

Astralis LoL ApS



ASTRALIS

Astralis LoL ApS
Otto Busses Vej 7,2
2450 København SV
CVR no. 40010521

Annual report 2021
The annual General Meeting adopted the
annual report on 08.06.2022

Nikolaj Nyholm
Chairman of the General Meeting

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Entity details

Entity

Astralis LoL ApS
Otto Busses Vej 7, 2.
2450 Copenhagen SV

CVR no: 40010521

Registered office: Copenhagen

Financial year: 01.01.2021 – 31.12.2021

Board of Directors

Nikolaj Nyholm, Chairman

Anders Hørsholt

Jakob Hansen

Jakob Lund Kristensen

Executive Board

Anders Hørsholt, CEO

Jakob Hansen, CFO

Jakob Lund Kristensen, CRO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

2300 Copenhagen S

Statement by Management

The board of Directors and the Executive Board have today considered and approved the annual report of Astralis LoL ApS for the financial year 01.01.2021 – 31.12.2021.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2021 and of the results of its operations for the financial year 01.01.2021 – 31.12.2021.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 08.06.2022

Executive Board

Anders Hørsholt
CEO

Jakob Hansen
CFO

Jakob Lund Kristensen
CRO

Board of Directors

Nikolaj Nyholm
Chairman

Anders Hørsholt

Jakob Hansen

Jakob Lund Kristensen

Independent auditor's report

To the shareholder of Astralis LoL ApS

Opinion

We have audited the financial statements of Astralis LoL ApS for the financial year 01.01.2021 – 31.12.2021, which comprise the income statement, balance sheet, statement of the changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2021 and of the results of its operations for the financial year 01.01.2021 - 31.12.2021 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of this auditor's report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 and the additional requirements applicable in Denmark will always detect a material misstatement

when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 08.06.2022

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR no. 33963556

Kim Takata Mücke

State-Authorised Public Accountant

Identification No (MNE) mne10944

Jens Serup

State-Authorised Public Accountant

Identification No (MNE) mne45825

Management commentary

Primary activities

The Entity's primary activity is to run E-sport league of Legends team and its participation in tournaments.

Development in activities and finances

Gross profit for the year is DKK 5,974 thousand, which is an increase of DKK 6,473 thousand compared to 2020. Loss for the year is DKK 4,306 thousand compared to a loss of DKK 34,029 thousand in 2020. The result is considered to be according to expectations.

As of 31 December 2021, the Entity has negative equity. The negative equity is to a large extent funded by debt to group enterprises, which will only be repaid if sufficient funds are available. In addition, as stated in Note 1, the ultimate parent entity Astralis A/S has issued a support letter valid until 31 December 2022 which secures the operations and financing throughout 2022.

Events after the balance sheet date

No events have occurred after the balance sheet date that might effect the assessment of the financial statements for 2021.

Income statement for 2021

| | <u>Notes</u> | <u>DKK'000</u> | |
|--|--------------|-----------------------|------------------------|
| | | 2021 | 2020 |
| Revenue | | 16,375 | 7,930 |
| Other operating income | | 0 | 372 |
| Other external expenses | | <u>(10,401)</u> | <u>(8,801)</u> |
| Gross profit/loss | | <u>5,974</u> | <u>(499)</u> |
| Staff costs | 2 | (8,599) | (12,206) |
| Depreciation, amortisation and impairment losses | | <u>0</u> | <u>(17,610)</u> |
| Operating profit/loss | | <u>(2,625)</u> | <u>(30,315)</u> |
| Financial income | | 7 | 101 |
| Financial expenses | 3 | <u>(2,830)</u> | <u>(3,815)</u> |
| Profit/loss before tax | | <u>(5,448)</u> | <u>(34,029)</u> |
| Tax on loss for the period | 4 | <u>1,142</u> | <u>0</u> |
| Profit/loss for the period | | <u>(4,306)</u> | <u>(34,029)</u> |
| Proposed distribution of profit/loss | | | |
| Retained earnings | | <u>(4,306)</u> | <u>(34,029)</u> |
| | | <u>(4,306)</u> | <u>(34,029)</u> |

