SMG European Recovery SPAC SE

Société européenne

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2022

Registered office: 9, rue de Bitbourg
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SMG European Recovery SPAC SE

Unaudited interim consolidated financial statements for the period ended 30 June 2022

SMG European Recovery SPAC SE

Interim Management Report
for the period ended 30 June 2022

The Management Board of SMG European Recovery SPAC SE (hereafter the "**Company**") submit its interim management report with the unaudited interim consolidated financial statements of the Company and its subsidiaries (the "**Group**") for the period ended 30 June 2022.

1. Overview

The Company is a special purpose acquisition company (otherwise known as a blank cheque company) incorporated in Luxembourg on 11 June 2021 and registered with the Luxembourg Trade and Companies Register on 17 June 2021. The Company's corporate purpose is the acquisition of one operating business with a principal business operations in a member state of the European Economic Area or the United Kingdom or Switzerland that is based in the real estate-related hospitality sector with a focus on the sub-sector lodging and leisure through a merger, capital stock exchange, share purchase, asset acquisition, reorganization or similar transaction (the "**Business Combination**"). The Company intends to complete the Business Combination using cash from the proceeds of the Private Placement of the class A shares and class A warrants (see below).

2. Review and development of the Group's business and financial position

The Company completed its Private Placement (the "**Private Placement**") on 30 May 2022 through the issuance of 11,500,000 redeemable class A shares with a par value of EUR 0.0417 (the "**Public Shares**") and 5,750,000 class A warrants (the "**Public Warrants**"). The Public Shares are admitted to trading on the Frankfurt Stock Exchange under the symbol "RCVR" on 1 June 2022. Likewise, the Public Warrants are also admitted to trading on the Frankfurt Stock Exchange under the symbol "RCVRW". One Public Share and one-half (1/2) of a Public Warrant (each, a "**Unit**"), were sold at a price of EUR 10 per unit representing a total placement volume of EUR 115 million.

The sponsor of the Company, SMG Holding S.à r.l. (the "**Sponsor**"), Obotritia Capital KGaA (the "**Co-Sponsor"**), as well as certain members of the supervisory board (the "**Supervisory Board Investors**") of the Company have subscribed to 2,875,000 class B shares of the Company. On 25 May 2022, the Sponsor, Co-Sponsors and Supervisory Board Investors also subscribed to an aggregate 6,199,999 class B warrants (the "**Sponsor Warrants**") at a total price of EUR 9,300,000. The class B shares and Sponsor Warrants are not publicly traded securities. The Sponsor, Co-Sponsors and Supervisory Board Investors has agreed to a lock-up period running at least until the Business Combination, subject to customary exceptions described in the Company's prospectus (the "**Prospectus**").

Financial performance highlights
As a blank cheque company, the Group currently does not have an active business. The Group did not generate revenue during the period ended 30 June 2022 and is not expected to generate any operating revenues until after the completion of the Business Combination. The Group's activities for the period ended 30 June 2022 were those necessary to prepare for the Private Placement and the subsequent listing on the Frankfurt Stock Exchange, and, after the listing, to identify a target company for a Business Combination and the potential acquisition, described below. The Group incurred expenses as a result of being a public company (for legal, financial reporting, accounting and auditing compliance).

The net loss of the Group for the period ended 30 June 2022 was EUR 2,539,031, due to the operating expenses, finance costs and net fair value loss on warrants.

Financial position highlights
The Group's main asset accounts refer to the cash in escrow which are the proceeds from the Private Placement, including the additional sponsor subscription to cover the negative interest and overfunding sponsor subscription to cover the redemptions of Public shares or liquidation of the Company after the

expiry of the business combination deadline. Whereas on the liability section, the significant balances refer to redeemable class A shares and class A and B warrants.

