Chief Executive Officer of Play Magnus Group. He has been employed by Chessable Spain SL since November 2020. He was previously a consultant via the consulting company Polar Star Thome SL. His remuneration for 2021 includes bonus payments for 2020 and 2021, both paid in 2021. If his contract is terminated after two years of being CEO, the company is responsible for twelve months of salary. There is a 12 month non-compete requirement should he leave the firm.
- 2) Dmitri Shneider is the Chief Financial Officer of Play Magnus Group. He is also the Chief Operating Officer of Chessable Ltd. He has been employed by Chessable Spain SL since February 2021. Before that he was hired as a consultant with Play Magnus AS.

- 3) David Kramaley is the Chief Operating Officer of Play Magnus Group since June 2021. He was previously Chief Technology Officer of the group and CEO of Chessable Ltd (until October 2021). He has been employed by Chessable Spain SL since August 2020. Before that he was employed by Chessable Ltd. He has a non-compete agreement of one-year post termination of his contract. He received a bonus of EUR 50 000 for 2021 which was paid out in 2022.
- 4) Arkus Fredriksson is the Chief Strategy Officer of Play Magnus Group and is also the Chief Operations Officer of chess24. He has been employed by Chessable Spain SL since July 2020. Before that he was a consultant with Play Magnus AS.
- 5) Sebastian Kuhnert is the Chief Business Development Officer of Play Magnus Group. He is a consultant and is compensated via his consulting company Peter Pan Ventures IVS. The other remuneration of USD 885 328 in 2020 is related to a cash settlement of 600 000 share options exercised in 2020.
- 6) Myriam Ben Farhat is the VP of People and Culture of Play Magnus Group. She is employed by Chessable Spain SL. She received an additional 30 000 options in January 2022.
- 7) Geert van der Velde is the VP of Content of Play Magnus Group. Since October 2021 he has also been the CEO of Chessable Ltd. He is employed by Chessable Spain SL since February 2021 and was previously employed by Chessable Ltd. He received an additional 50 000 options in January 2022.
- 8) Arne Horvei is the Tour Director of Play Magnus Group. He is a consultant with Play Magnus AS and is compensated via his consulting company Horvei Kommunikasjon AS. He received an additional 125 000 options in January 2022.
- 9) Tatiana Guarconi is the Chief Information Officer of Play Magnus Group. She is a consultant with Chessable Ltd.
- 10) Scott Dodson is the Chief Marketing Officer of Play Magnus Group since August 2021. He is employed by Chessable Spain SL.
- 11) Gerald Tan was the Chief Product Officer of Play Magnus Group and CEO of chess24 until March 2022. He was employed by Chessable Ltd and joined the company in November 2020.

Note 13 Share-based compensation

Accounting policies for share-based compensation

Play Magnus Group accounts for equity-settled share-based compensation in accordance with IFRS 2 Share-based Payment. Share-based compensation expense is measured at fair value using a Black-Scholes model over the service period. The related social security taxes that will be paid by Play Magnus Group at the settlement date are recognized in the balance sheet as a liability at fair value. The social security taxes are cash-settled at the exercise date.

The Play Magnus Group Option Incentive Scheme is designed to retain key personnel and to provide incentives to deliver long-term shareholder returns. The board of directors approves the option grants to the CEO, and the CEO is responsible for the option grants to other key personnel. Under an earlier plan, some participants have been granted options that vest 25% at the grant date, 25% after 12 months, 25% after 24 months, and 25% after 36 months. The standard policy starting from October 2020 has been to grant options that vest 33% after 12

months, 33% after 24 months, and 33% after 36 months. Participation in the plan is at the board's discretion, and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. Once vested, the options remain exercisable for a period of seven years. Options are granted under the plan for no consideration and carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share at the stated exercise price in the stock option agreement. The exercise price of options is the share price at the date of the grant.

No options were exercised during 2021 and 86 667 were forfeited. In 2020, 933 550 options were exercised, and 101 250 options forfeited.

Components of share-based expenses

Components of share-based expenses in income statement

| <i>Amounts in USD thousands</i> | 2021 | 2020 |
|--|-------------|--------------|
| Share-based compensation | 826 | 2 661 |
| Provision for social security benefit taxes | (145) | 150 |
| Total share-based compensation expenses | 681 | 2 811 |

Set out below are summaries of options granted under the plan:

| | 2021 | |
|--|--|--------------------------|
| | Average exercise price per share option | Number of options |
| 1 January 2021 | NOK 12.39 | 4 545 000 |
| Granted during the year | NOK 24.37 | 1 203 181 |
| Exercised during the year | - | - |
| Forfeited during the year | NOK 20.31 | 86 667 |
| 31 December 2021 | | 5 661 514 |
| Vested and exercisable at 31 December 2021 | NOK 10.87 | 3 275 658 |

| | 2020 | |
|--|--|--------------------------|
| | Average exercise price per share option | Number of options |
| 1 January 2020 | NOK 7.81 | 2 799 800 |
| Granted during the year | NOK 15.87 | 2 780 000 |
| Exercised during the year | NOK 8.80 | 933 550 |
| Forfeited during the year | NOK 14.60 | 101 250 |
| 31 December 2020 | | 4 545 000 |
| Vested and exercisable at 31 December 2020 | NOK 8.98 | 2 578 750 |

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

31 December 2021

| Grant date | Expiration date | Average exercise price | Share options granted 31 December 2021 |
|-------------------|------------------------|-------------------------------|---|
| 1 August 2019 | 31 July 2026 | NOK 7.39 | 625 000 |
| | 7 October 2027 | NOK 7.47 | 1 275 000 |
| Subtotal | | | 1 900 000 |
| 9 July 2020 | 8 July 2027 | NOK 11.30 | 68 750 |
| | 7 October 2027 | NOK 11.30 | 206 250 |
| Subtotal | | | 275 000 |
| 30 July 2020 | 29 July 2027 | NOK 14.60 | 418 750 |
| | 29 July 2028 | NOK 14.60 | 418 750 |
| | 29 July 2029 | NOK 14.60 | 406 250 |
| | 29 July 2030 | NOK 14.60 | 406 250 |
| Subtotal | | | 1 650 000 |
| 7 October 2020 | 6 October 2028 | NOK 21.00 | 208 339 |
| | 6 October 2029 | NOK 21.00 | 200 006 |
| | 6 October 2030 | NOK 21.00 | 199 988 |
| Subtotal | | | 608 333 |
| 21 December 2020 | 20 December 2028 | NOK 21.00 | 23 334 |
| | 20 December 2029 | NOK 21.00 | 23 334 |
| | 20 December 2030 | NOK 21.00 | 23 332 |
| Subtotal | | | 70 000 |
| 25 January 2021 | 25 January 2026 | NOK 34.00 | 41 493 |
| | 25 May 2029 | NOK 34.00 | 41 494 |
| | 25 January 2031 | NOK 34.00 | 41 494 |
| Subtotal | | | 124 481 |
| 23 February 2021 | 23 February 2029 | NOK 30.00 | 11 666 |
| | 23 February 2030 | NOK 30.00 | 11 667 |
| | 23 February 2031 | NOK 30.00 | 11 667 |
| Subtotal | | | 35 000 |
| 24 March 2021 | 24 March 2029 | NOK 26.00 | 134 562 |
| | 24 March 2030 | NOK 26.00 | 134 560 |
| | 24 March 2031 | NOK 26.00 | 134 578 |
| Subtotal | | | 403 700 |
| 26 July 2021 | 26 July 2026 | NOK 21.00 | 198 330 |
| | 26 July 2027 | NOK 21.00 | 198 334 |
| | 26 July 2028 | NOK 21.00 | 198 336 |
| Subtotal | | | 595 000 |
| Total | | | 5 661 514 |

31 December 2020

| Grant date | Expiration date | Average exercise price per share option | Share options granted |
|------------------|------------------|--|-----------------------|
| | | | 31 December 2020 |
| 1 August 2019 | 31 July 2026 | NOK 7.39 | 625 000 |
| | 7 October 2027 | NOK 7.47 | 1 275 000 |
| Subtotal | | | 1 900 000 |
| 9 July 2020 | 8 July 2027 | NOK 11.30 | 68 750 |
| | 7 October 2027 | NOK 11.30 | 206 250 |
| Subtotal | | | 275 000 |
| 30 July 2020 | 29 July 2027 | NOK 14.60 | 418 750 |
| | 29 July 2028 | NOK 14.60 | 418 750 |
| | 29 July 2029 | NOK 14.60 | 418 750 |
| | 29 July 2030 | NOK 14.60 | 418 750 |
| Subtotal | | | 1 675 000 |
| 7 October 2020 | 6 October 2028 | NOK 21.00 | 208 339 |
| | 6 October 2029 | NOK 21.00 | 208 339 |
| | 6 October 2030 | NOK 21.00 | 208 322 |
| Subtotal | | | 625 000 |
| 21 December 2020 | 20 December 2028 | NOK 21.00 | 23 334 |
| | 20 December 2029 | NOK 21.00 | 23 334 |
| | 20 December 2030 | NOK 21.00 | 23 332 |
| Subtotal | | | 70 000 |
| Total | | | 4 545 000 |

Key management and board members share options

| Key employee / consultant* | Options held 1 January 2021 | Options granted in 2021 | Options exercised in 2021 | Options forfeited in 2021 | Options outstanding 31 December 2021 | Options vested and exercisable 31 December 2021 |
|-------------------------------|-----------------------------------|----------------------------|------------------------------|---------------------------------|---|---|
| Andreas Thome | 1 800 000 | - | - | - | 1 800 000 | 1 500 000 |
| Dmitri Shneider | 250 000 | - | - | - | 250 000 | 125 000 |
| David Kramaley | 350 000 | - | - | - | 350 000 | 175 000 |
| Arkus Fredriksson | 350 000 | - | - | - | 350 000 | 287 500 |
| Sebastian Kuhnert | 600 000 | - | - | - | 600 000 | 600 000 |
| Myriam Ben Farhat | - | 20 000 | - | - | 20 000 | - |
| Geert van der Velde | 100 000 | 50 000 | - | - | 150 000 | 50 000 |
| Arne Horvei | 50 000 | - | - | - | 50 000 | 16 667 |
| Tatiana Guarconi | - | 25 000 | - | - | 25 000 | - |
| Scott Dodson | - | 150 000 | - | - | 150 000 | - |
| Gerald Tan | 350 000 | - | - | - | 350 000 | 116 667 |
| Charles Stonehill | 150 000 | - | - | - | 150 000 | 150 000 |
| Total | 4 000 000 | 245 000 | - | - | 4 245 000 | 3 020 834 |

| Key employee / consultant* | Options held 1 January 2020 | Options granted in 2020 (exercise price of NOK 14.60) | Options granted in 2020 (exercise price of NOK 11.30) | Options exercised in 2020 | Options forfeited in 2020 | Options outstanding 31 December 2020 | Options vested and exercisable 31 December 2020 |
|----------------------------|-----------------------------------|--|--|---------------------------------|---------------------------------|---|--|
| Andreas Thome | 1 200 000 | 600 000 | - | - | - | 1 800 000 | 1 350 000 |
| Dmitri Shneider | - | 250 000 | - | - | - | 250 000 | 62 500 |
| David Kramaley | - | 350 000 | - | - | - | 350 000 | 87 500 |
| Arkus Fredriksson | 100 000 | 125 000 | 125 000 | - | - | 350 000 | 256 250 |
| Gerald Tan | - | 350 000 | - | - | - | 350 000 | - |
| Sebastian Kuhnert | 1 200 000 | - | - | 600 000 | - | 600 000 | 600 000 |
| Charles Stonehill | - | - | 150 000 | - | - | 150 000 | 150 000 |
| Total | 2 500 000 | 1 675 000 | 275 000 | 600 000 | - | 3 850 000 | 2 506 250 |

* The amount of the share-based compensation expense allocated to key management and board members is in total USD 422 169 for 2021 and USD 2 227 146 for 2020.

Fair value measurement

The assessed fair value at grant date of options granted during the year ended 31 December 2021 was NOK 2.31 - NOK 8.00, depending on the expiry date of the options (2020: NOK 4.63 - NOK 9.24). The fair value at the grant date is independently determined using the Black-Scholes model that takes into account the exercise price, the term of the option, the impact of dilution (where material), the share price at the grant date, and expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the option, and the correlations and volatilities of the peer group companies.

The model inputs for options granted during the year ended 31 December 2021 included:

- Options are granted for no consideration and vest based on the passage of time
- Vested options are exercisable for a period of seven years after vesting
- Exercise price: NOK 21.00 - NOK 34.00
- Grant dates: 25 January 2021, 23 February 2021, 24 March 2021, 26 July 2021
- Expiry date: 25 January 2026 – 24 March 2031
- Share price at grant date: NOK 20.13 – NOK 30.62
- Expected price volatility of the company's shares: 30%
- Expected dividend yield: zero as the Group is still in a growth phase and is not currently paying dividends, nor plans to pay dividends in the foreseeable future
- Risk-free interest rate: 1.45%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information and the judgment of management.

Note 14 Goodwill

Accounting policies for goodwill

Goodwill is recognized as a part of business combinations. Goodwill is initially measured either as the excess of the consideration over Play Magnus Group's interest or the fair value of 100 percent of the acquiree in excess of the acquiree's identifiable net assets (full goodwill). Goodwill is not amortized but is tested for impairment annually, and more frequently if indicators of possible impairment are observed, in accordance with IAS 36 Impairment of Assets. Goodwill is allocated to the cash-generating units or groups of cash-generating units expected to benefit from the synergies of the combination and that is monitored for internal management purposes.

