ANNUAL REPORT 2023

HITMAN: SNIPER © 2016 IO INTERACTIVE A/S
©2016 SQUARE ENIX LTD.

CONTENTS

Chairman's Message	03
MD & CEO's Message	04
Products & Solutions	07
Games	08
Corporate Information & Board of Directors	09
Subsidiaries & Branches	10
Report on Corporate Governance	14
Board's Report	38
Management Discussion & Analysis	66
Business Responsibility & Sustainability Report	76
Independent Auditor's Report	109
Financial Statements	120
Independent Auditor's Report on the Consolidated Financial Statements	180
Consolidated Financial Statements	188
Notice of the 23rd Annual General Meeting	250

OVERVIEW

57
COUNTRIES

100
CUSTOMERS

74.74
MILLION
Monthly Paying Users

6.45
MILLION
Monthly Active Visitors
(Video & Editorial)

27.13
MILLION
Tones App Installs

CHAIRMAN'S MESSAGE

François-Charles Sirois
Executive Chairman

Dear Shareholders,

This completed year FY22-23 was marked by critical operational re-organisations. We streamlined teams and costs while ensuring new processes to deliver the aggressive operator onboarding schedule to launch our gaming services in 200 mobile operators by 2025. Revenue for our mobile gaming products grew by 460% in the last year and continues its triple-digit growth in the current year. Mobile entertainment continued with a solid revenue base and EBITDA margin at 11.5%, growing in the high teens this FY23-24. The 90% gross margin of gaming directly impacts the 54.7% consolidated gross margin (up from 49.8%, twelve months earlier). The stability of our mobile entertainment products, combined with the rapid growth of mobile gaming, ensures a balance between profitability and strategic investments.

When we decided three years ago to invest heavily in mobile gaming, it was clear that this market would be the most important in terms of market share and revenue. Today 79% of all gamers play on their mobile phones, and 70% of them opt for subscriptions. With our current model focusing first on acquiring subscribers through carrier billing, mobile operators monetize on the most profitable segment of app stores (gaming represents 63% of all app store revenues), while subscribers profit from an easy onboarding process and access to great games without advertising interruptions. For OnMobile, carriers enable the acquisition of millions of subscribers at a low cost and a higher trust towards its branded products. We see growth both from new markets launched through additional mobile operators and the growing smartphone users going from 1.65 billion today to a forecasted 6.2 billion in 2027.

As planned, we finished the year FY2022-23 with 46 live operators and 3.6 million mobile gaming subscribers. Our operations are now optimized to activate up to 20 operators per quarter for both Challenges Arena and ONMO, taking the yearly objective to 80 additional operators in this coming year alone. Gaming subscribers' activation will follow the same trend with a growth target of 3X, crossing the 10 million paying user base. We have also planned important gaming expansions in the enterprise market. We recently launched Gamize, a SAAS-based gamification platform for enterprises. The global gamification market is at $20 billion, growing at an annual rate of 25%. Contrary to our other gaming products like ONMO, which required important investments, Gamize benefits from all the internal gaming tools, games and expertise, making its launch possible with minimal capital. This brings a great growth vector for OnMobile at a marginal cost, going from telecom to multiple industries that will now use gaming to increase their own user engagement and directly impact their results.

With all this, we foresee the mobile gaming segment to represent 25% of OnMobile's revenues by year-end. We also plan to complete all extraordinary gaming investments, bringing gaming products into normal operational mode and EBITDA positive starting next year, FY2024-25. On a consolidated level, this will bring essential gains to the global profitability and cash position, showing that our gaming plans were worth the effort.

To finish, many thanks to all our shareholders for your support of our company. A special appreciation to the OnMobile team and our board members, who, just like owners, make difficult decisions for the long-term benefit of the company; I thank you sincerely.