3. Principal risk and uncertainties

The Group has analysed the risks and uncertainties to which its business is subject, and the Management Board of the Company has considered their potential impact, their likelihood, controls that the Group has in place and steps the Group can take to mitigate such risks. The Group's principal risks and uncertainties can be summarised as follows:

Risk	Likelihood	Mitigating factors
Benefits not achieved & the liquidation of the Company There is no assurance that the Company will identify suitable Business Combination opportunities by the Business Combination Deadline, which would ultimately lead to the liquidation of the Company.	Low/Medium	The Company believes that the long-standing presence, reputation, visibility, operational experience and extensive network of relationships of the Managing Directors and Supervisory Directors, provides the Company with an advantage in accessing Business Combination opportunities and allow therefore unique access to off-market transactions (i.e. transactions that involve a target business that is not widely known in the market to be available for acquisition) prior to the Business Combination Deadline.
Going concern risk in case of no business combination The Company has incurred fees and expenses associated with preparing and completing the Business Combination. The Company may need to arrange third-party financing and there can be no assurance that it will be able to obtain such financing, which could compel the Company to restructure or abandon the Business Combination.	Low/Medium	The Company is undertaking continuous control and monitoring of expenses incurred in view of its available funding and has engaged reputable service providers to assist with this monitoring. As at the date of this report the Board believes that the Company has sufficient funds to meet the fees and expenditures required for operating its business prior to the closing of the Business Combination.
Accruing third-party financing The Company may need to arrange third-party financing and there can be no assurance that it will be able to obtain such financing, which could compel the Company to restructure or abandon a particular proposed Business Combination.	Medium	The Managing Directors and Supervisory Directors believe that the long-standing experience, reputation and extensive network as entrepreneurs and professional investors has proven the ability to acquire significant funding volumes. Additionally, management is in close consultation with investment banks on the feasibility of an equity raise prior to proposing the Business Combination opportunity to its shareholders.
Legal and regulatory The Company may be adversely affected by changes to the regulations, law, account and general tax environment in Luxembourg and	Low	The Company is undertaking continuous control and monitoring measure of the ongoing legal and regulatory landscape. Moreover, the management and the supervisory board is supported by

Risk	Likelihood	Mitigating factors
Germany as well as the jurisdiction which the target business is subject to.		leading service providers on the respective legal, accounting and tax domains.
Market conditions Adverse events and market conditions, such as the COVID-19 pandemic and the conflict between Russia and Ukraine, might prevent the completion of the Business Combination.	Low	The Company believes that the real estate-related hospitality sector in the European Economic Area (the “EEA Member States”), the United Kingdom or Switzerland has not been materially negatively disrupted by the COVID-19 pandemic. But will incorporate external market condition (including the conflict between Russia and Ukraine) in the selection process of a potential target business.

The other risks surrounding the Group are further disclosed in the Prospectus.

4. Financial risk management objectives and policies

As at 30 June 2022, the Group had EUR 2,445,565 in cash and cash equivalents. The proceeds from the Private Placement, including the additional sponsor subscription and overfunding sponsor subscription, is presented as cash in escrow in the unaudited interim consolidated financial statements, for an amount of EUR 119,435,000.

The Group has a negative equity of EUR 2,507,403 as at 30 June 2022. The Management Board believes that the funds available to the Group outside of the secured deposit account are sufficient to pay costs and expenses incurred by the Group prior to the completion of the Business Combination. The Group has financial instruments which are presented as non-current liabilities which does not impose any liquidity issues to the Group. Certain class B warrants amounting to EUR 3,113,600 (See Note 13.1 to the unaudited interim consolidated financial statements) have no redemption rights or liquidation distribution rights and will expire worthless in case of liquidation. Furthermore, the Class A warrants amounting to EUR 3,737,500 are redeemable at the option of the Company, hence, does not pose any liquidity issues to the Group (See Note 13.2 to the unaudited interim consolidated financial statements).

Beside the above, the Group’s financial risk management policies and objectives remain unchanged compared to what the Group presented in the 31 December 2021 audited consolidated financial statements.

5. Related party transactions

The related party transactions remain the same as in 2021, please see Notes 10, 13.4, and 16 to the unaudited interim consolidated financial statements.