Play Magnus Group has goodwill in connection with the acquisitions of United Mind Sports Ltd in 2019, Chessable Ltd in 2019, Interchess BV in 2021, Gloucester Publishers Ltd in 2021 and Silver Knights Chess in 2021. As of 31 December 2021, the goodwill was USD 8 744 695 (2020: USD 7 040 854). The increase from 2020 to 2021 is due to new acquisitions and retranslation from NOK and GBP to USD.

The goodwill amounts related to Interchess BV, Gloucester Publishers Ltd and Silver Knights Chess at the date of acquisition were USD 654 835, USD 794 529 and USD 501 838, respectively.

Impairment testing of goodwill

Goodwill from the acquisition of United Mind Sports Ltd is allocated to chess24, goodwill from the acquisition of Chessable Ltd is allocated to Chessable, goodwill from the acquisition of Interchess is allocated to Interchess and Chessable, goodwill from the acquisition of Gloucester Publishers is allocated to Gloucester Publishers and Chessable, and goodwill from the acquisition of Silver Knights Chess is allocated to Silver Knights Chess. The recoverable amounts of these CGUs have been determined based on the higher of the value in use calculations and the fair value less costs of disposal.

Goodwill was tested for impairment at the end of 2021, and no impairment losses were identified. Value in use is based on discounted cash flow calculations. The Group based its cash flow calculations on 5-year forecast information approved by senior management of the Group. Long-term average growth rates for the respective countries in which the entities operate or, where more appropriate, the growth rate of the CGUs, were used to extrapolate cash flows into the future. The discount rates are used to reflect specific risks relating to the relevant CGUs and the countries in which they operate while maximizing the use of market observable data. Other assumptions included in cash flow projections vary widely between CGUs due to the group's

diverse range of business models and are closely linked to entity-specific key performance indicators.

The following key assumptions were used for the value-in-use calculations:

chess24:

- Revenue growth rate is 30.5% at the beginning of the forecast period and declines to 20% growth in year 5
- Terminal growth rate is 3%
- EBITDA margin improves to 40% in the forecast period
- WACC: 12 %

Chessable:

- Revenue growth rate is 63% at the beginning of the forecast period and declines to 20% growth in year 5
- Terminal growth rate is 3%
- EBITDA margin improves to 36% in the forecast period
- WACC: 12 %

Interchess:

- Revenue growth rate is 8% at the beginning of the forecast period and stay stable through year 5
- Terminal growth rate is 3%
- EBITDA margin improves to 14% in the forecast period
- WACC: 10 %

Gloucester Publishers:

- Revenue growth rate is -15% at the beginning of the forecast period and increases to 5% growth in year 5
- Terminal growth rate is 3%
- EBITDA margin stays stable at 43% in the forecast period
- WACC: 9 %

Silver Knights:

- Revenue growth rate is 60% at the beginning of the forecast period and declines to 40% growth in year 5
- Terminal growth rate is 3%
- EBITDA margin improves to 29% in the forecast period

- WACC: 9 %

Sensitivity analysis

A sensitivity analysis has been prepared to test the impairment tests to changes in key assumptions. Specific assumptions tested were a +10% to -10% change in revenue in every year of the forecast period as well as a +10% to -10% change in gross profit margin in every year of the forecast period. In all cases, unless specifically noted, the discounted cash flow value was comfortably above the book value of the assets.

Note 15 Intangible assets

Accounting policies for intangible assets

Intangible assets acquired individually or as a group are recognized at fair value when acquired. Intangible assets acquired in a business combination are recognized at fair value separately from goodwill when they arise from contractual or legal rights or can be separated from the acquired entity and sold or transferred.

Internally generated intangible assets are recognized when the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

Development costs are capitalized as intangible assets at cost in accordance with IAS 38 Intangible Assets when the recognition criteria are met. Research expenditures are expensed as incurred.

At each financial year-end Play Magnus Group reviews the residual value and useful life of its assets, with any estimate changes accounted for prospectively over the remaining useful life of the asset.

Website/mobile technology

Play Magnus Group has acquired and developed chess-related website platforms and mobile apps. The biggest assets are the chess24 website and mobile app, products related to the Chessable platform and the Play Magnus mobile applications. Chess24 is one of the biggest chess platforms in the world and was acquired by Play Magnus Group in 2019. Since the acquisition the group has developed and launched a new online playzone and mobile applications for iOS and Android. Chessable consists of the original website and MoveTrainer technology acquired by Play Magnus Group in 2019. Since the acquisition the group has developed and launched a mobile app version of Chessable and has several ongoing development projects. The

Play Magnus mobile applications consist of the original Play Magnus app, Magnus Trainer and Tactics Frenzy.

Courses/content

Since 2019 Play Magnus Group has acquired several key chess companies with a significant volume of intellectual property. The biggest contributors to the group's catalog of courses/content are the acquisitions of Chessable, iChess, Interchess and Gloucester Publishers.

Brand names

In connection with the acquisitions of key chess companies, Play Magnus Group owns several valuable brands. The brands which go into this category are chess24, Chessable, New In Chess, Ginger GM, Everyman Chess, iChess and Silver Knights Chess. The amortization periods span from 2 to 20 years depending on management's expectation for utilization of the assets.

Trademarks

In connection with the acquisition of Chessable, Play Magnus Group received ownership of the MoveTrainer trademark. The MoveTrainer technology is built around the spaced repetition method for learning chess patterns and ideas. It was the first of its kind and is widely recognized to be the leader in the chess education space. It is the only branded technology for studying chess via the spaced repetition method. Chessable has secured a 10-year trademark in the US, starting from September 2019 and a 10-year trademark in the European Union starting from August 2020.

Customer relationships

The customer relationships assets originate from the acquisitions of chess24, Chessable, iChess, Interchess, Ginger GM, Gloucester Publishers and Silver Knights Chess. With the new highly popular technology platforms and services, the group also acquired a loyal base of chess fans. All customer relationships are amortized over 5 years from the date of acquisition.

| | Website/ mobile technology | Courses/ content | Brand names | Trademark | Customer relationships | Total |
|---|----------------------------------|---------------------|----------------|---------------|---------------------------|---------------|
| Balance 01.01.2021 | 8 266 | 2 672 | 3 735 | 647 | 5 968 | 21 288 |
| Acquisition cost 29.01.2021 Interchess BV | - | 667 | 516 | - | 516 | 1 699 |
| Acquisition cost 24.02.2021 Ginger GM Ltd | 71 | 141 | 313 | - | 141 | 666 |
| Acquisition cost 02.03.2021 Gloucester Publishers Ltd | - | 419 | 314 | - | 314 | 1 046 |
| Acquisition cost 14.05.2021 Aimchess by PMG AS | 485 | - | - | - | - | 485 |
| Acquisition cost 31.08.2021 Silver Knights Chess LLC | - | 200 | 200 | - | 1 600 | 2 000 |
| Additions | 1 009 | - | - | - | - | 1 009 |
| Disposals | - | - | - | - | - | - |
| Capitalized employee benefit expense | 1 037 | - | - | - | - | 1 037 |
| Foreign currency translation effect | -283 | -113 | -140 | -24 | -191 | -749 |
| Acquired cost 31.12.2021 | 10 585 | 3 987 | 4 937 | 624 | 8 348 | 28 480 |
| Balance 01.01.2021 | 3 244 | 644 | 376 | 183 | 1 841 | 6 288 |
| Amortization | 1 460 | 761 | 381 | 128 | 1 469 | 4 199 |
| Impairment | 188 | - | - | - | - | 188 |
| Accumulated amortization on disposals | - | - | - | - | - | - |
| Reduction amort. because of unearned Skattefunn | 82 | - | - | - | - | 82 |
| Foreign currency translation effect | -138 | -36 | -18 | -10 | -84 | -286 |
| Accumulated amortization and impairment 31.12.2021 | 4 835 | 1 370 | 739 | 301 | 3 226 | 10 471 |
| Carrying value 31.12.2021 | 5 750 | 2 617 | 4 199 | 322 | 5 122 | 18 010 |
| Estimated lifetime | 5 years | 5 years | 15 - 20 years | 5 years | 5 years | |
| Amortization schedule | Straight line | Straight line | Straight line | Straight line | Straight line | |

| | Website/ mobile technology | Courses/ content | Brand names | Trademark | Customer relationships | Total |
|---|----------------------------------|---------------------|----------------|---------------|---------------------------|---------------|
| Balance 01.01.2020 | 5 832 | 2 124 | 3 531 | 626 | 5 225 | 17 339 |
| Acquisition cost 01.12.2020 iChess LLC | - | 486 | 121 | - | 607 | 1 214 |
| Additions | 621 | - | - | - | - | 621 |
| Disposals | - | - | - | - | - | - |
| Capitalized employee benefit expense | 1 520 | - | - | - | - | 1 520 |
| Foreign currency translation effect | 293 | 63 | 83 | 21 | 136 | 594 |
| Acquired cost 31.12.2020 | 8 266 | 2 672 | 3 735 | 647 | 5 968 | 21 288 |
| Balance 01.01.2020 | 1 880 | 197 | 153 | 52 | 746 | 3 028 |
| Amortization | 1 156 | 411 | 199 | 118 | 988 | 2 871 |
| Accumulated amortization on disposals | - | - | - | - | - | - |
| Reduction amort. because of unearned Skattefunn | 78 | - | - | - | - | 78 |
| Foreign currency translation effect | 130 | 36 | 25 | 13 | 108 | 312 |
| Accumulated amortization 31.12.2020 | 3 244 | 644 | 376 | 183 | 1 841 | 6 288 |
| Carrying value 31.12.2020 | 5 022 | 2 028 | 3 359 | 464 | 4 127 | 15 000 |
| Estimated lifetime | 5 years | 5 years | 15 - 20 years | 5 years | 5 years | |
| Amortization schedule | Straight line | Straight line | Straight line | Straight line | Straight line | |

See note 6 for specification of acquired intangible assets.

Note 16 Other financial assets

Other financial assets

| <i>Amounts in USD thousands</i> | 31.12.2021 | 31.12.2020 |
|---|-------------------|-------------------|
| Deposits | 106 | - |
| Current portion of withheld revenue | 210 | 240 |
| Total other current financial assets | 316 | 240 |

Non-current financial assets

| <i>Amounts in USD thousands</i> | 31.12.2021 | 31.12.2020 |
|---|-------------------|-------------------|
| Deposits | 84 | - |
| Non-current portion of withheld revenue | 52 | 51 |
| Total non-current financial assets | 137 | 51 |

Other financial assets consist of security deposits and withheld revenue in Logical Thinking Ltd. Logical Thinking Ltd hosts the chess24.com platform and uses Adyen as its main service provider for transactions. The withheld revenue is primarily a security deposit which Adyen holds back to account for any subsequent liabilities Logical Thinking Ltd might have towards its customers.

Note 17 Accounts receivable

Accounting policies for trade receivables

Accounts receivable are initially recognized at transaction price, subsequently accounted for at amortized cost, and are reviewed for impairment on an ongoing basis. Individual accounts are assessed for impairment taking into consideration indicators of financial difficulty and management assessment. Play Magnus Group's business model for accounts receivable is to hold the receivables to collect the contractual cash flows.

| | 31.12.2021 | 31.12.2020 |
|---------------------|-------------------|-------------------|
| Accounts receivable | 1 323 | 227 |
| Loss allowance | 51 | - |
| Total | 1 272 | 227 |

Distribution by currency

| <i>Amounts in USD thousands</i> | 31.12.2021 | 31.12.2020 |
|---------------------------------|-------------------|-------------------|
| Accounts receivable NOK | 51 | 110 |
| Accounts receivable USD | 896 | 7 |
| Accounts receivable EUR | 193 | 51 |
| Accounts receivable GBP | 133 | 58 |
| Total | 1 272 | 227 |

Aging of gross trade receivables

| <i>Amounts in USD thousands</i> | Total | < 30 days | 30-60 days | 60-90 days | >90 days |
|---------------------------------|--------------|---------------------|-------------------|-------------------|--------------------|
| 31.12.2021 | 1 323 | 1 093 | 24 | 118 | 89 |
| Loss allowance | 51 | 6 | 1 | 3 | 41 |
| Book value 31.12.2021 | 1 272 | 1 087 | 23 | 114 | 48 |
| 31.12.2020 | 227 | 213 | 1 | 4 | 9 |
| Loss allowance | - | - | - | - | - |
| Book value 31.12.2020 | 227 | 213 | 1 | 4 | 9 |

Note 18 Statement of cash flows

Accounting policies for cash and cash equivalents

Cash and cash equivalents in the statement of financial position include cash, bank deposits, and all other monetary instruments with a maturity of less than three months from the date of acquisition and are measured at nominal value.

Bank deposits earn interest at floating rates based on the different bank agreements.