Balance sheet at 31 December 2021

| | <u>Notes</u> | <u>DKK'000</u> | |
|---|--------------|----------------------|----------------------|
| | | 2021 | 2020 |
| Acquired rights | | <u>32,665</u> | <u>33,224</u> |
| Intangible assets | 5 | <u>32,665</u> | <u>33,224</u> |
| | | | |
| Receivables from group enterprises | | 17 | 16 |
| Deposits | | <u>111</u> | <u>111</u> |
| Financial assets | | <u>128</u> | <u>127</u> |
| | | | |
| Non-current assets | | <u>32,793</u> | <u>33,351</u> |
| | | | |
| Trade receivables | | 6,042 | 2,596 |
| Receivables from group enterprises | | 1,866 | 0 |
| Other receivables | | 861 | 1,012 |
| Prepayments | | 133 | 65 |
| Joint taxation contribution receivables | | <u>1,142</u> | <u>0</u> |
| Receivables | | <u>10,044</u> | <u>3,673</u> |
| | | | |
| Cash | | <u>4,300</u> | <u>1,464</u> |
| | | | |
| Current assets | | <u>14,344</u> | <u>5,137</u> |
| | | | |
| Assets | | <u>47,137</u> | <u>38,488</u> |

Balance sheet at 31 December 2021

| | <u>Notes</u> | <u>DKK'000</u> |
|--|------------------------|------------------------|
| | 2021 | 2020 |
| Contributed capital | 59 | 59 |
| Retained earnings | <u>(72,649)</u> | <u>(68,343)</u> |
| Equity | <u>(72,590)</u> | <u>(68,284)</u> |
| Payables related to league tournaments rights | <u>9,411</u> | <u>7,081</u> |
| Non-current liabilities other than provisions | <u>9,411</u> | <u>7,081</u> |
| Payables related to league tournaments rights | 8,250 | 17,653 |
| Trade payables | 107 | 55 |
| Payables to group enterprises | 101,385 | 78,608 |
| Other payables | 574 | 2,815 |
| Deferred income | <u>0</u> | <u>560</u> |
| Current liabilities other than provisions | <u>110,316</u> | <u>99,691</u> |
| Liabilities other than provisions | <u>119,727</u> | <u>106,772</u> |
| Equity and liabilities | <u>47,137</u> | <u>38,488</u> |
| Going concern | 1 | |
| Contingent assets | 6 | |
| Contingent liabilities | 7 | |

Statement of changes in equity for 2021

| | Contributed capital DKK'000 | Retained earnings DKK'000 | Equity DKK'000 |
|--------------------------|--|--|---------------------------|
| Equity beginning of year | 59 | (68,343) | (68,284) |
| Profit/loss for the year | <u>0</u> | <u>(4,306)</u> | <u>(4,306)</u> |
| Equity end of year | <u>59</u> | <u>(72,649)</u> | <u>(72,590)</u> |

Notes

1. Going concern

At 31 December 2021, the Entity has negative equity, which is funded by debt to the ultimate parent Astralis A/S.

In addition, the ultimate parent Astralis A/S has issued a support letter valid until 31 December 2022 which secures the operations and financing throughout 2022. As a result, Management has assessed and concluded that the Entity is going-concern.

| | <u>DKK'000</u> | |
|------------------------------------|---------------------|----------------------|
| | 2021 | 2020 |
| 2. Staff costs | | |
| Wages and salaries | 8,473 | 12,072 |
| Pension cost | 19 | 28 |
| Other social security costs | 107 | 52 |
| Other staff costs | <u>0</u> | <u>54</u> |
| | <u>8,599</u> | <u>12,206</u> |
| | | |
| Average number of employees | <u>12</u> | <u>8</u> |

| | <u>DKK'000</u> | |
|---|---------------------|---------------------|
| | 2021 | 2020 |
| 3. Financial expenses | | |
| Financial expenses from group enterprises | 1,869 | 1,446 |
| Other interest expenses | 946 | 2,350 |
| Exchange rate adjustments | <u>15</u> | <u>19</u> |
| | <u>2,830</u> | <u>3,815</u> |

Other interest expenses primarily consist of interest on payables to League of Legends European Championship Limited.