6. Outlook

The Management Board is confident that a suitable target for the Business Combination will be found within the 15-month period from the date of the admission to trading of the Public shares and Public warrants.

7. Events after the reporting period

Since 30 June 2022, no additional significant events have taken place other than those disclosed in Note 18 to the unaudited interim consolidated financial statements.

Luxembourg, 29 September 2022

Dr. Stefan Petrikovics

Chief Executive Officer

Member of the Management Board

George Elling Aase

George Aase

Chief Financial Officer

Member of the Management Board

SMG European Recovery SPAC SE

Responsibility Statement by the Management Board
for the period ended 30 June 2022

The Management Board of the Company reaffirm their responsibility to ensure the maintenance of proper accounting records disclosing the unaudited interim consolidated financial position of the Group with reasonable accuracy at any time and ensuring that an appropriate system of internal controls is in place to ensure that the Group's business operations are carried out efficiently and transparently.

In accordance with Article 3 of the law of 11 January 2008 on transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market, the Group declares that, to the best of our knowledge, the unaudited interim consolidated financial statements for the period ended 30 June 2022, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position as of that date and results for the period then ended.

In addition, management's report includes a fair review of the development and performance of the Group's operations during the interim period and of business risks, where appropriate, faced by the Group.

Luxembourg, 29 September 2022

Dr. Stefan Petrikovics	George Elling Aase George Aase
Chief Executive Officer	Chief Financial Officer
Member of the Management Board	Member of the Management Board

SMG European Recovery SPAC SE

Unaudited interim consolidated statement of comprehensive income for the period ended 30 June 2022

	Note	Period from 1 January 2022 to 30 June 2022 (unaudited) EUR
Revenue		-
Other operating expenses	5	(1,959,075)
Operating loss		**(1,959,075)**
Fair value gain on class B warrants	13.1	3,348,000
Fair value loss on class A warrants	13.2	(3,680,000)
Finance costs	13.3	(248,282)
Other income	13.4	326
Loss before income tax		**(2,539,031)**
Income tax	6	-
Loss for the period		**(2,539,031)**
Other comprehensive income		**-**
Total comprehensive income/(loss) for the period, net of tax		**(2,539,031)**
Earnings/(loss) per share:	7	
Net earnings per share		(0.88)
Diluted earnings per share		(0.88)

**Note: the Group is not yet existing as at 30 June 2021.*

The accompanying notes form an integral part of these unaudited interim consolidated financial statements.

SMG European Recovery SPAC SE

Unaudited interim consolidated statement of financial position as at 30 June 2022

	Note	30 June 2022 (unaudited) EUR	31 December 2021 (audited) EUR
ASSETS			
Non-current assets			
Cash in escrow	8	119,435,000	-
		119,435,000	**-**
Current assets			
Deferred costs	9	-	1,111,859
Loan receivable	10	-	100,500
Receivable from Sponsor	16	85,472	-
Other receivables	16	201,083	56,563
Cash and cash equivalents	11	2,445,565	80,399
		2,732,120	**1,349,321**
Total assets		**122,167,120**	**1,349,321**
EQUITY AND LIABILITIES			
Equity	12		
Share capital		120,000	120,000
Share premium		100,000	-
Warrant reserve		600,000	-
Accumulated deficit		(3,327,403)	(788,372)
Total equity		**(2,507,403)**	**(668,372)**
Non-current liabilities			
Class B warrants at fair value	13.1	5,952,000	-
Class A warrants at fair value	13.2	3,737,500	-
Redeemable Class A shares	13.3	111,279,558	
Loan payable to related party	13.4	-	980,826
		120,969,058	**980,826**
Current liabilities			
Payable to Sponsor	16	22,845	-
Trade and other payables	14	3,682,620	1,036,867
		3,705,465	**1,036,867**
Total liabilities		**124,674,523**	**2,017,693**
Total equity and liabilities		**122,167,120**	**1,349,321**

The accompanying notes form an integral part of these unaudited interim consolidated financial statements.