For the purpose of the consolidated statement of cash flow, cash and cash equivalents comprise the following on 31 December:

| <i>Amounts in USD thousands</i> | 31.12.2021 | 31.12.2020 |
|--|-------------------|-------------------|
| Bank deposits | 20 197 | 35 247 |
| Restricted cash balances | 81 | 29 |
| Total cash and cash equivalents | 20 278 | 35 276 |

Distribution of cash by currency

| <i>Amounts in USD thousands</i> | 31.12.2021 | 31.12.2020 |
|---------------------------------|-------------------|-------------------|
| Cash Balances NOK | 10 090 | 16 080 |
| Cash Balances USD | 6 006 | 6 683 |
| Cash Balances EUR | 1 941 | 7 851 |
| Cash Balances GBP | 2 214 | 4 662 |
| Cash Balances Other | 26 | - |
| Total | 20 278 | 35 276 |

Changes in liabilities arising from financing activities***Lease liabilities***

| <i>Amounts in USD thousands</i> | 2020 | 2021 | Total |
|---|-------------|--------------|--------------|
| Balance at the beginning of the period | 599 | 852 | 1 451 |
| | - | - | - |
| <i>Cash changes</i> | - | - | - |
| Principal payment to lessor | -164 | -396 | -560 |
| Interest payment to lessor | -36 | -134 | -170 |
| | - | - | - |
| <i>Non-cash changes</i> | - | - | - |
| Initial recognition | 537 | 3 033 | 3 570 |
| Accrued interest | 36 | 134 | 170 |
| Lease modifications/disposals | -117 | -430 | -547 |
| Foreign currency translation effect | -3 | -48 | -51 |
| Balance at the end of the period | 852 | 3 011 | 3 863 |

Note 19 Other current liabilities*Provision for possible VAT claims related to the sale of services*

Certain sales by Logical Thinking Ltd may be subject to VAT in the country of origin of the customers. Enrique Guzman, the majority shareholder of LT Holdings Ltd, has given an uncapped indemnity in favor of Play Magnus AS for any tax exposure related to the chess24 group prior to the acquisition by Play Magnus AS on 28 February 2019, including the VAT exposure disclosed in the table below.

Management is of the opinion that any costs and liability incurred as a result of or relating to said VAT exposure is expected to be recovered from Enrique Guzman under the indemnity for VAT incurred prior to the acquisition. Play Magnus AS has set aside a provision of USD 350 000 for any potential liability for the time after the acquisition for 2019 and through December 2021. The total liability for Logical Thinking is estimated to be USD 600 000. The net liability of Play Magnus Group of USD 350 000 is presented gross, with a USD 600 000 provision for VAT and a USD 250

000 receivable presented under other current assets. The net exposure of Play Magnus Group is thus USD 350 000.

Other current liabilities

| <i>Amounts in USD thousands</i> | 31.12.2021 | 31.12.2020 |
|--|-------------------|-------------------|
| Accrued Skattefunn | 30 | 113 |
| Provision for VAT | 600 | 500 |
| Accrued expenses | 1 401 | 538 |
| Other | 1 045 | 1 248 |
| Total other current liabilities | 3 076 | 2 399 |

Note 20 Taxes

Accounting policies for income taxes, current and deferred

Taxes payable is based on taxable profit for the year, which excludes items of income or expense that are taxable or deductible in other years. Taxable profit also excludes items that are never taxable or deductible. Play Magnus Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted as of the balance sheet date.

Deferred income tax expense is calculated using the liability method in accordance with IAS 12 Income Taxes. Deferred tax assets and liabilities are classified as non-current in the balance sheet and are measured based on the difference between the carrying value of assets and liabilities for financial reporting and their tax basis when such differences are considered temporary in nature. For items recognized as an asset and a liability at inception, such as a lease, temporary differences related to the asset and liability are considered in combination, and deferred tax assets and liabilities are recognized on changes to the temporary differences through the life of the items. Temporary differences related to intercompany profits are deferred using the buyer's tax rate. Deferred tax assets are reviewed for recoverability every balance sheet date, and the amount probable of recovery is recognized.

Deferred income tax expense represents the change in deferred tax asset and liability balances during the year, except for the deferred tax related to items recognized in Other comprehensive income or resulting from a business combination or disposal. Changes resulting from amendments and revisions in tax laws and tax rates are recognized when the new tax laws or rates become effective or are substantively enacted. Uncertain tax positions are recognized in the financial statements based on management's expectations.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes levied by the

same taxation authority, and when the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred taxes are not provided on undistributed earnings of subsidiaries when the timing of the reversal of this temporary difference is controlled by Play Magnus Group and is not expected to happen in the foreseeable future.

Significant judgment in accounting for income taxes

Valuation of deferred tax assets is dependent on management's assessment of future recoverability of the deferred benefit. Expected recoverability may result from expected taxable income in the future, planned transactions, or planned tax optimizing measures, all of which may be uncertain. Economic conditions may change and lead to a different conclusion regarding recoverability. Tax authorities in different jurisdictions may challenge Play Magnus Group's calculation of taxes payable from prior periods. Such processes may lead to changes to prior periods' taxable income, resulting in changes to income tax expense in the period of change, as well as interest and fines.

Calculation of deferred tax/deferred tax benefit

| Temporary differences | 2021 | 2020 |
|--|----------------|----------------|
| Intangible assets | 12 198 | 11 490 |
| Property, plant and equipment | 2 780 | 821 |
| Current and non-current assets | 690 | 141 |
| Liabilities | -3 723 | -1 811 |
| Other differences | - | - |
| Net temporary differences | 11 946 | 10 641 |
| Tax losses carried forward | -39 123 | -21 997 |
| Basis for deferred tax (asset) | -27 177 | -11 356 |
| Deferred tax (asset) | -4 584 | -1 795 |
| Deferred tax asset not recognised in the balance sheet | 5 211 | 3 110 |
| Deferred tax asset in the balance sheet | 55 | 13 |
| Deferred tax in the balance sheet | 683 | 1 645 |

Basis for income tax expense, changes in deferred tax and tax payable

| Basis for income tax expense | 2021 | 2020 |
|--|----------------|----------------|
| Result before taxes | -19 948 | -15 735 |
| Permanent differences | 254 | 1 253 |
| Basis for income tax expense | -19 695 | -14 482 |
| Change in temporary differences | -1 305 | 4 870 |
| Business combinations effect | 4 126 | 1 041 |
| Change in tax loss carried forward | 17 126 | 8 577 |
| Taxable income (basis for payable taxes in the balance sheet) | 252 | 6 |

| Components of the income tax expense | 2021 | 2020 |
|---|---------------|-------------|
| Payable tax on this year's result | 116 | 1 |
| Adjustment in respect of prior year | - | - |
| Total tax payable | 116 | 1 |
| Change in deferred tax (asset) | -688 | -317 |
| Change in deferred tax (asset) posted to equity | -563 | -288 |
| Tax expense | -1 135 | -604 |

| Reconciliation of the tax expense | 2021 | 2020 |
|--|--------------|--------------|
| Result before taxes | -19 948 | -15 735 |
| Calculated tax | -4 389 | -3 462 |
| Tax expense | -1 135 | -604 |
| Difference | 3 254 | 2 858 |

| The difference consist of: | 2021 | 2020 |
|---|--------------|--------------|
| Tax of permanent differences | 56 | 276 |
| Tax cost recognised in equity | 563 | 229 |
| Change in deferred tax asset not recognised | 2 101 | -205 |
| Other differences | 534 | 2 558 |
| Sum explained differences | 3 254 | 2 858 |

| Payable taxes in the balance sheet | 2021 | 2020 |
|---|-------------|-------------|
| Payable tax in the tax charge | 116 | 1 |
| Payable tax in the balance sheet | 116 | 1 |

Deferred tax assets are recognized when the Group can document future taxable profits to utilize the tax asset per company. The deferred tax asset is recognized for the amount corresponding to the expected taxable profit based on convincing evidence. The carrying amount of deferred tax assets is reviewed at each reporting date (quarterly) and reduced to the extent that convincing evidence no longer exists for the utilization. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that convincing evidence exists supporting

that taxable profits will allow the deferred tax asset to be recovered. The actual outcome of future tax costs may deviate from these estimates.

Most of the Group's tax loss carried forward comes from the entities Play Magnus AS, E-Learning Ltd, Logical Thinking Ltd and Chessable Ltd. The total loss carried forward amounts to USD 39 123 089 as of 31 December 2021. This gives deferred tax assets of USD 5 211 009 which is not recognized in the balance sheet. Undertaking an assessment of the criteria under IAS 12, the Group has not included deferred tax assets related to tax losses carried forward.

Note 21 Other operating expenses

Amounts in USD thousands

| Other operating expenses | 2021 | 2020 |
|-------------------------------------|--------------|--------------|
| Software, hardware and hosting fees | 1 386 | 619 |
| Legal and audit fees | 1 025 | 1 075 |
| Travel | 273 | 87 |
| Marketing | 1 802 | 1 100 |
| Publishing costs | 947 | - |
| Studio rent Champions Chess Tour | 743 | - |
| Allowance for doubtful receivables | 51 | - |
| Provision for VAT | 100 | 50 |
| Other | 1 756 | 388 |
| Total | 8 083 | 3 319 |

Audit fees

The Group has the following audit-related fees, provided by our elected auditor, included in the legal and audit fees in the table above (all figures excl. VAT). The table below shows the cash paid to auditors of the different entities in 2021 and 2020.

Amounts in USD thousands

| Category | 2021 | 2020 |
|------------------------------|-------------|-------------|
| Audit services | 154 | 106 |
| Other audit related services | 36 | 117 |
| Tax services | 110 | 137 |
| Total | 299 | 360 |

Of the audit fees in the table above, a total of USD 29 thousand for 2021 and USD 35 thousand for 2020 is related to audit-related services not provided by the elected auditor of Play Magnus AS.

Equity funding transaction expenses

In connection with the listing on Euronext Growth, the Group had expenses of USD 2 360 020 in 2020. Expenses related to the private placement in connection with the listing have not been separated from the listing expenses and are shown entirely in this line.

Note 22 Financial items

Financial items

| <i>Amounts in USD thousands</i> | 2021 | 2020 |
|--------------------------------------|-------------|---------------|
| Interest income | 35 | 11 |
| Exchange rate gains | 586 | 185 |
| Other financial income | 3 | - |
| Financial income | 624 | 196 |
| Interest expense | 136 | 37 |
| Interest expense on convertible loan | - | 48 |
| Exchange rate losses | 388 | 1 372 |
| Other financial expense | 466 | 221 |
| Financial expense | 990 | 1 677 |
| NET FINANCIAL ITEMS | -366 | -1 481 |

Note 23 Tangible assets

Accounting policies for property, plant, and equipment

Tangible assets consisting of office equipment are recognized at acquisition cost. The carrying value is comprised of the historical cost less accumulated depreciation and any accumulated impairment losses (if any). Office buildings consist of leased assets (right-of-use assets). Short-term and low-value leases are excluded from the lease accounting. When measuring leases, Play Magnus Group includes fixed lease payments for extension periods reasonably certain to be used. As a practical expedient, non-lease components are not separated from lease contracts, and not recognized but expensed in the period when the lease expense is incurred. Judgment is applied in assessing whether renewal options are reasonably certain to be utilized. See note 27 for the specification of the current and non-current lease liabilities.

Depreciation expense is measured on a straight-line basis over the estimated useful life of the asset, commencing when the asset is ready for its intended use.

At each financial year-end Play Magnus Group reviews the residual value and useful life of its assets, with any estimate changes accounted for prospectively over the remaining useful life of the asset.

| | Office equipment | Office buildings (Right-of-use assets) | Total |
|--|------------------|---|--------------|
| Balance Play Magnus 01.01.2021 | 252 | 1 212 | 1 464 |
| Acquisition Interchess BV | 18 | - | 18 |
| Additions | 179 | 3 159 | 3 337 |
| Disposals | - | -460 | -460 |
| Foreign currency translation effect | 1 | -182 | -181 |
| Acquired cost 31.12.2021 | 450 | 3 729 | 4 179 |
| Accumulated depreciation and impairment | | | |
| Balance Play Magnus 01.01.2021 | 49 | 391 | 440 |
| Depreciation of the year | 92 | 601 | 693 |
| Impairment of the year | - | - | - |
| Accumulated depreciation disposals | - | - | - |
| Foreign currency translation effect | -1 | -44 | -45 |
| Accumulated depreciation and impairments 31.12.2021 | 140 | 949 | 1 089 |
| Carrying value 31.12.2021 | 310 | 2 780 | 3 090 |

| | Office equipment | Office buildings (Right-of-use assets) | Total |
|--|------------------|---|--------------|
| Balance Play Magnus 01.01.2020 | 80 | 722 | 802 |
| Additions | 167 | 537 | 704 |
| Disposals | - | -117 | -117 |
| Foreign currency translation effect | 5 | 70 | 75 |
| Acquired cost 31.12.2020 | 252 | 1 212 | 1 464 |
| Accumulated depreciation and impairment | | | |
| Balance Play Magnus 01.01.2020 | 18 | 125 | 143 |
| Depreciation of the year | 33 | 184 | 217 |
| Impairment of the year | - | - | - |
| Accumulated depreciation disposals | - | - | - |
| Foreign currency translation effect | -2 | 82 | 80 |
| Accumulated depreciation and impairments 31.12.2020 | 49 | 391 | 440 |
| Carrying value 31.12.2020 | 203 | 821 | 1 024 |

Interest expense relating to lease recognized in the income statement for 2021 was USD 133 961 and USD 36 268 for 2020. Total cash outflows for leases in 2021 was USD 529 479 and USD 200 450 in 2020.