MD & CEO's MESSAGE

Sanjay Baweja
Managing Director & Global CEO

Dear Shareholders,

During the past financial year, we have witnessed growth; the new gaming products showed significant growth, whereas the mobile entertainment products were negatively impacted during the year. Challenges Arena had a really good run, and ONMO has also seen a beta launch contributing to some revenue. Additionally, we recently introduced our SaaS-based gamification platform, Gamize, which opens our canvas to include enterprises worldwide. Our intention is to extend it to over 500 enterprises and top brands across industries by the year 2025. This is our first foray outside the telecom operator domain, and it has a higher EBITDA potential than our current products.

Our contract with Telefonica has been extended up to July 2026 without payment of any additional upfront fees. This will have an immediate beneficial effect on our profitability and positively impact our cash flow over the next couple of years. The contract with America Movil for the Tones business is likely to stabilise our mobile entertainment business this year, where we have seen a declining trend over the last few years, including the year 2022-23.

As with any business, we also faced both favourable and challenging circumstances. Our profitability was impacted by lower revenue from mobile entertainment since the fixed costs remained. We, therefore, embarked on an Organisational transformation exercise, which led to a one-time hit in the current year, contributing further to the lacklustre performance. However, the new year has started, and the future holds us in good stead. We currently continue investing in growth through disproportionately high marketing spend, particularly in the new geographies or operators as we go live every quarter. Although the trend of marketing spend as a percentage of revenue is going downwards quarterly, we anticipate this to further reduce during the year and beyond, resulting in a significant improvement in profitability. Nevertheless, we remain dedicated to navigating these challenges and seizing opportunities to drive future success.

Paving the Path for Tomorrow

We have ended this year with three new products in our portfolio, namely CA, ONMO and Gamize. These three products are and will continue to be the harbingers of revenue growth for OnMobile in the years to come as we get new customers in markets and geographies we have never been in. Even for our Mobile Entertainment business, we are seeing some green shoots coming from new labels, which are more than 70% of our new products. Our target is to continue to grow despite some of our customers changing their business models, which has an immediate impact on our revenue growth. However, we will endeavour to grow despite these hurdles.

Challenges Arena

Challenges Arena sales saw steady growth in the last financial year. In terms of

profitability, CA revenue increased nearly 3x year-on-year, and it has grown 22x in the last 8 quarters, and we closed the first quarter of FY24 with 54 live revenue-yielding customers. As for customer confirmations, successful outbound sales efforts resulted in cumulative customer agreements reaching 73 by the end of Q1 FY24.

50 of these customers are new logos, creating potential opportunities for cross-selling other products to them. Regarding usage and end consumers, the cumulative gross paying subscribers at the end of FY23 stood at 17.56 million. As of Q1 FY24, the subscriber count has surged to over 21 million, signifying a growth of 3.8 million subscribers. We are targeting for Challenges Arena to generate EBITDA of more than 25% in the coming years.

ONMO

Starting from Q1 FY23, ONMO's B2B business has successfully begun generating revenue. We are thrilled to have signed up 24 customers who have agreed to our commercial proposal, with 10 of them already in live operation.

Remarkably, ONMO's revenue has experienced a substantial growth rate, increasing by 2 times on a quarter-on-quarter basis and nearly 11 times since its inception. Our primary focus has been efficiently and seamlessly going live with more telcos, and we are confident that the subscriber base will surpass 1 million within the next two quarters. Regarding product development, we have made significant strides in enhancing B2B support onboarding and introducing additional features aimed at fostering deeper engagement and long-term customer attention. The strong interest from potential customers continues to validate our offerings, and we remain optimistic about generating considerably higher revenue in FY24.

ONMO remains steadfast in following the growth trajectory of CA in the forthcoming quarters, ensuring our commitment to sustained progress and expansion.

Mobile Entertainment Products

In recent quarters, our entertainment products have encountered certain challenges. Tones experienced a quarter-on-quarter degrowth of 4.6%. However, we anticipate it to bounce back in Q3/Q4 FY24, supported by the addition of new accounts in the mobile entertainment business.

Similarly, videos witnessed a marginal decline of 1.1% on a quarter-on-quarter basis, primarily attributed to the depreciation of the Euro currency. Nevertheless, we are currently observing positive traction and cross-selling our traditional business to new clients acquired through CA. This development positions us optimistically to secure more deals in the upcoming quarters.