SMG European Recovery SPAC SE

Unaudited interim consolidated statement of changes in equity for the period ended 30 June 2022

	Notes	Share capital EUR	Share premium EUR	Warrant reserve EUR	Accumulated deficit EUR	Total equity EUR
Balance, 1 January 2022		**120,000**	**-**	**-**	**(788,372)**	**(668,372)**
Capital contribution without issuance of shares	12	-	700,000	-	-	700,000
Issuance of 11,500,000 class A shares, net of transaction costs	12	480,000	110,551,276	-	-	111,031,276
Reclassification of class A shares from equity to liability (IAS 32)	12, 13.3	(480,000)	(110,551,276)	-	-	(111,031,276)
Allocation to warrant reserve	12	-	(600,000)	600,000	-	-
Loss for the period		-	-	-	(2,539,031)	(2,539,031)
Balance, 30 June 2022 (unaudited)		**120,000**	**100,000**	**600,000**	**(3,327,403)**	**(2,507,403)**

**Note: the Group is not yet existing as at 30 June 2021.*

The accompanying notes form an integral part of these unaudited interim consolidated financial statements.

SMG European Recovery SPAC SE

Unaudited interim consolidated statement of cash flows for the period ended 30 June 2022

	Note	Period from 1 January 2022 to 30 June 2022 (unaudited) EUR
Cash flows from operating activities		
Loss before income tax		(2,539,031)
Adjustments for non-cash items:		
Fair value gain on class B warrants	13.1	(3,348,000)
Fair value loss on class A warrants	13.2	3,680,000
Finance cost	13.3	248,282
Changes in working capital:		
Decrease in deferred costs	9	1,111,859
Decrease in loan receivable	10	100,500
Increase in other receivables		(144,520)
Increase in receivable and payable to Sponsor		1,532,547
Increase in trade and other payables	14	2,645,753
Net cash flows from operating activities		**3,287,390**
Cash flows from financing activities		
Capital Contribution without issuance of shares	12	700,000
Proceeds from issuance of class B warrants	13.1	6,724,000
Proceeds from issuance of class A warrants	13.2	57,500
Proceeds from issuance of class A shares, net of Private Placement costs	13.3	111,031,276
Net cash flows from financing activities		**118,512,776**
Net increase in cash and cash equivalents		121,800,166
Restricted cash (Cash in Escrow)		(119,435,000)
Cash and cash equivalents, beginning		80,399
Cash and cash equivalents at end of period	11	**2,445,565**

**Note: the Group is not yet existing as at 30 June 2021.*

The accompanying notes form an integral part of these unaudited interim consolidated financial statements.

SMG European Recovery SPAC SE

Notes to the unaudited interim consolidated financial statements for the period ended 30 June 2022

1. GENERAL INFORMATION

SMG European Recovery SPAC SE (the "Company" or "Parent") was incorporated on 11 June 2021 (date of incorporation per the deed of incorporation as agreed between shareholders in front of the notary) in Luxembourg as a European company (*Société Européenne* or "SE") based on the laws of the Grand Duchy of Luxembourg ("Luxembourg") for an unlimited period. The Company is registered with the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés,* in abbreviated "RCS") under the number B255839 since 17 June 2021.

The registered office of the Company is located at 9, rue de Bitbourg, L-1273 Luxembourg.

The Company's governing bodies are the Management Board, the Supervisory Board and the shareholders' meeting. The Company is managed by its Management Board under the supervision and control of the Supervisory Board. This two-tier governance structure was resolved by an extraordinary shareholders' meeting of the Company held on 13 September 2021. The Management Board is composed of Dr. Stefan Petrikovics (Chief Executive Officer), George Aase (Chief Financial Officer), Liam Doyle (Chief Operating Officer), Werner Weynand (Chief Administration Officer) and René Geppert (the "Management Board"). The Supervisory Board members appointed consists of Anand Tejani, Paul Johnson and Benoît de Belder (the "Supervisory Board").