Note 24 Subsidiaries and shareholders

The consolidated group financial statements include the financial statements of Play Magnus AS and the subsidiaries listed in the following table:

| | Year established | Year acquired | Location | Entity's main activities | Ownership | Functional currency |
|-------------------------------|------------------|---------------|----------------------|---|-----------|---------------------|
| United Mind Sports Limited | 2014 | 2019 | Gibraltar | Holding company for the chess24 group, and the immediate owner of the subsidiaries Caroon Ltd, Logical Thinking Ltd, and E-Learning Ltd | 100 % | GBP |
| Logical Thinking Limited | 2014 | 2019 | Gibraltar | Chess entertainment site focused on broadcasts and other content with top chess players and personalities | 100 % | GBP |
| E-Learning Limited | 2014 | 2019 | Gibraltar | Owns and operates the Chess24.com website | 100 % | GBP |
| Caroon Ltd | 2014 | 2019 | Gibraltar | Holding company and owner of chess24 GmbH. | 100 % | GBP |
| Chess24 GmbH | 2014 | 2019 | Hamburg, Germany | Responsible for development and maintenance of chess24.com | 100 % | EUR |
| ChessX SIA | 2019 | - | Riga, Latvia | Company established late 2019 and is the owner of the CoChess brand which is focused on live coaching | 100 % | EUR |
| Chessable Limited | 2015 | 2019 | London, UK | E-learning site with online courses and subscriptions | 100 % | GBP |
| Chessable Spain SL | 2020 | - | Barcelona, Spain | Operational support services | 100 % | EUR |
| iChess LLC | 2011 | 2020 | Atlanta, USA | E-learning site with online courses | 100 % | USD |
| Interchess BV | 1984 | 2021 | Alkmaar, Netherlands | Publisher of chess books and ebooks, publisher of New In Chess magazine | 100 % | EUR |
| Gloucester Publishers Limited | 2003 | 2021 | London, UK | Publisher of chess books and ebooks | 100 % | GBP |
| Ginger GM Limited | 2018 | 2021 | London, UK | E-learning site with online courses | 100 % | GBP |
| Aimchess by PMG AS | 2021 | - | Oslo, Norway | Owns and operates the aimchess.com website and AimChess app | 100 % | NOK |
| Play Magnus India Private Ltd | 2021 | - | Bangalore, India | Support of group activities and presence in the APAC region | 100 % | INR |
| Play Magnus Polska sp. z o.o. | 2021 | - | Wroclaw, Poland | IT development services | 100 % | PLN |
| Play Magnus USA Inc. | 2021 | - | Delaware, USA | Holding company and owner of Silver Knights Chess LLC | 100 % | USD |
| Silver Knights Chess LLC | 2021 | 2021 | Virginia, USA | Live chess coaching services | 100 % | USD |

Play Magnus AS Shareholders as of 31 December 2021

| Shareholders | Number of ordinary shares | Total # of shares | % of shareholding |
|----------------------------------|---------------------------|-------------------|-------------------|
| Clearstream Banking S.A. | 5 318 895 | 5 318 895 | 9.4% |
| Magnuschess AS | 5 088 157 | 5 088 157 | 9.0% |
| Investinor Direkte AS | 5 088 000 | 5 088 000 | 9.0% |
| LT Holdings Ltd | 4 964 620 | 4 964 620 | 8.8% |
| UBS Switzerland AG | 3 832 607 | 3 832 607 | 6.8% |
| Myrlid AS | 2 318 039 | 2 318 039 | 4.1% |
| MP Pensjon PK | 2 309 100 | 2 309 100 | 4.1% |
| T.D. Veen AS | 1 828 777 | 1 828 777 | 3.2% |
| LGT Bank AG | 1 754 850 | 1 754 850 | 3.1% |
| Idekapiital AS | 1 319 000 | 1 319 000 | 2.3% |
| State Street Bank and Trust Comp | 1 100 000 | 1 100 000 | 1.9% |
| Espen Agdestein AS | 1 050 000 | 1 050 000 | 1.9% |
| Others | 20 615 924 | 20 615 924 | 36.4% |
| Total | 56 587 969 | 56 587 969 | 100.0% |

Note 25 Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are not presented as the Group is in a net loss position for 2021 and 2020.

Options granted to employees and consultants under the Stock Option Incentive Scheme are considered to be potential ordinary shares. The options have not been included in the determination of basic earnings per share. When the Group has a net profit for the year, the options will be included in the diluted earnings per share to the extent the options are considered to be dilutive (shares that are vested and exercisable).

| | 2021 | 2020 |
|--|--------------|--------------|
| Profit for the year (in USD thousands) | -19 407 | -15 132 |
| Weighted average number of ordinary shares | 53 448 375 | 37 399 147 |
| Earnings in USD per share profit for the year | -0.36 | -0.40 |

Note 26 Related parties

The following are the significant related party activities for Play Magnus Group during 2021. All transactions are at arm's length market prices.

- MagnusChess AS is wholly owned by World Champion Magnus Carlsen and his father, Henrik Carlsen. As of year-end 2021 MagnusChess AS was the largest shareholder of Play Magnus Group. Henrik Carlsen also serves on the board of Play Magnus AS.

Play Magnus AS has a branding agreement with Magnus Carlsen (contractually agreed with Magnus Carlsen and through the company MagnusChess AS) that expires 17 December 2033. Play Magnus also has an agreement with MagnusChess AS in connection with Play Magnus sponsors that require the involvement of Magnus Carlsen and which includes a certain number of appearances and social media events. In exchange for his services for the eligible partnerships, Magnus Carlsen receives a commission from Play Magnus Group.

In 2021 the payments related to these partnership services performed by MagnusChess AS totaled NOK 2 817 572.

Magnus Carlsen is also a participant in the Champions Chess Tour. He is invited as the current World Champion and top 10 player in the world. His earnings there are related to the prizes that he has won. In 2021 he won USD 310 370.

- Etruvian (Gibraltar), ultimately owned by Enrique Guzman. Enrique Guzman was the third largest shareholder of the Play Magnus Group through his holding company LT Holdings Ltd, of which he owns 97%, as of year-end of 2021. Enrique Guzman is also the Managing Director of Logical Thinking and E-Learning which operate the chess24 brand and its related services, as well as own the intellectual property of chess24 GmbH, respectively.

Etruvian (Gibraltar) Ltd has a consulting agreement with Logical Thinking for operations and business-related services and as part of the agreement includes office space for the consultants in Gibraltar. The total amount of costs charged by Etruvian (Gibraltar) to E-Learning and Logical Thinking in 2021 was GBP 157 055.

- Espen Agdestein is a board member and a shareholder of Play Magnus, owning 1 050 000 shares as of 31 December 2021 via his company Espen Agdestein AS. He also does consulting work related to business development and gets compensated for this work. In 2021 the payments related to these partnership services performed by Espen Agdestein AS totaled NOK 1 754 271.
- Julius Baer was a partner of the 2021 Magnus Carlsen Chess Tour and as well as the 2021 Julius Baer Challengers Chess Tour. Charles Stonehill is a Vice Chairman of Julius Baer and was also on the Board of Play Magnus until June 2021. The deal amount was in line with other announced partnerships in 2021.
- Reafina AG, ultimately owned 100% by Enrique Guzman, jointly purchases certain services with chess24 GmbH and these costs are split proportionally. The value of these services is not considered material.

There are no material related-party receivables or payables balances in the statement of financial position as of 31 December 2021.

Related party transactions and contracts after 31 December 2021.

- MagnusChess AS received remuneration for services related to the partnership agreements for NOK 279 355.
- MagnusChess AS received USD 63 500 for prize money given his participation and top ranking in the Champions Chess Tour.

Note 27 Non-current financial liabilities

Current financial liabilities

| <i>Amounts in USD thousands</i> | 31.12.2021 | 31.12.2020 |
|--|-------------------|-------------------|
| Current lease liability | 645 | 216 |
| Contingent consideration | 496 | - |
| Total current financial liabilities | 1 141 | 216 |

Non-current financial liabilities

| <i>Amounts in USD thousands</i> | 31.12.2021 | 31.12.2020 |
|--|-------------------|-------------------|
| Non-current lease liability | 2 366 | 637 |
| Contingent consideration | 91 | 179 |
| Total non-current financial liabilities | 2 457 | 816 |

See note 6 Business combinations for information about the contingent considerations.

Note 28 Leasing

Accounting policies for leasing (right-of-use assets)

The leased assets (right-of-use assets) consist of office buildings in Oslo, Barcelona, Hamburg, Riga, London and Wrocław. Short-term and low-value leases are excluded from the lease accounting. When measuring leases, the Group includes fixed lease payments for extension periods reasonably certain to be used. As a practical expedient, non-lease components are not separated from lease contracts, and not recognized but expensed in the period when the lease expense is incurred. Judgment is applied in assessing whether renewal options are reasonably certain to be utilized.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments.

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The right-of-use assets are reviewed for potential impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount.

Amounts recognized in the balance sheet

| <i>Amounts in USD thousands</i> | 31.12.2021 | 31.12.2020 |
|----------------------------------|-------------------|-------------------|
| Office buildings | 2 780 | 829 |
| Total right-of-use assets | 2 780 | 829 |

| | | |
|---------------------|---------------|---------------|
| Useful life | 5 years | 5 years |
| Depreciation method | Straight-line | Straight-line |

Lease liabilities

| <i>Amounts in USD thousands</i> | 31.12.2021 | 31.12.2020 |
|---------------------------------|-------------------|-------------------|
| Current | 645 | 216 |
| Non-current | 2 366 | 637 |
| Total lease liability | 3 011 | 852 |

Amounts recognized in the statement of profit or loss

| <i>Amounts in USD thousands</i> | 2021 | 2020 |
|-------------------------------------|-------------|-------------|
| Depreciation of right-of-use assets | 601 | 184 |
| Interest expense | 132 | 36 |

Maturity profile lease liability

| <i>Amounts in USD thousands</i> | Less than a year | 1-3 years | 3-5 years |
|------------------------------------|-------------------------|------------------|------------------|
| Lease liabilities 31 December 2021 | - | 187 | 2 824 |
| Lease liabilities 31 December 2020 | - | - | 852 |

Reconciliation of lease financing activities

| <i>Amounts in USD thousands</i> | 2021 | 2020 |
|------------------------------------|--------------|-------------|
| Opening balance 1 January | 852 | 599 |
| Cash flow | -529 | -200 |
| New leases | 3 033 | 537 |
| Other non-cash changes | -345 | -84 |
| Closing balance 31 December | 3 011 | 852 |

Note 29 Events after the reporting period*Private Placement:*

- On 12 January 2022, Play Magnus Group entered into an agreement regarding a contemplated private placement directed towards Breakthrough Initiatives Limited, for an amount of USD 10 000 000 in gross proceeds to the company, through the issuance of 4 864 753 new shares at a price of NOK 18.30. The FX rate for corporate law and accounting reasons used was as of 22 December 2021 and was 8.9030. The total number of new shares outstanding following the private placement is 61 452 722. The private placement was approved in an extraordinary general meeting held on 19 January 2022.

Breakthrough Initiatives Limited is an investment vehicle held for the benefit of Breakthrough Foundation, founded by Israeli science and technology investor and philanthropist Yuri Milner and his wife Julia, which supports existing and future philanthropic projects in fundamental sciences, including Breakthrough Prizes, Breakthrough Initiatives, and Breakthrough Junior Challenge.

- As part of the investment by Breakthrough Initiatives, Leonid Solovyev was appointed to the Board of Directors.

Primary Insiders Trades:

- MagnusChess AS, a close associate of Henrik Carlsen, Board Member of Play Magnus AS, purchased 45 001 shares at an average price of NOK 11.89 per share between 9 March and 11 March 2022. MagnusChess also purchased 93 145 shares at a price of NOK 13.56 on 18 February 2022, and 23 000 shares at a price of NOK 16.03 on 12 January 2022. The new shareholding of MagnusChess AS is 5 249 303.
- Idekapi tal AS, a close associate of Anders Brandt, Chairman of the Board of Directors of Play Magnus AS, has purchased 31 250 shares at a price of NOK 16.21 on 12 January 2022, 30 000 shares at a price of NOK 13.70 on 18 February 2022 and 20 000 shares at a price of NOK 10.93 on 7 March 2022. The new shareholding of Idekapi tal AS is 1 400 250.

Additional Trading Venues:

- On 18 March 2022, Play Magnus Group qualified to trade on OTCQX® Best Market under the ticker "PMGMF." The OTCQX Best Market is the highest market tier of OTC Markets. Upgrading to the OTCQX Best Market is an important step for Play Magnus Group to provide more visibility and accessibility of trading for its U.S. investors.

Subsidiary name changes:

- In March 2022, Silver Knights Chess rebranded to Magnus Chess Academy and will operate under this name going forward. The website changed from www.skchess.com to www.chessacademy.com

Key Management and personnel updates:

- Play Magnus Group granted 502 000 options in Q1 2022 to key personnel at a price of NOK 18.50.
- Gerald Tan, Chief Product Officer of Play Magnus Group and CEO of chess24, left the Play Magnus Group. 233 333 were forfeited upon departure.

Partnerships:

- In January 2022, Julius Baer announced a renewal and expansion of its partnership of the Champions and Challengers Chess Tours.
- In February 2022, Animoca was announced as a partner of the Champions Chess Tour.
- In February 2022, Secretlab was announced as a partner of the Champions Chess Tour.
- In February 2022, PUMA was announced as a partner of the Champions Chess Tour.
- In March 2022, NEAR Foundation was announced as a partner of the Champions Chess Tour.