| | <u>DKK'000</u> | |
|--|---------------------|-----------------|
| | 2021 | 2020 |
| 4. Tax on loss for the period | | |
| Joint taxation for the year | 524 | 0 |
| Adjustment previous years, joint taxation contribution | <u>618</u> | <u>0</u> |
| | <u>1,142</u> | <u>0</u> |

5. Intangible assets

| | 2021 | 2020 |
|-----------------------------------|----------------------|----------------------|
| Cost beginning of period | 70.528 | 70,528 |
| Adjustment to cost price | <u>(559)</u> | <u>0</u> |
| Cost end of period | 69.969 | 70,528 |
| | | |
| Amortisation beginning of period | (37,304) | (19,694) |
| Amortisation for the period | <u>0</u> | <u>(17,610)</u> |
| Amortisation end of period | (37,304) | (37,304) |
| | | |
| Carrying amount | <u>32,665</u> | <u>33,224</u> |

On 19 November 2018, the Entity entered into an agreement with League of Legends European Championship Limited regarding the participation in the League of Legends European Championship. The payment for the participation amounted to totally EUR 10.5 million. The entity paid EUR 7.0 million in 2019, EUR 1.0 million in 2021 and a remaining amount of EUR 2.5 million is outstanding and to be paid in instalments in 2022-2023.

In determining the cost for the participation in the League of Legends European Championship, Management has discounted the deferred payments.

Management has performed an impairment assessment of the acquired right for impairment at 31 December 2021. Management has concluded that carrying value at the end of 2021 is considered fully recoverable due to the trading values seen in the market for the European League of Legends franchise spot are higher than the book value. As a result of the trading values exceeding book value, Management has assessed the scrap value to be higher than the book value, and no amortisation is included for 2021. Every thing else being equal, this change in 2021 has reduced amortisation by DKK 17,6 million compared to 2020.

6. Contingent assets

The Entity has a non-recognized tax asset of DKK 16,8 million relating primarily to tax loss carryforwards, which can be used by the Entity or other group related entities. Capitalisation awaits that the Entity and/or other group related entities become profitable on a sustainable basis.

7. Contingent liabilities

The Entity participates in Danish joint taxation arrangement where Astralis A/S serves as the administration entity. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore secondarily liable for income taxes etc. for the jointly taxed entities, which is limited to the Entity interest by which the entity participates in the Group, as well as secondarily liable for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly entities.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The classification of “Other payables” in the balance sheet is split into “Payables related to league tournaments rights” and “Other payables”, which is a change compared to last year. The change is considered to constitute a more specific and accurate term of the composition of “Other payables”. Comparison figures are adjusted. The changed classification does not affect loss for the year or equity.

Income statement

Revenue

Fixed revenue from participation in leagues is recognised in the income statement over the duration of the league period and variable revenue is recognised when earned and amount has been finally determined.

Revenue from sponsorships is recognised in the income statement over the duration of the contracts.

Revenue from prize money is recognised in the income statement when the tournament is completed.

Revenue is recognised net of VAT and is measured at fair value of the consideration.

Other operating income

Other operating income comprises income of sales from player rights.

Other external expenses

Other external expenses include expenses relating to the Entity’s ordinary activities, including corporate expenses, it-costs etc.

Staff costs

Staff costs comprise salaries and wages including prize money passed on to players as well as social security contributions, pension contributions, etc. for entity staff.

Depreciation, amortization and impairment losses.

Depreciation, amortization and impairment losses relating to intangible assets comprise amortization losses for the financial year.

Other financial income

Other financial income comprises interest income and exchange gains and other financial income.

Other financial expenses

Other financial expenses comprises interest expenses, including interest expenses on payables to group enterprises, discounting impact on debt for acquired rights and exchange losses.

Balance sheet**Intellectual property rights etc**

Acquired rights comprise rights to participate in the League of Legends European Championship.

Acquired rights are measured at cost less accumulated amortisation, and are amortised over four years which reflect the minimum contractual commitment period.

Intellectual property rights etc. are written down to the lower of recoverable amount and carrying amount.

With effect from 2021 amortization of the European League of Legends tournament has stopped since residual value is estimated to exceed carrying value.

Receivables

Receivables are measured at amortised cost, usually aqualling nominal value, less writedowns for bad and doubtful debts.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises bank deposits.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.