The Company has 11,500,000 redeemable Class A shares issued and outstanding as at 30 June 2022 which are traded on the regulated market of the Frankfurt Stock Exchange under the symbol "RCVR" since 1 June 2022. Likewise, the Company's 5,750,000 Class A warrants are also traded on the open market of the Frankfurt Stock Exchange under the symbol "RCVRW". The Company also has 2,875,000 class B shares subscribed by the founder and sponsor of the Company, SMG Holding S.à r.l. (the "Sponsor"), Obotritia Capital KGaA (the "Co-Sponsor"), as well as certain members of the supervisory board (the "Supervisory Board Investors"). The Company also issued 6,199,999 class B warrants issued and outstanding that are not listed on any stock exchange as at 30 June 2022.

The Company has been established for the purpose of acquiring one operating business with principal business operations in a member state of the European Economic Area (the "EEA Member States"), the United Kingdom or Switzerland in the form of a merger, capital stock exchange, share purchase, asset acquisition, reorganization or similar transactions (the "Business Combination"). The Company will not conduct operations or generate operating revenue unless and until the Company consummates the Business Combination.

The Company intends to seek a suitable target for the Business Combination in the real estate-related hospitality sector with a focus on the sub-sector lodging and leisure. The Company will have 15 months from the date of the admission to trading to consummate a Business Combination. This period may be extended up to two times in total (for a maximum of 21 months), provided that (i) the period shall extend automatically by three months if the Company signs a letter of intent with a potential seller of a target within the initial 15 months (the "Automatic Extension") and (ii) may be extended, in each case by three months, by resolutions of the Company's general shareholders' meeting (those initial 15 months plus any Extension thereof is referred to as the "Business Combination Deadline"). Otherwise, the Company will be liquidated and distribute substantially all of its assets to its shareholders (other than the Sponsor).

Upon closing of the Business Combination, the above Company's purpose shall cease to apply and the Company's purpose shall as from such time be the creation, holding, development and realisation of a portfolio, consisting of interests and rights of any kind and of any other form of investment in entities in the Grand Duchy of Luxembourg and in foreign entities, whether such entities exist or are to be created, especially by way of subscription, by purchase, sale, or exchange of securities or rights of any kind whatsoever, such as equity instruments, debt instruments as well as the administration and control of such portfolio.

The Company may further grant any form of security for the performance of any obligations of the Company or of any entity in which it holds a direct or indirect interest or right of any kind or in which the Company has invested in any other manner or which forms part of the same group of entities as the Company and lend funds or otherwise assist any entity in which it holds a direct or indirect interest or right of any kind or in which the Company has invested in any other manner or which forms part of the same group of companies as the Company.

The Company may borrow in any form and may issue any kind of notes, bonds and debentures and generally issue any debt, equity and/or hybrid securities in accordance with Luxembourg law.

The Company may carry out any commercial, industrial, financial, real estate or intellectual property activities which it may deem useful in accomplishment of these purposes.

Unlike other forms of companies, a Société Européenne only exists from the date of publication of its statutes with the RCS. Accordingly, the comparative period on these unaudited interim consolidated financial statements of SMG European Recovery SPAC SE and its subsidiaries (collectively the “Group”) were prepared from 17 June 2021 (date of registration of the Company with the RCS) to 31 December 2021. Any act performed and any transaction carried out by the Company between the date of incorporation and the date of registration is considered to emanate from the Company and is therefore included in the unaudited interim consolidated financial statements. In addition, the Company only had subsidiaries as from 30 August 2021, hence there is no available unaudited interim consolidated financial statements as at 30 June 2021 for the Group. These unaudited interim consolidated financial statements of the Group as at 30 June 2022 were authorised for issue in accordance with a resolution of the Management Board on 29 September 2022.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

The Company’s financial year starts on 1 January and ends on 31 December of each year, with the exception of the first financial year which started on 17 June 2021 (date of registration with the RCS) and ended on 31 December 2021.

The interim consolidated financial statements are not audited nor reviewed by independent auditors. The unaudited interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) as adopted by the European Union and on a going concern basis (Note 3). They are also prepared in Euros (EUR) which is the Group’s presentation and functional currency and have been prepared under the historical cost convention, except for financial instruments that are measured at fair value.