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Play Magnus AS Parent Financial Statements

Statements of comprehensive income

| Amounts in NOK thousands (except per share amounts) | Note | 2021 | 2020 |
|--|--------|----------------|----------------|
| Revenue from customers | 7, 8 | 46 478 | 14 023 |
| Total operating revenue | | 46 478 | 14 023 |
| Course content and subscription sales expenses | | 2 306 | 1 757 |
| Tournament prize expenses | | 4 674 | - |
| Employee benefit expenses | 9, 10 | 13 094 | 4 787 |
| Share-based compensation expense | 11 | 956 | 4 103 |
| Consultancy fees | | 38 323 | 10 601 |
| Management fees recharged from other group companies | | 20 027 | 2 145 |
| Other operating expenses | 17 | 25 596 | 13 286 |
| Depreciation and amortization | 12, 19 | 4 706 | 5 197 |
| Equity funding transaction expenses | 17 | - | 21 369 |
| Loss on contingent consideration | 22 | 140 | 8 336 |
| Total operating expenses | | 109 822 | 71 582 |
| Operating profit (loss) | | -63 344 | -57 559 |
| Financial income | 18 | 8 295 | 2 116 |
| Financial expenses | 18 | 2 377 | 12 020 |
| Financial income (expense), net | | 5 918 | -9 904 |
| Profit (loss) before tax | | -57 426 | -67 464 |
| Tax expense | 16 | - | 479 |
| Profit (loss) | | -57 426 | -66 984 |
| Other comprehensive income | | - | - |
| Total comprehensive income | | -57 426 | -66 984 |

The accompanying notes are an integral part of the financial statements.

Statements of financial position

ASSETS

| Amounts in NOK thousands | Note | 31.12.2021 | 31.12.2020 |
|--|------|----------------|----------------|
| Intangible assets | 12 | 10 028 | 11 252 |
| Tangible and right-of-use assets | 19 | 2 343 | 1 241 |
| Investments in subsidiaries | 20 | 261 665 | 203 069 |
| Loans to group companies | 20 | 196 358 | 80 968 |
| TOTAL NON-CURRENT ASSETS | | 470 394 | 296 530 |
| Other current assets | | 3 411 | 3 361 |
| Other current financial assets | 6 | 48 | 55 |
| Accounts receivable | 13 | 5 411 | 1 283 |
| Other receivables from group companies | 20 | 5 013 | - |
| Cash and cash equivalents | 14 | 133 017 | 264 420 |
| TOTAL CURRENT ASSETS | | 146 900 | 269 119 |
| TOTAL ASSETS | | 617 295 | 565 648 |



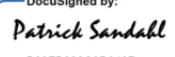


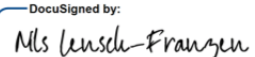


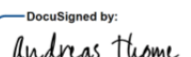
EQUITY AND LIABILITIES

| Amounts in NOK thousands | Note | 31.12.2021 | 31.12.2020 |
|---|-------|----------------|----------------|
| Share capital | | 566 | 522 |
| Share premium | | 692 671 | 617 582 |
| Treasury shares | | -1 968 | - |
| Retained earnings | | -159 687 | -102 262 |
| Other components of equity | | 45 728 | 34 907 |
| TOTAL EQUITY | | 577 310 | 550 749 |
| Non-current financial liabilities | 6, 22 | 2 338 | 2 337 |
| Non-current portion of deferred revenue | 8 | 191 | 183 |
| Total non-current liabilities | | 2 530 | 2 520 |
| Current portion of deferred revenue | 8 | 7 463 | 1 039 |
| Accounts payable | | 6 953 | 3 805 |
| Liabilities payable to group companies | 20 | 16 626 | 90 |
| Other current financial liabilities | 6, 22 | 1 689 | 447 |
| Other current liabilities | 15 | 4 724 | 6 998 |
| Total current liabilities | | 37 455 | 12 380 |
| TOTAL LIABILITIES | | 39 985 | 14 899 |
| TOTAL EQUITY AND LIABILITIES | | 617 295 | 565 648 |

The accompanying notes are an integral part of the financial statements.

Oslo, April 25th, 2022

The Board of Directors of Play Magnus AS

| | | |
|---|---|--|
| <p>DocuSigned by:  8827328E748D494...</p> <p>Anders Brandt Chairman</p> | <p>DocuSigned by:  383342873D004EF...</p> <p>Henrik Albert Carlsen Board member</p> | <p>DocuSigned by:  B8D6882C0D0427...</p> <p>Patrick Sandahl Board member</p> |
| <p>DocuSigned by:  7703088D84A84C8...</p> <p>Espen Agdestein Board member</p> | <p>DocuSigned by:  C3522026B5934D2...</p> <p>Irene Kristiansen Board member</p> | <p>DocuSigned by:  1C887C7068864E7...</p> <p>Nils Lorenz Lensch-Franzen Board member</p> |
| <p>DocuSigned by:  8844912885A8436...</p> <p>Jens Hilgers Board member</p> | <p>DocuSigned by:  88821183B46844C...</p> <p>Leonid Solovyev Board member</p> | <p>DocuSigned by:  268C5B17A3884F4...</p> <p>Andreas Thome CEO</p> |

Statements of cash flows

| Amounts in NOK thousands | Notes | 2021 | 2020 |
|---|-------|-----------------|-----------------|
| Operating activities | | | |
| Profit (loss) before tax | | -57 426 | -67 464 |
| Depreciation | 19 | 826 | 679 |
| Amortisation of intangible assets | 12 | 3 880 | 4 518 |
| Accrued interest expense/income (net) | | -2 441 | -254 |
| Share based compensation expense | 11 | 956 | 1 194 |
| Items classified as investing or financing activities | | 1 665 | 853 |
| Unrealised currency translation (gains)/losses | | -1 952 | 2 409 |
| Gain (loss) on contingent consideration | 22 | 140 | 8 336 |
| <i>Working capital adjustments:</i> | | | |
| Changes in accounts receivable | | -9 479 | -894 |
| Changes in financial assets | | 7 | - |
| Changes in other current assets | | -88 | -2 989 |
| Changes in deferred revenue | | 6 432 | 647 |
| Changes in accounts payable | | 17 430 | 3 225 |
| Changes in other current liabilities | | -1 575 | 779 |
| Net cash provided from operating activities | | -41 623 | -48 961 |
| Investing activities | | | |
| Investments in intangible assets | 12 | -3 356 | -2 601 |
| Payment of contingent consideration, Chessable | | - | -23 900 |
| Payment for acquisition of Aimchess | | -2 030 | - |
| Payment for acquisition of Interchess BV | | -30 117 | - |
| Payment for acquisition of Play Magnus Polska sp. z o.o. | | -29 | - |
| Capital contribution to Play Magnus USA, Inc. | | -19 945 | - |
| Capital contribution to Play Magnus India Private Ltd. | | -12 | - |
| Transaction expenses acquisitions | | -1 527 | -727 |
| Cash settlement share-based compensation subsidiaries | | - | -8 369 |
| Loans to subsidiaries | 20 | -103 559 | -74 048 |
| Net cash used in investing activities | | -160 575 | -109 645 |
| Financing activities | | | |
| Issuance of new shares | | 71 720 | 425 322 |
| Transaction expenses related to issuance of new shares | | - | -3 720 |
| Repayment of convertible loan | | - | -10 000 |
| Interest payment on convertible loan | | - | -710 |
| Principal elements of lease payments | 14 | -787 | -669 |
| Interest paid on lease agreements | 14 | -139 | -126 |
| Net cash provided by (used in) financing activities | | 70 795 | 410 097 |
| Net increase (decrease) in cash and cash equivalents | | -131 403 | 251 492 |
| Cash and cash equivalents at the beginning of year | | 264 420 | 12 928 |
| Cash and cash equivalents at end of year | 14 | 133 017 | 264 420 |

The accompanying notes are an integral part of the financial statements.

Statements of changes in equity

| Amounts in NOK thousands | Share capital | Share premium | Treasury shares | Other components of equity | Retained earnings | Total equity |
|--|---------------|----------------|-----------------|----------------------------|-------------------|----------------|
| Total equity 01.01.2020 | 277 | 192 711 | - | 15 673 | -35 277 | 173 384 |
| Profit / (-) loss for the period | - | - | - | - | -66 984 | -66 984 |
| Other comprehensive income | - | - | - | - | - | - |
| Total comprehensive income for the period | - | - | - | - | -66 984 | -66 984 |
| <i>Transactions with owners and their capacity as owners:</i> | | | | | | |
| Employee stock option expense | - | - | - | 13 001 | - | 13 001 |
| Share consideration iChess LLC acquisition, not registered | - | - | - | 3 413 | - | 3 413 |
| Contingent equity consideration Chessable Ltd | 10 | - | - | - | - | 10 |
| Capital increase in private placement 1 | 92 | 129 002 | - | 2 820 | - | 131 913 |
| Capital increase in private placement 2 | 143 | 299 108 | - | - | - | 299 250 |
| Transaction expenses related to private placements | - | -3 720 | - | - | - | -3 720 |
| Exercise of warrants | - | 482 | - | - | - | 482 |
| Total equity 31.12.2020 | 522 | 617 582 | - | 34 907 | -102 262 | 550 749 |
| Total equity 01.01.2021 | 522 | 617 582 | - | 34 907 | -102 262 | 550 749 |
| Profit / (-) loss for the period | - | - | - | - | -57 426 | -57 426 |
| Other comprehensive income | - | - | - | - | - | - |
| Total comprehensive income for the period | - | - | - | - | -57 426 | -57 426 |
| <i>Transactions with owners and their capacity as owners:</i> | | | | | | |
| Employee stock option expense | - | - | - | 7 133 | - | 7 133 |
| Share consideration Ginger GM Ltd acquisition, not registered | - | - | - | 1 801 | - | 1 801 |
| Share consideration Aimchess by PMG AS acquisition, not registered | - | - | - | 949 | - | 949 |
| Share consideration Silver Knights Chess LLC acquisition, not registered | - | - | - | 4 351 | - | 4 351 |
| Exercise of warrants | 43 | 71 677 | - | - | - | 71 720 |
| Acquisition of treasury shares from subsidiary | - | - | -1 968 | - | - | -1 968 |
| Share consideration iChess LLC acquisition | 2 | 3 412 | - | -3 413 | - | - |
| Total equity 31.12.2021 | 566 | 692 671 | -1 968 | 45 728 | -159 687 | 577 310 |

Note 1 Reporting entity

The reporting entity reflected in these financial statements is Play Magnus AS, a Norwegian entity listed on Euronext Growth since 8 October 2020, and the parent company of Play Magnus Group. The company has 17 employees working from the corporate headquarter in Oslo, Norway.

Play Magnus AS develops the Play Magnus app suite and is the parent company of the Chessable, chess24, Champions Chess Tour, New In Chess, Everyman Chess, iChess, Ginger GM, Aimchess, Magnus Chess Academy (formerly Silver Knights) and CoChess brands.

The financial statements for the year ended 31 December 2021 were approved by the Board on 25 April 2022. The 2020 financial statements were the first IFRS financial statements for Play Magnus AS (see note 27 in the annual report 2020 for additional information related to the IFRS conversion).

Note 2 Basis of preparation

The financial statements of Play Magnus AS are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) and Norwegian authorities and effective as of 31 December 2021. Play Magnus AS also provides disclosures as specified under the Norwegian Accounting Act (Regnskapsloven).

The financial statements are prepared on a historical cost basis, except for certain assets, liabilities, and financial instruments, which are measured at fair value. Preparation of financial statements including note disclosures requires management to make estimates and assumptions that affect amounts reported. Actual results may differ. Slight rounding differences may occur between the financial statements and the note disclosures.

The functional currency of Play Magnus AS is the Norwegian krone (NOK). The financial statements are presented in NOK thousands.

Note 3 Significant accounting policies

The accounting principles of Play Magnus AS are consistent with the accounting principles for Play Magnus Group, as described in note 3 of the consolidated financial statements. Where the accounting policies are not applicable to the consolidated financial statements, these are described below.

Investments in subsidiaries and loans to subsidiaries

Shares in subsidiaries and loans provided to subsidiaries are evaluated at the lower of cost or fair value. Any impairment losses and reversal of impairment losses are classified as net gains (loss and impairment) on financial assets in the income statement.

Changes in accounting policies and new pronouncements

There are no changes in accounting principles. None of the issued, not yet effective, accounting standards or amendments to such standards are expected to have significant effects on Play Magnus AS's financial reporting.

None of the issued, not yet effective, accounting standards or amendments to such standards are expected to have significant effects on Play Magnus AS's financial reporting.

Note 4 Significant estimates and judgments

The application of accounting policies requires that management makes estimates and judgments in determining certain revenues, expenses, assets, and liabilities. The following areas involve a significant degree of judgment and complexity, and may result in significant variation in amounts:

- Valuation of deferred tax assets – note 16
- Capitalization of internally generated intangible assets – see note 12

Note 5 Financial risk disclosures*Credit risk*

Credit risk for the Play Magnus AS consists of balances held at agents such as Apple, Google, and other well-established entities; as well as cash deposits held at DNB. There may be some credit risk related to partnership customers for longer-term contracts, though management believes this risk is very low given the focus on working with reputable brands with a well-established presence in the business community. Management believes platform customer risk is very low as they generally need to pay upfront in order to receive services.

Liquidity risk

Play Magnus AS needs to maintain enough liquidity in order to pay salaries and other major operational costs. Additionally, Play Magnus AS is funding the development and operations of its subsidiaries in a growth phase. Non-current lease liabilities have a maturity of 5 years, and all other financial liabilities (current lease liabilities and accounts payable) are due within 12 months. There may be contingent consideration due to current employees of acquired companies over the next year should certain financial targets be met and which are categorized under operational

expenses. Play Magnus AS has ample cash to support operations and liabilities and no external debt. Play Magnus AS has no investments in equity securities apart from the wholly owned subsidiaries and does not use financial derivatives.