Profitability

Recognizing the importance of managing our cost base, particularly in the mobile entertainment business, we initiated an exercise with the primary goal of rightsizing the operations, leading to enhanced productivity and efficiency, all while sharpening our focus on gaming. While this endeavour had a one-time impact on our profitability, we anticipate reaping its benefits starting from Q1 FY24. This focus on efficiency and productivity is an ongoing value enhancement process, and we will continue to evaluate situations and act according to the circumstances with a clear objective of increasing stakeholder value as we go along our journey of growth.

We firmly believe that the most challenging period is now behind us. In FY24, we aim to achieve revenue surpassing the INR 600 crore mark. Under our strategic plan, we expect the gaming revenue to contribute more than 25% of our total FY24 revenue, a substantial increase from the 13% achieved in FY23. Furthermore, it is worth reiterating that we anticipate improved margins compared to the current year. Overall, we have taken decisive measures to optimize our cost structure and refocus our efforts on gaming, positioning us for a more prosperous future.

Embracing Social Responsibility

We hold a strong belief in our commitment to society and community healthcare. We have been actively supporting the Bangalore unit of Sankara Eye Foundation in India, an organization dedicated to eliminating curable blindness. We also continue to stand behind VAANI, an inspiring organization working to empower hard-of-hearing children in remote parts of Karnataka.

Value for our Stakeholders

As we go forward in our journey to profitably grow revenue in OnMobile, it is incumbent on us to ensure that all stakeholders, be it our customers, our shareholders, our partners in business, and our employees, get a fair return for the effort and resources that they put in to make OnMobile a great company. It is with this thought process that we will continue to focus on higher customer satisfaction, more shareholder value and commensurate employee remuneration. Our Product focus is based on innovation and efficiency as our primary values, which further support our values of integrity, fairness and transparency to help us create greater value for all.

As we reflect on our achievements across various domains, it is with immense gratitude that we recognize the unwavering passion, dedication, and resilience exhibited by every employee worldwide. The exceptional contributions of each individual have been instrumental in our collective success.

On behalf of the leadership team, I want to emphasize our commitment to generating superior shareholder value in the years ahead. We remain steadfast in refining and fortifying our strategic initiatives as the bedrock for accelerated and sustainable revenue growth. Together, we are poised to shape a future filled with unprecedented opportunities and continued prosperity.

PRODUCTS & SOLUTIONS

Tones (RBT)