2.2. Basis of consolidation

The interim consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2022.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is the presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangements with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the interim consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.3. Summary of significant accounting policies

International accounting standards include IFRS, IAS (International Accounting Standards) and their interpretations (Standing Interpretations Committee) and IFRICs (International Financial Reporting Interpretations Committee).

The repository adopted by the European Commission is available on the following internet site: http://ec.europa.eu/finance/accounting/ias/index_en.htm

a) New standards, amendments and interpretations that were issued but not yet applicable in as at 30 June 2022 and that are most relevant to the Group

- **Amendments to IAS 1 - not yet endorsed by the EU:** Classification of Liabilities as Current or Non-current. In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively.

- **Amendments to IAS 1 and IFRS Practice Statement 2:** Disclosure of Accounting policies. In February 2021, the IASB issued amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for annual periods beginning on or after 1 January 2023.

- **Amendments to IAS 8:** Definition of Accounting Estimate. In February 2021, the IASB issued amendments to help entities to distinguish between accounting policies and accounting estimates. The amendments are effective for annual periods beginning on or after 1 January 2023.

- **Amendments to IAS 12:** Deferred Tax related to Assets and Liabilities arising from a Single Transaction. In May 2021, the IASB amended the standard to reduce diversity in the way that entities account for deferred tax on transactions and events, such as leases and decommissioning obligations, that lead to the initial recognition of both an asset and a liability. The amendments apply for annual reporting periods beginning on or after 1 January 2023 and may be applied early.

The initial application of these standards, interpretations and amendments to existing standards is planned for the period of time from when its application becomes compulsory. Currently, the Management Board anticipates that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial information of the Group.

b) New Standards Issued – effective from 1 January 2022

The Company applied for the first time certain standards, amendments and interpretations which are effective for annual periods beginning on or after 1 January 2022 (unless otherwise stated). The Company has not early adopted any other standard, amendment or interpretation that has been issued but not yet effective.

- **Reference to the Conceptual Framework – Amendments to IFRS 3:** In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

  The IASB also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential ‘day 2’ gains or losses arising from liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

  At the same time, the IASB decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

  The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

- **Amendments to IAS 37:** Onerous Contracts — Cost of Fulfilling a Contract. The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments are effective for annual reporting periods beginning on or after 1 January 2022 with earlier application permitted.

- **Annual improvements to IFRS Standards 2018-2020:** The annual improvements to IFRS consists of amendments to IFRS 1, IFRS 9, IFRS 16, and IAS 41. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 with earlier application permitted.

c) Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the consolidated statement of comprehensive income in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

When the amount of aggregate consideration transferred is in excess of the fair value of the net assets acquired a goodwill is recognized. Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

d) Foreign currencies
These interim consolidated financial statements are presented in EUR, which is the parent's and subsidiaries functional currency and presentation currency.

Transactions denominated in currencies other than the EUR are recorded at the exchange rate at the transaction date.

e) Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Group recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date i.e. the date that the Group commits to purchase or sell the asset.

Financial assets: The Group classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both:

- The entity's business model for managing the financial assets; and
- The contractual cash flow characteristics of the financial asset.

The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit and loss, transaction costs.

Financial assets measured at amortised cost: This is the category most relevant to the Group. A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit and loss when the asset is derecognised, modified or impaired.

The Group includes in this category cash and cash equivalents, cash in escrow, loan receivable and other receivables.

Financial liabilities: The financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or financial liabilities at amortised cost.

The Group's financial liabilities include trade and other payables, loans and borrowings and warrants.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Financial liabilities measured at amortised cost: This is the category most relevant to the Group. After initial recognition, trade and other payables and loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of comprehensive income.