Foreign exchange risk

Play Magnus AS primarily earns revenue in USD and NOK. The expenses are weighted towards NOK but also include GBP, USD, and EUR, which could result in some FX fluctuations.

Management considers the primary foreign exchange exposure of Play Magnus AS to be the cash balances and intra-group loans. The cash balance in the company as of 31 December 2021 was mostly situated in Norwegian Krone and US Dollars with the majority of the rest of the balance in Euros and British Pounds.

The sensitivity analysis depicted in the table below reflects the effect on the company's loss if the following currencies had strengthened or weakened against the NOK.

Amounts in NOK thousands

| Currency | Change in exch. rate | Impact 2021 | Impact 2020 |
|-----------------|-----------------------------|--------------------|--------------------|
| USD | +/- 10% | 4 403 | 4 834 |
| GBP | +/- 10% | 7 657 | 9 785 |
| EUR | +/- 10% | 1 771 | 6 097 |

Capital management

Management believes that Play Magnus AS is in a growth phase and intends to invest in existing and new subsidiaries to grow the market share. Management will undertake acquisitions where it sees market growth opportunities. Play Magnus AS intends to fund acquisitions and internal growth with current cash balances and equity capital with no intention of using debt until the company is more profitable. The policy is to keep its cash in a checking account or invest in government securities. The bank where Play Magnus AS keeps excess liquidity is well established and reputable with a long history of holding deposits without defaults.

Note 6 Financial assets and financial liabilities

Accounting policies for financial instruments

Financial assets and financial liabilities are recognized in accordance with IFRS 9 *Financial Instruments*.

Financial assets

Financial assets represent a contractual right by Play Magnus AS to receive cash or another financial asset in the future. Financial assets include cash and cash equivalents, accounts receivable, and withheld cash receivable. On initial recognition, a financial asset is measured at

fair value and classified for subsequent measurement at amortized cost; at fair value through other comprehensive income (FVOCI), or at fair value through profit or loss (FVTPL).

Classification depends on the business model and, for some instruments, the entity's choice.

Financial assets are derecognized when the rights to receive cash from the asset have expired or when Play Magnus AS has transferred the asset.

Financial liabilities

Financial liabilities represent a contractual obligation by Play Magnus AS to deliver cash in the future and are classified as either current or non-current. Financial liabilities include the convertible loan, contingent consideration, accounts payable, and other financial liabilities.

Financial liabilities are initially recognized at fair value, including transaction costs directly attributable to the transaction, and are subsequently measured at amortized cost. Financial liabilities are derecognized when the obligation is discharged through payment or when Play Magnus is legally released from the primary responsibility for the liability.

The specification given below relates to financial statement line items containing financial instruments. Information is classified and measured in accordance with IFRS 9. Financial assets, classified as current and non-current, represent the maximum exposure Play Magnus has towards credit risk as at the reporting date. All financial assets and financial liabilities at FAAC and FLAC in the table have an amortized cost that approximates fair value at the balance sheet date.

| <i>Amounts in NOK thousands</i> | Category | 31.12.2021 | 31.12.2020 |
|---------------------------------|-----------------|-------------------|-------------------|
| Financial assets | | | |
| Current financial assets | FAAC | 48 | 55 |
| Accounts Receivable | FAAC | 5 411 | 1 283 |
| Cash and cash equivalents | FAAC | 133 017 | 264 420 |
| Total financial assets | | 138 476 | 265 758 |

| <i>Amounts in NOK thousands</i> | Fair value level | Category | 31.12.2021 | 31.12.2020 |
|------------------------------------|-------------------------|-----------------|-------------------|-------------------|
| Financial liabilities | | | | |
| Convertible loan | | FLAC | - | - |
| Non-current financial liabilities | | FLAC | 1 534 | 796 |
| Accounts payable | | FLAC | 6 953 | 3 805 |
| Current financial liabilities | | FLAC | 813 | 447 |
| Non-current financial liabilities | 3 | FVTPL | 805 | 1 540 |
| Current financial liabilities | 3 | FVTPL | 876 | - |
| Total financial liabilities | | | 10 981 | 6 589 |

FAAC - Financial assets at amortized cost

FVTPL - Fair value through P&L

FLAC - Financial liabilities at amortized cost

Note 7 Operating segments

Play Magnus AS identifies its reportable segments and discloses segment information under IFRS 8 Operating Segments, which requires Play Magnus AS to identify its segments according to the organization and reporting structure used by management. Operating segments are components of a business that are evaluated regularly by the chief operating decision-maker for the purpose of assessing performance and allocating resources. Play Magnus AS's senior management team, led by the CEO, Andreas Thome, is considered to be the chief operating decision-maker (CODM). Generally, financial information is required to be disclosed on the same basis that is used by the chief operating decision-maker.

IFRS 8.5(a)(b)(c) identifies three criteria for an operating segment of an entity. IFRS 8.5(b) requires that the operating results be regularly reviewed by the CODM and IFRS 8.5(c) requires the segment to have discrete financial information available. Play Magnus AS's areas of operations are interconnected, making it difficult to report to the CODM discrete financial information related to the different areas of the business (e.g. courses, subscriptions and tours, and partnerships). In addition, management currently has a strong focus on revenues as the company is in a scale-up growth phase with a strong focus on gaining market share.

Management focuses on the following separately managed business areas with products serving different markets, or distinct elements of the business separately followed up and reported to the chief operating decision-maker. These business areas are Courses, Subscriptions, and Tour and partnerships. The operating segments are primarily monitored on a group level.

Subscriptions: Play Magnus AS's subscription revenue includes fees associated with the Play Magnus app suite memberships. The duration of the memberships ranges from monthly to those of one to three years.

Tour and partnerships: Play Magnus AS organizes top-level chess competitions with industry-leading prizes. Play Magnus AS's revenue from this segment is derived from partnership agreements and the production of the Champions Chess Tour broadcast in Oslo.

Play Magnus AS uses revenue as a key measure for monitoring the business area's performance. Management considers key performance indicators to be both at bookings, as well as IFRS results with the difference primarily attributed to the recognition of subscription revenue that's longer than one year in duration and recognition of Tour/partnership revenues which have been contractually agreed to and/or already paid but will be recognized over time when services are provided. Play Magnus AS's revenue that is not part of main operations is reported together with Other revenue. As the services of Play Magnus AS are primarily delivered to the customers

through mobile and web-based platforms, information based on the geographic location of the customer is not readily available within the context of segment reporting.

The following table includes information about Play Magnus AS's revenue measures, which are reported on a regular basis to the chief operating decision-maker.

Bookings are defined as revenue that has been paid or contractually agreed to be paid for by the customer. Revenue is considered booked at the time of the sale or signing of a contract.

Accounting revenue (IFRS) is recognized at the time of delivery of the service.

Disaggregation of IFRS revenue from customers and bookings

| 2021 | | | |
|---|---------------|---------------|-----------------|
| <i>Amounts in NOK thousands</i> | IFRS | Bridge | Bookings |
| Subscriptions | 11 956 | | 11 956 |
| Deferred subscription Revenue recognized in period | | -1 039 | -1 039 |
| Deferred revenue of subscriptions - current portion | | 1 438 | 1 438 |
| Deferred revenue of subscriptions - non current portion | | 8 | 8 |
| Tour revenue and partnerships | 27 909 | | 27 909 |
| Deferred revenue of tour and partnerships - current portion | | 6 025 | 6 025 |
| Contracted bookings that has not yet been invoiced* | | 22 177 | 22 177 |
| Other revenue | 6 613 | | 6 613 |
| Revenue from contracts with customers | 46 478 | 28 609 | 75 088 |

| 2020 | | | |
|--|---------------|---------------|-----------------|
| <i>Amounts in NOK thousands</i> | IFRS | Bridge | Bookings |
| Subscriptions | 6 662 | | 6 662 |
| Deferred subscription Revenue recognized in period | | -407 | -407 |
| Deferred revenue of subscriptions - current portion | | 1 039 | 1 039 |
| Deferred revenue of subscriptions - non current portion | | 183 | 183 |
| Tour revenue and partnerships | 6 246 | | 6 246 |
| Deferred tour revenue and partnership recognized in period | | -4 | -4 |
| Contracted bookings that has not yet been invoiced* | | 1 950 | 1 950 |
| Other revenue | 1 115 | | 1 115 |
| Revenue from contracts with customers | 14 023 | 2 761 | 16 783 |

* This comes from the change in contracted fees which have not been invoiced at the end of the financial year. Fees that have been agreed but which the customer is not contractually obliged to pay are not included.

Note 8 Revenue from customers

Accounting policies for revenue recognition

Play Magnus AS accounts for revenue in accordance with IFRS 15 Revenue from Contracts with Customers.

IFRS 15 requires the reporting entity, for each contract with a customer, to identify the performance obligations, determine the transaction price, allocate the transaction price to performance obligations to the extent the contract covers more than one performance obligation, determine whether revenue should be recognized over time or at a point in time, and, finally, recognize revenue when or as performance obligations are satisfied.

A performance obligation is satisfied when or as the customer obtains control of the goods or services delivered.

Play Magnus AS earns revenue via subscriptions, partnership agreements and ads.

A description of Play Magnus AS's principal revenue generating activities and performance obligations are as follows:

Subscriptions: Play Magnus AS's subscription revenue includes fees associated with the Play Magnus app suite, which is sold through Apple's App Store, Google's Google Play, and playmagnus.com. The memberships provide a different set of features related to elearning content and entertainment. The duration of the memberships ranges from monthly to those of one to three years. Monthly subscriptions are recognized at the time of purchase while annual and multi-year subscriptions are recognized on a pro-rata basis (over 12 months for an annual subscription, 36 months for a 3-year subscription). The rest is considered deferred revenue. The Play Magnus apps have in-app purchases which are recognized at the point of sale.

Tour and partnership revenue: Play Magnus AS organizes top-level chess competitions with industry-leading prizes. Revenue from this segment is derived from media rights from TV and other broadcast partners, as well as from other brand partners. Play Magnus AS has revenue from the tournaments from partnership agreements and the media rights for the broadcast produced in Oslo. Revenue is recognized as partnership and tour events are completed.

Other advertising revenue: Play Magnus AS generates ad revenue via major entertainment platforms such as YouTube.

Course content and subscription sales expenses

Play Magnus AS's primary cost of subscription sales is in relation to fees to Apple and Google.

Disaggregation of revenue from contracts with customers

| <i>Amounts in NOK thousands</i> | 2021 | 2020 |
|--|---------------|---------------|
| Subscriptions | 11 956 | 6 662 |
| Tour revenue and partnerships | 27 909 | 6 246 |
| Other revenue | 6 613 | 1 115 |
| Revenue from contracts with customers | 46 478 | 14 023 |

At a point in time revenue recognition

| | | |
|---|--------------|--------------|
| Subscriptions | - | - |
| Tour revenue and partnerships | - | - |
| Other revenue | 6 613 | 1 115 |
| Total at a point in time revenue recognition | 6 613 | 1 115 |

Over time revenue recognition

| | | |
|--|---------------|---------------|
| Subscriptions | 11 956 | 6 662 |
| Tour revenue and partnerships | 27 909 | 6 246 |
| Other revenue | - | - |
| Total over time revenue recognition | 39 865 | 12 907 |

Deferred revenue

| <i>Amounts in NOK thousands</i> | 2021 | 2020 |
|---|--------------|-------------|
| Revenue recognized in this period that was included in the deferred revenue balance at the beginning of the period. | | |
| Subscriptions | 1 039 | 407 |
| Tour revenue and partnerships | - | 4 |
| Other revenue | - | - |
| Total revenue recognized | 1 039 | 411 |

| <i>Amounts in NOK thousands</i> | 31.12.2021 | 31.12.2020 |
|--|-------------------|-------------------|
| Current portion of deferred revenue | | |
| Subscriptions | 1 438 | 1 039 |
| Tour revenue and partnerships | 6 025 | - |
| Other revenue | - | - |
| Total current portion of deferred revenue | 7 463 | 1 039 |

| <i>Amounts in NOK thousands</i> | 31.12.2021 | 31.12.2020 |
|--|-------------------|-------------------|
| Non-current portion of deferred revenue | | |
| Subscriptions | 191 | 183 |
| Tour revenue and partnerships | - | - |
| Other revenue | - | - |
| Total non-current portion of deferred revenue | 191 | 183 |

Note 9 Employee benefit expense

Accounting policies for employee benefit expense

Payments to employees, such as wages, salaries, social security contributions, paid annual leave and bonus agreements are accrued in the period in which the associated services are rendered by the employee. Post-employment benefits are recognized in accordance with IAS 19 Employee Benefits.

Contributions to defined contribution plans are recognized in the statement of comprehensive income in the period in which they accrue.

Employee benefit expenses*

| <i>Amounts in NOK thousands</i> | 2021 | 2020 |
|--|---------------|--------------|
| Salaries | 11 396 | 4 203 |
| Board remuneration | 730 | 759 |
| Social security costs | 1 725 | 1 082 |
| Other personnel related costs | 260 | 40 |
| Pension expense | 200 | 73 |
| Total employee benefit expenses | 14 311 | 6 157 |
| Less capitalized personnel costs | 1 218 | 1 369 |
| Total employee benefit expenses | 13 094 | 4 787 |
| Average number of FTEs | 13.0 | 6.5 |

* Employee benefit expenses do not include senior management costs that are paid through a consultant's contract. See notes 12, 13, and 21 in the consolidated financial statements for additional information regarding management compensation. Employee benefit expenses do not include stock options expense, which is shown as a separate line item in the statement of comprehensive income.