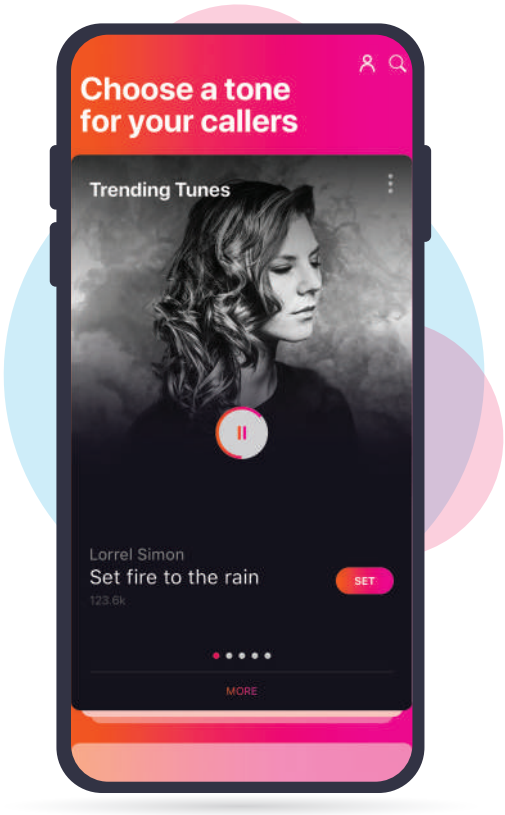
62 M subscribers, 37 Operators globally

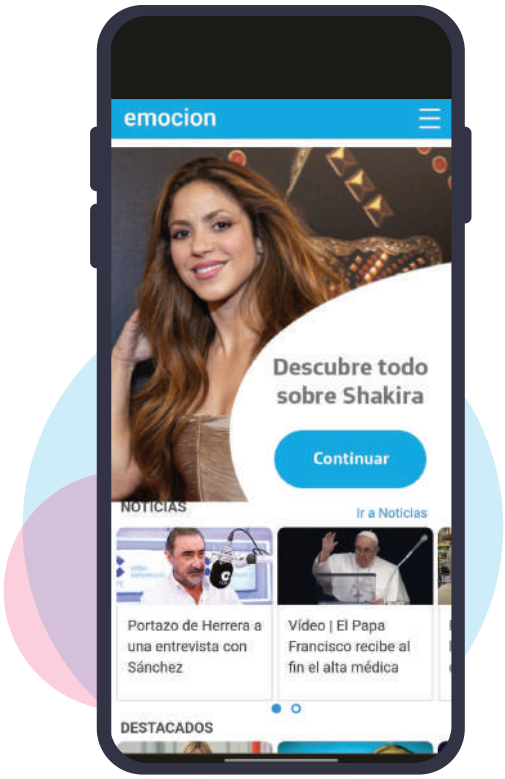
Total App downloads touched close to 27.13 Mn App downloads, and the digital revenue contribution has increased from 15% in FY22 to 18.5% in FY23

Digital tones ARPU increased globally by 77% from INR 19.2 in Mar'22 to INR 34.3 on Mar'23

New Operators Onboarded: MTN Syria, Omantel and Vodacom DRC

New launches - Digital RBT service: Banglalink, Vodacom Mozambique, VF Egypt





Videos, Contests & Others

8.9 MN subscribers across 30 customers

Platforms returning user base increased to 39% in FY23 from 35% in FY22

Improved UI/UX of our service to improve user engagement

Focused on key drop-off points and helped improve overall service usage and reduce user churn

GAMES

Challenges Arena

Achieved tremendous growth in the past year, with the successful onboarding of 27 new operators

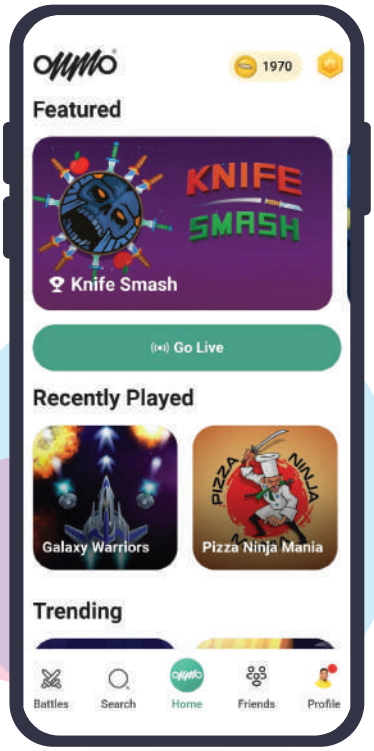
Our Gross Adds stand at 13.66 Million with 24.38 Million Gameplays, 3.10 Net Active Subscribers, and 56.95% M1 Retention

Established our presence in 11 new countries with a 3.5X growth in our annual revenue compared to the previous year

Expanded Game offerings to include Fantasy Cricket, Fantasy Football, and Predict & Win, all personalized for our audience

Our Trivia content has reached impressive milestones, exceeding 25,000 and showcasing a remarkable growth rate of 25%

A design-led product strategy and a comprehensive redesign have resulted in an enhanced play experience, streamlined onboarding, and instant rewards resulting in an impeccable gamified experience



ONMO

Steadfastly pursued our B2B focus

Successfully launched 10 telcos and in advanced stages of development and confirmation with 15 additional telcos

Introduced thrilling titles such as Hitman Sniper and Lara Croft Go

Achieved a milestone of 450K monthly subscribers

Actively optimizing our product, teams, and processes to efficiently drive expected B2B growth