Financial liabilities through profit or loss: Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the consolidated statement of comprehensive income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Derecognition: A financial asset is derecognised when the rights to receive cash flows from the asset have expired or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

Impairment of financial assets: The Group has chosen to apply an approach similar to the simplified approach for expected credit losses (“ECL”) under IFRS 9 to its financial assets. Therefore the Group recognises a loss allowance based on lifetime ECLs at each reporting date. The Group’s approach to ECLs reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

f) Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. The carrying amounts of these approximate their fair value.

For the purpose of the interim consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group’s cash management.

g) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the interim consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

h) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

i) Taxes

Income tax recognized in the consolidated statement of comprehensive income includes current and deferred taxes.

Current tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated statement of comprehensive income.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amount of assets and liabilities in the interim consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Deferred tax assets are tested for impairment on the basis of a tax planning derived from management business plans.

Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

j) Share-based payments

The Management Board is currently assessing whether certain class B shares and class B warrants issued to the Sponsor, Co-Sponsors and Supervisory Board Investors of the Company are to be considered as falling in the scope of IFRS 2. The Management Board will notably adopt its position based on market discussions and/or positions adopted by market players, supervisory authorities and/or standard setters.

In any case, the class B shares and class B warrants do not carry a specified service period, but would be forfeited or otherwise expire worthless if a business combination is not consummated. Therefore, the Sponsor, Co-Sponsors and Supervisory Board Investors only derive the value from the class B shares and class B warrants when they are converted into class A shares upon a successful business combination. Consequently, the grant date of these awards does not occur until the target is approved. As of 30 June 2022, irrespective of the conclusions of the ongoing assessment carried out by the Management Board, no amounts would have had to be accounted for provided that no such approval has occurred.

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognised in as part of other operating expenses in the consolidated statement of comprehensive income, together with a corresponding increase in equity, over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the consolidated statement of comprehensive income for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the recipient of the share-based payment. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these interim consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Actual results and outcomes may differ from management's estimates and assumptions due to risks and uncertainties, including uncertainty in the current economic environment due to the ongoing outbreak of a novel strain of the coronavirus ("COVID-19") and military conflict between Ukraine and Russia.

In December 2019, a COVID-19 outbreak was reported in China, and, in March 2020, the World Health Organization declared it a pandemic. Since being initially reported in China, the coronavirus has spread to over 150 countries. Given the ongoing and dynamic nature of the COVID-19 crisis, it is difficult to predict the impact on the business of potential targets. The extent of such impact will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus or its impact, among others. The ongoing COVID-19 pandemic, the increased market volatility and the potential unavailability of third-party financing caused by the COVID-19 pandemic as well as restrictions on travel and in-person meetings, which may hinder the due diligence process and negotiations, may also delay and/or adversely affect the Business Combination or make it more costly.

Following the military conflict initiated by Russia against Ukraine on 24 February 2022, there has been a significant increase in volatility on the securities and currency markets. It is expected that these events may affect the activities of Russian enterprises in various sectors of the economy. The Management Board continue to monitor the evolving situation and its impact on the financial position and results of the Group. The impact of the war in Ukraine and its implications cannot be quantified at this point in time.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

As at 30 June 2022, the significant areas of estimates, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in these interim consolidated financial statements are:

- Going concern: Despite the EUR 2,507,403 negative equity of the Group as at 30 June 2022, the Management Board decided to prepare these unaudited interim consolidated financial statements on a going concern basis given that certain class B warrants amounting to EUR 3,113,600 (See Note 13.1), which are currently presented as a non-current liability, will not be required to be paid in cash. These class B warrants have no redemption rights or liquidation distribution rights and will expire worthless in case of liquidation. Furthermore, the class A warrants amounting to EUR 3,737,500 (See Note 13.2) are redeemable at the option of the Company, hence, this does not pose any liquidity issues to the Group.

  In addition, the Management Board underlying assumption to prepare the interim consolidated financial statements is based on the anticipated successful completion of the Business Combination.