The company is obligated to follow the stipulations in the Norwegian Mandatory Occupational Pensions Act. The company's pension scheme adheres to the requirements.

Note 10 Management and board of directors remuneration

For information about management and board of directors remuneration for 2021 and 2020, see note 12 in the consolidated financial statements.

CEO Andreas Thome has received a consultancy fee from Play Magnus AS of NOK 1 223 457 via the company Polar Star Thome SL in 2020. He has been employed by the subsidiary Chessable Spain SL since September 2020.

CFO Dmitri Shneider has received a consultancy fee from Play Magnus AS of NOK 107 629 via the company Dimaedu Ltd in 2021 and NOK 822 273 in 2020. He has been employed by the subsidiary Chessable Spain SL since February 2021.

CSO Arkus Fredriksson has received a consultancy fee from Play Magnus AS of NOK 467 489 via the company Freethem Generation AB in 2020. He has been employed by the subsidiary Chessable Spain SL since June 2020.

Note 11 Share-based compensation

For information about share-based compensation for 2021 and 2020, see note 13 in the consolidated financial statements.

Note 12 Intangible assets

Accounting policies for intangible assets

Intangible assets acquired individually or as a group are recognized at fair value when acquired. Internally generated intangible assets are recognized when the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. Development costs are capitalized as intangible assets at cost in accordance with IAS 38 Intangible Assets when the recognition criteria are met. Research expenditures are expensed as incurred.

At each financial year-end Play Magnus AS reviews the residual value and useful life of its assets, with any estimate changes accounted for prospectively over the remaining useful life of the asset.

The intangible assets of Play Magnus AS consist of website and mobile technology development connected to the Play Magnus app suite. As of 2021, three mobile applications and an accompanying website have been developed and launched: Play Magnus, Magnus Trainer, and Tactics Frenzy. The website/mobile technology consists of capitalized employee expenses and services purchased from external contractors.

| | Website/ mobile technology | Total |
|---|---|---------------|
| Balance 01.01.2021 | 28 670 | 28 670 |
| Additions | 2 139 | 2 139 |
| Capitalized employee benefit expense | 1 218 | 1 218 |
| Acquired cost 31.12.2021 | 32 026 | 32 026 |
| Balance 01.01.2021 | 17 418 | 17 418 |
| Amortization | 3 880 | 3 880 |
| Reduction amort. because of unearned Skattefunn | 700 | 700 |
| Accumulated amortization 31.12.2021 | 21 998 | 21 998 |
| Carrying value 31.12.2021 | 10 028 | 10 028 |
| Estimated lifetime | 5 years | |
| Amortization schedule | Straight line | |

| | Website/ mobile technology | Total |
|---|---|---------------|
| Balance 01.01.2020 | 26 069 | 26 069 |
| Additions | 1 231 | 1 231 |
| Capitalized employee benefit expense | 1 369 | 1 369 |
| Acquired cost 31.12.2020 | 28 670 | 28 670 |
| Balance 01.01.2020 | 12 199 | 12 199 |
| Amortization | 4 518 | 4 518 |
| Reduction amort. because of unearned Skattefunn | 700 | 700 |
| Accumulated amortization 31.12.2020 | 17 418 | 17 418 |
| Carrying value 31.12.2020 | 11 252 | 11 252 |
| Estimated lifetime | 5 years | |
| Amortization schedule | Straight line | |

Note 13 Accounts receivable

Accounting policies for trade receivables

Accounts receivable are initially recognized at transaction price, subsequently accounted for at amortized cost, and are reviewed for impairment on an ongoing basis. Individual accounts are assessed for impairment taking into consideration indicators of financial difficulty and management assessment. Play Magnus AS's business model for accounts receivable is to hold the receivables to collect the contractual cash flows.

| <i>Amounts in NOK thousands</i> | 31.12.2021 | 31.12.2020 |
|---------------------------------|-------------------|-------------------|
| Accounts receivable | 5 411 | 1 283 |
| Loss allowance | - | - |
| Total | 5 411 | 1 283 |

Distribution by currency

| <i>Amounts in NOK thousands</i> | 31.12.2021 | 31.12.2020 |
|---------------------------------|-------------------|-------------------|
| Accounts receivable NOK | 452 | 913 |
| Accounts receivable USD | 4 960 | - |
| Accounts receivable EUR | - | 370 |
| Total | 5 411 | 1 283 |

Aging of gross trade receivables

| <i>Amounts in NOK thousands</i> | Total | < 30 days | 30-60 days | 60-90 days | >90 days |
|---------------------------------|--------------|---------------------|-------------------|-------------------|--------------------|
| 31.12.2021 | 5 411 | 4 265 | 136 | 1 010 | - |
| Loss allowance | - | - | - | - | - |
| Book value 31.12.2021 | 5 411 | 4 265 | 136 | 1 010 | - |
| 31.12.2020 | 1 283 | 1 250 | - | 33 | - |
| Loss allowance | - | - | - | - | - |
| Book value 31.12.2020 | 1 283 | 1 250 | - | 33 | - |

Note 14 Statement of cash flows

Accounting policies for cash and cash equivalents

Cash and cash equivalents in the statement of financial position include cash, bank deposits, and all other monetary instruments with a maturity of less than three months from the date of acquisition and are measured at nominal value.

Bank deposits earn interest at floating rates based on the different bank agreements.

For the purpose of the statement of cash flow, cash and cash equivalents comprise the following at 31 December:

| <i>Amounts in NOK thousands</i> | 31.12.2021 | 31.12.2020 |
|--|-------------------|-------------------|
| Bank deposits | 132 304 | 264 168 |
| Restricted cash balances | 713 | 251 |
| Total cash and cash equivalents | 133 017 | 264 420 |

Distribution of cash by currency

| <i>Amounts in NOK thousands</i> | 31.12.2021 | 31.12.2020 |
|---------------------------------|-------------------|-------------------|
| Cash Balances NOK | 88 594 | 138 058 |
| Cash Balances USD | 39 128 | 48 342 |
| Cash Balances EUR | 4 111 | 48 882 |
| Cash Balances GBP | 1 184 | 29 138 |
| Total | 133 017 | 264 420 |

Changes in liabilities arising from financing activities

Lease liabilities

| <i>Amounts in NOK thousands</i> | 2020 | 2021 | Total |
|---|--------------|--------------|--------------|
| Balance at the beginning of the period | 3 372 | 1 244 | 4 615 |
| <i>Cash changes</i> | | | |
| Principal payment to lessor | -669 | -787 | -1 456 |
| Interest payment to lessor | -126 | -139 | -264 |
| <i>Non-cash changes</i> | | | |
| Initial recognition | - | 1 997 | 1 997 |
| Accrued interest | 126 | 139 | 264 |
| Lease modifications/disposals | -1 459 | -107 | -1 566 |
| Balance at the end of the period | 1 244 | 2 347 | 3 590 |

Note 15 Other current liabilities

Other current liabilities

| <i>Amounts in NOK thousands</i> | 31.12.2021 | 31.12.2020 |
|--|-------------------|-------------------|
| Accrued Skattefunn | 268 | 968 |
| Accrued expenses | 2 919 | 2 075 |
| Other | 1 537 | 3 955 |
| Total other current liabilities | 4 724 | 6 998 |

Note 16 Taxes

Accounting policies for income taxes, current and deferred

Taxes payable is based on taxable profit for the year, which excludes items of income or expense that are taxable or deductible in other years. Taxable profit also excludes items that are never taxable or deductible. Play Magnus AS's liability for current tax is calculated using tax rates that have been enacted or substantively enacted as of the balance sheet date.

Deferred income tax expense is calculated using the liability method in accordance with IAS 12 Income Taxes. Deferred tax assets and liabilities are classified as non-current in the balance sheet and are measured based on the difference between the carrying value of assets and

liabilities for financial reporting and their tax basis when such differences are considered temporary in nature. For items recognized as an asset and a liability at inception, such as a lease, temporary differences related to the asset and liability are considered in combination, and deferred tax assets and liabilities are recognized on changes to the temporary differences through the life of the items. Deferred tax assets are reviewed for recoverability every balance sheet date, and the amount probable of recovery is recognized.

Deferred income tax expense represents the change in deferred tax asset and liability balances during the year, except for the deferred tax related to items recognized in Other comprehensive income. Changes resulting from amendments and revisions in tax laws and tax rates are recognized when the new tax laws or rates become effective or are substantively enacted. Uncertain tax positions are recognized in the financial statements based on management's expectations.

Significant judgment in accounting for income taxes

Valuation of deferred tax assets is dependent on management's assessment of future recoverability of the deferred benefit. Expected recoverability may result from expected taxable income in the future, planned transactions, or planned tax optimizing measures, all of which may be uncertain. Economic conditions may change and lead to a different conclusion regarding recoverability. The tax authorities may challenge Play Magnus AS's calculation of taxes payable from prior periods. Such processes may lead to changes to prior periods' taxable income, resulting in changes to income tax expense in the period of change, as well as interest and fines.

Calculation of deferred tax/deferred tax benefit

| Temporary differences | 2021 | 2020 |
|--|-----------------|----------------|
| Intangible assets | 4 303 | 4 339 |
| Property, plant and equipment | 2 343 | 1 241 |
| Current and non-current assets | - | - |
| Liabilities | -2 615 | -2 212 |
| Other differences | - | - |
| Net temporary differences | 4 031 | 3 368 |
| Tax losses carried forward | -154 292 | -98 436 |
| Basis for deferred tax (asset) | -150 261 | -95 068 |
| Deferred tax (asset) | -33 057 | -20 915 |
| Deferred tax asset not recognised in the balance sheet | 33 057 | 20 915 |
| Deferred tax asset in the balance sheet | | - |
| Deferred tax in the balance sheet | | - |

Basis for income tax expense, changes in deferred tax and tax payable

| Basis for income tax expense | 2021 | 2020 |
|--|----------------|----------------|
| Result before taxes | -57 426 | -67 464 |
| Permanent differences | 2 233 | 10 766 |
| Basis for income tax expense | -55 193 | -56 698 |
| Change in temporary differences | -663 | -1 697 |
| Change in tax loss carried forward | 55 856 | 58 395 |
| Taxable income (basis for payable taxes in the balance sheet) | - | - |
| Components of the income tax expense | 2021 | 2020 |
| Payable tax on this year's result | - | - |
| Adjustment in respect of prior year | - | - |
| Total tax payable | - | - |
| Change in deferred tax (asset) | - | -479 |
| Change in deferred tax (asset) posted to equity | - | - |
| Change in def. tax (asset) due to tax rate | - | - |
| Tax expense | - | -479 |
| Reconciliation of the tax expense | 2021 | 2020 |
| Result before taxes | -57 426 | -67 464 |
| Calculated tax | -12 634 | -14 842 |
| Tax expense | - | -479 |
| Difference | -12 634 | -14 363 |
| The difference consist of: | 2021 | 2020 |
| Tax of permanent differences | 491 | 2 368 |
| Tax cost recognised in equity | - | - |
| Change in deferred tax asset not recognised | 12 142 | 11 994 |
| Other differences | - | - |
| Sum explained differences | 12 634 | 14 363 |
| Payable taxes in the balance sheet | 2021 | 2020 |
| Payable tax in the tax charge | - | - |
| Payable tax in the balance sheet | - | - |

Deferred tax assets are recognized when the company can document future taxable profits to utilize the tax asset. The deferred tax asset is recognized for the amount corresponding to the expected taxable profit based on convincing evidence. The carrying amount of deferred tax assets is reviewed at each reporting date (quarterly) and reduced to the extent that convincing evidence no longer exists for the utilization. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that convincing evidence exists supporting

that taxable profits will allow the deferred tax asset to be recovered. The actual outcome of future tax costs may deviate from these estimates.

Undertaken an assessment of the criteria under IAS 12, the company has not included deferred tax assets related to tax losses carried forward.

Note 17 Other operating expenses

Amounts in NOK thousands

| Other operating expenses | 2021 | 2020 |
|-------------------------------------|---------------|---------------|
| Software, hardware and hosting fees | 2 189 | 714 |
| Legal and audit fees | 7 060 | 8 792 |
| Travel | 1 303 | 269 |
| Marketing | 2 531 | 1 372 |
| Studio rent Champions Chess Tour | 6 665 | 550 |
| Other | 5 847 | 1 589 |
| Total | 25 596 | 13 286 |

Audit fees

Play Magnus AS has the following audit-related fees, provided by our elected auditor, included in the legal and audit fees in the table above (all figures excl. VAT). The table below shows the cash paid to auditors of the different entities in 2021 and 2020.

Amounts in NOK thousands

| Category | 2021 | 2020 |
|------------------------------|--------------|--------------|
| Audit services | 1 071 | 967 |
| Other audit related services | 301 | 1 064 |
| Tax services | 943 | 1 190 |
| Total | 2 315 | 3 220 |

Equity funding transaction expenses

In connection with the listing on Euronext Growth, Play Magnus AS had expenses of NOK 21 368 897 in 2020. Expenses related to the private placement in connection with the listing have not been separated from the listing expenses and are shown entirely in this line.

Note 18 Financial items

Financial items

| <i>Amounts in NOK thousands</i> | 2021 | 2020 |
|--------------------------------------|--------------|---------------|
| Interest income | 3 098 | 811 |
| Exchange rate gains | 5 198 | 1 305 |
| Financial income | 8 295 | 2 116 |
| Interest expense | 139 | 129 |
| Interest expense on convertible loan | - | 455 |
| Exchange rate losses | 2 212 | 11 428 |
| Other financial expense | 26 | 7 |
| Financial expense | 2 377 | 12 020 |
| NET FINANCIAL ITEMS | 5 918 | -9 904 |

Note 19 Tangible assets

Accounting policies for property, plant, and equipment

Tangible assets consisting of office equipment are recognized at acquisition cost. The carrying value is comprised of the historical cost less accumulated depreciation and any accumulated impairment losses (if any). Office buildings consist of leased assets (right-of-use assets). Short-term and low-value leases are excluded from the lease accounting. When measuring leases, Play Magnus AS includes fixed lease payments for extension periods reasonably certain to be used. As a practical expedient, non-lease components are not separated from lease contracts, and not recognized but expensed in the period when the lease expense is incurred. Judgment is applied in assessing whether renewal options are reasonably certain to be utilized. See note 27 for the specification of the current and non-current lease liabilities.

Depreciation expense is measured on a straight-line basis over the estimated useful life of the asset, commencing when the asset is ready for its intended use.

At each financial year-end Play Magnus reviews the residual value and useful life of its assets, with any estimate changes accounted for prospectively over the remaining useful life of the asset.

| | Office buildings (Right-of-use assets) | Total |
|--|--|--------------|
| Balance Play Magnus 01.01.2021 | 2 685 | 2 685 |
| Additions | 1 997 | 1 997 |
| Disposals | -69 | -69 |
| Acquired cost 31.12.2021 | 4 614 | 4 614 |
| Accumulated depreciation and impairment | | |
| Balance Play Magnus 01.01.2021 | 1 445 | 1 445 |
| Depreciation of the year | 826 | 826 |
| Impairment of the year | - | - |
| Accumulated depreciation disposals | - | - |
| Accumulated depreciation and impairments 31.12.2021 | 2 270 | 2 270 |
| Carrying value 31.12.2021 | 2 343 | 2 343 |
| Estimated lifetime | 5 years | |
| Depreciation schedule | Straight line | |

| | Office buildings (Right-of-use assets) | Total |
|--|--|--------------|
| Balance Play Magnus 01.01.2020 | 4 144 | 4 144 |
| Additions | - | - |
| Disposals | -1 459 | -1 459 |
| Acquired cost 31.12.2020 | 2 685 | 2 685 |
| Accumulated depreciation and impairment | | |
| Balance Play Magnus 01.01.2020 | 766 | 766 |
| Depreciation of the year | 679 | 679 |
| Impairment of the year | - | - |
| Accumulated depreciation disposals | - | - |
| Accumulated depreciation and impairments 31.12.2020 | 1 445 | 1 445 |
| Carrying value 31.12.2020 | 1 241 | 1 241 |
| Estimated lifetime | 5 years | |
| Depreciation schedule | Straight line | |

Interest expense relating to lease recognized in the income statement for 2021 was NOK 138 517 and NOK 125 797 in 2020. Total cash outflows for leases in 2021 were NOK 925 287 and NOK 795 147 in 2020.

Note 20 Subsidiaries and shareholders

The table shows Play Magnus AS's ownership interest in its subsidiaries. These subsidiaries are holding companies and their directly owned subsidiaries. Ownership interests correspond to voting interests. For information about the acquisitions of the subsidiaries, see note 6 in the consolidated financial statements.

Shares in subsidiaries

| Entity | Office | Ownership interest 2021 | Ownership interest 2020 | Carrying amount as of 31 December 2021 | Carrying amount as of 31 December 2020 |
|-------------------------------|-------------|-------------------------|-------------------------|--|--|
| United Mind Sports Ltd | Gibraltar | 100 % | 100 % | 123 633 619 | 123 527 393 |
| Chessable Ltd | UK | 100 % | 100 % | 76 956 829 | 71 044 123 |
| iChess LLC | USA | 100 % | 100 % | 8 497 478 | 8 497 478 |
| Aimchess by PMG AS | Norway | 100 % | 0 % | 2 030 000 | - |
| Play Magnus Polska sp. z o.o. | Poland | 100 % | 0 % | 88 882 | - |
| Interchess BV | Netherlands | 100 % | 0 % | 30 189 175 | - |
| Chess24 GmbH | Germany | 100 % | 0 % | 283 196 | - |
| ChessX SIA | Latvia | 100 % | 0 % | 28 837 | - |
| Play Magnus USA Inc. | USA | 100 % | 0 % | 19 945 151 | - |
| Play Magnus India Private Ltd | India | 100 % | 0 % | 11 654 | - |
| Total | | | | 261 664 820 | 203 068 994 |

Shares in subsidiaries owned through subsidiaries

| Entity | Office | Ownership interest 2021 | Ownership interest 2020 |
|----------------------------|-----------|-------------------------|-------------------------|
| Caroona Ltd | Gibraltar | 100 % | 100 % |
| E-Learning Ltd | Gibraltar | 100 % | 100 % |
| Logical Thinking Ltd | Gibraltar | 100 % | 100 % |
| Chess24 GmbH* | Germany | 0 % | 100 % |
| ChessX SIA* | Latvia | 0 % | 100 % |
| Chessable Limited Spain SL | Spain | 100 % | 100 % |
| Ginger GM Ltd | UK | 100 % | 0 % |
| Gloucester Publishers Ltd | UK | 100 % | 0 % |
| Silver Knights Chess LLC | USA | 100 % | 0 % |

*Chess24 GmbH and ChessX SIA are direct subsidiaries of Play Magnus AS from 2021.

Sales and purchases of services, current receivables, current liabilities

| Entity | Sales 2021 | Purchases 2021 | Receivables 2021 | Liabilities 2021 | Sales 2020 | Purchases 2020 | Receivables 2020 | Liabilities 2020 |
|------------------------|--------------|----------------|------------------|------------------|--------------|----------------|------------------|------------------|
| United Mind Sports Ltd | - | - | - | 53 | - | - | - | 23 |
| Chessable Ltd | 852 | 7 614 | 953 | 3 315 | 259 | 326 | - | 67 |
| iChess LLC | 80 | - | - | - | - | - | - | - |
| Caroona Ltd | - | - | - | 257 | - | - | - | - |
| E-Learning Ltd | 1 565 | 671 | 1 565 | 671 | - | - | - | - |
| Logical Thinking Ltd | 870 | 6 816 | 870 | 6 816 | 2 938 | 1 196 | - | - |
| Chess24 GmbH | - | 638 | - | - | - | - | - | - |
| ChessX SIA | - | - | - | - | 337 | - | 337 | - |
| Chessable Spain SL | - | 13 377 | - | 3 545 | - | 1 819 | - | - |
| Interchess BV | 557 | 2 | - | 1 968 | - | - | - | - |
| Ginger GM Ltd | 1 612 | - | 1 612 | - | - | - | - | - |
| Aimchess by PMG AS | 320 | - | 13 | - | - | - | - | - |
| Total | 5 857 | 29 119 | 5 013 | 16 626 | 3 535 | 3 341 | 337 | 90 |

Financial transactions, non-current receivables, non-current liabilities

| Entity | Financial income 2021 | Financial expense 2021 | Receivables 2021 | Liabilities 2021 | Financial income 2020 | Financial expense 2020 | Receivables 2020 | Liabilities 2020 |
|--------------------------|-----------------------|------------------------|------------------|------------------|-----------------------|------------------------|------------------|------------------|
| Chessable Ltd | 1 196 | - | 96 679 | - | 168 | - | 22 728 | - |
| iChess LLC | - | - | 397 | - | - | - | - | - |
| Logical Thinking Ltd | 1 164 | - | 72 776 | - | 490 | - | 45 979 | - |
| ChessX SIA | 247 | - | 13 603 | - | 51 | - | 12 092 | - |
| Ginger GM Ltd | 46 | - | 2 608 | - | - | - | - | - |
| Aimchess by PMG AS | 58 | - | 5 790 | - | - | - | - | - |
| Silver Knights Chess LLC | 75 | - | 4 501 | - | - | - | - | - |
| Play Magnus USA Inc. | - | - | 5 | - | - | - | - | - |
| Total | 2 786 | - | 196 358 | - | 709 | - | 80 799 | - |

Play Magnus AS Shareholders as of 31 December 2021

| Shareholders | Number of ordinary shares | Total # of shares | % of shareholding |
|----------------------------------|---------------------------|-------------------|-------------------|
| Clearstream Banking S.A. | 5 318 895 | 5 318 895 | 9.4% |
| Magnuschess AS | 5 088 157 | 5 088 157 | 9.0% |
| Investinor Direkte AS | 5 088 000 | 5 088 000 | 9.0% |
| LT Holdings Ltd | 4 964 620 | 4 964 620 | 8.8% |
| UBS Switzerland AG | 3 832 607 | 3 832 607 | 6.8% |
| Myrlid AS | 2 318 039 | 2 318 039 | 4.1% |
| MP Pensjon PK | 2 309 100 | 2 309 100 | 4.1% |
| T.D. Veen AS | 1 828 777 | 1 828 777 | 3.2% |
| LGT Bank AG | 1 754 850 | 1 754 850 | 3.1% |
| Idekapital AS | 1 319 000 | 1 319 000 | 2.3% |
| State Street Bank and Trust Comp | 1 100 000 | 1 100 000 | 1.9% |
| Espen Agdestein AS | 1 050 000 | 1 050 000 | 1.9% |
| Others | 20 615 924 | 20 615 924 | 36.4% |
| Total | 56 587 969 | 56 587 969 | 100.0% |

Note 21 Related parties

For information about related parties, see note 26 in the consolidated financial statements.

Note 22 Non-current financial liabilities

Current financial liabilities

| <i>Amounts in NOK thousands</i> | 31.12.2021 | 31.12.2020 |
|--|-------------------|-------------------|
| Current lease liability | 813 | 447 |
| Contingent consideration | 876 | - |
| Total current financial liabilities | 1 689 | 447 |

Non-current financial liabilities

| <i>Amounts in NOK thousands</i> | 31.12.2021 | 31.12.2020 |
|--|-------------------|-------------------|
| Non-current lease liability | 1 534 | 796 |
| Contingent consideration | 805 | 1 540 |
| Total non-current financial liabilities | 2 338 | 2 337 |

The contingent consideration of NOK 1 681 thousand as of 31 December 2021 and NOK 1 540 thousand as of 31 December 2020 is related to the acquisition of iChess LLC in December 2020.

For more information about the contingent considerations, see note 6 in the consolidated financial statements.

Note 23 Leasing

Accounting policies for leasing (right-of-use assets)

The leased assets (right-of-use assets) consist of office buildings in Oslo for 2018-2021 and Barcelona for 2019. Short-term and low-value leases are excluded from the lease accounting. When measuring leases, Play Magnus AS includes fixed lease payments for extension periods reasonably certain to be used. As a practical expedient, non-lease components are not separated from lease contracts, and not recognized but expensed in the period when the lease expense is incurred. Judgment is applied in assessing whether renewal options are reasonably certain to be utilized.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments.

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The right-of-use assets are reviewed for potential impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount.

Amounts recognized in the balance sheet

| <i>Amounts in NOK thousands</i> | 31.12.2021 | 31.12.2020 |
|----------------------------------|-------------------|-------------------|
| Office buildings | 2 343 | 1 241 |
| Total right-of-use assets | 2 343 | 1 241 |
| Useful life | 5 years | 5 years |
| Depreciation method | Straight-line | Straight-line |

Lease liabilities

| <i>Amounts in NOK thousands</i> | 31.12.2021 | 31.12.2020 |
|---------------------------------|-------------------|-------------------|
| Current | 813 | 447 |
| Non-current | 1 534 | 796 |
| Total lease liability | 2 347 | 1 244 |

Amounts recognized in the statement of profit or loss

| <i>Amounts in NOK thousands</i> | 2021 | 2020 |
|-------------------------------------|-------------|-------------|
| Depreciation of right-of-use assets | 826 | 679 |
| Interest expense | 139 | 126 |

Maturity profile lease liability

| <i>Amounts in NOK thousands</i> | 1-3 years | 3-5 years |
|------------------------------------|------------------|------------------|
| Lease liabilities 31 December 2021 | 728 | 1 619 |
| Lease liabilities 31 December 2020 | - | 1 244 |

Reconciliation of lease financing activities

| <i>Amounts in NOK thousands</i> | 2021 | 2020 |
|------------------------------------|--------------|--------------|
| Opening balance 1 January | 1 244 | 3 372 |
| Cash flow | -925 | -795 |
| New leases | 1 997 | - |
| Other non-cash changes | 32 | -1 333 |
| Closing balance 31 December | 2 347 | 1 244 |

Note 24 Events after the reporting period

For information about events after the reporting period, see note 28 in the consolidated financial statements.

Play Magnus Group

Tordenskiolds gate 2
0160 Oslo - Norway



To the General Meeting of Play Magnus AS

Independent Auditor's Report

Opinion

We have audited the financial statements of Play Magnus AS, which comprise:

- The financial statements of the parent company Play Magnus AS (the Company), which comprise the financial position as at 31 December 2021, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Play Magnus AS and its subsidiaries (the Group), which comprise the financial position as at 31 December 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU, and
- the financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), 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.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report. The other information comprises information in the annual report,

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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap



but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines 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, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's 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 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to <https://revisorforeningen.no/revisjonsberetninger>

Oslo, 25 April 2022

PricewaterhouseCoopers AS

Øystein B. Sandvik
State Authorised Public Accountant

(This document is signed electronically)

Audit Report

Signers:

| Name | Method | Date |
|------------------------|---------------|------------------|
| Sandvik, Øystein Blåka | BANKID_MOBILE | 2022-04-25 18:08 |



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