- Deferred costs: According to the Management Board's underlying assumption of a successful admission to the Frankfurt Stock Exchange, the related amounts incurred as transaction costs as at 31 December 2021 that qualify as incremental costs directly attributable to the Private Placement are deferred until the effects of the Private Placement is reflected in the accounts (See Note 9). These deferred costs were deducted from the proceeds of the Private Placement (See Note 13.3).
- Deferred tax asset: A deferred tax asset in respect of the tax losses incurred has not been recognised as the Management Board estimates uncertainty in terms of future taxable profit against which the Group can utilise the benefits therefrom (See Note 6).
- Classification of Redeemable class A shares: The Management Board assessed the classification of redeemable class A shares in accordance with IAS 32 under which the redeemable class A shares do not meet the criteria for equity treatment and must be recorded as liabilities. The class A shares features certain redemption rights that are considered to be outside of the Company's control and subject to occurrence of uncertain future events. Accordingly, the Company classifies the Redeemable Class A shares as financial liabilities at amortised cost in accordance with IFRS 9. The transaction costs directly attributable to issuance of the redeemable class A shares which are subscribed via private placement ("Private Placement") are deducted against the initial fair value.
- Classification and measurement of Warrants: The Management Board assessed the classification of warrants in accordance with IAS 32 under which the warrants do not meet the criteria for equity treatment and must be recorded as derivatives. Accordingly, the Company classifies the class A warrants and class B warrants as liabilities at their fair value and adjust them to fair value at each reporting period. This liability is subject to re-measurement at each balance sheet date until exercised, and any change in fair value is recognized in the consolidated statement of comprehensive income. The fair value of class A warrants is determined based on its quoted market price or independently valued using a combination of Monte Carlo and Binomial Tree valuation model for periods when there are no observable trades, as of each relevant date. Likewise, the class B warrants which are not listed to the stock exchange are also independently valued using a combination of Monte Carlo and Binomial Tree valuation model to determine its fair value.
  - Class B shares and warrants as share-based payments: The Management Board is currently assessing whether certain class B shares and warrants issued to the Sponsor of the Company are to be considered as falling in the scope of IFRS 2. The Management Board will notably adopt its position based on market discussions and/or positions adopted by market players, supervisory authorities and/or standard setters.

In any case, the class B shares and class B warrants do not carry a specified service period, but would be forfeited or otherwise expire worthless if a business combination is not consummated. Therefore, the Sponsors and the Co-Sponsors only derive the value from the class B shares and class B warrants when they are converted into class A shares upon a successful business combination. Consequently, the grant date of these awards does not occur until the target is approved. As of 30 June 2022, irrespective of the conclusions of the ongoing assessment carried out by the Management Board, no amounts would have had to be accounted for provided that no such approval has occurred.

4. GROUP INFORMATION

The interim consolidated financial statements of the Group include the Company, SMG SPAC Advisors GmbH & Co. KG ("SMG SPAC Advisors KG"), formerly Drachenfelssee 1177. Vermögensverwaltungs GmbH & Co. KG and SMG SPAC Advisors Verwaltungs GmbH ("SMG SPAC Advisors GmbH"), formerly Drachenfelssee 1177. VV GmbH

Subsidiaries

The wholly-owned subsidiaries of the Group as at 30 June 2022 are SMG SPAC Advisors KG and SMG SPAC Advisors GmbH. SMG SPAC Advisors KG is a German limited partnership managed by SMG SPAC Advisors GmbH as its general partner.

The Company acquired SMG SPAC Advisors GmbH and SMG SPAC Advisors KG for an amount of EUR 30,500 on 30 August 2021, which included cash balances of EUR 25,500, and acquisition related costs of EUR 5,000. The acquisition related costs have been recognized in the interim consolidated statement of comprehensive income.

The purchase price for the acquisition is funded by the Sponsor through the Loan payable to a related party (See Note 13.4). The acquired companies are companies with no business. Consequently, the acquisition has been accounted as acquisitions of assets that do not constitute a business combination.

The parent company

The parent company of the Group is SMG European Recovery SPAC SE.

Segment information

The Group is currently organised as one reportable segment. The Group has been deemed to form one reportable segment as the Parent and its subsidiaries have been established together for the purpose of acquiring one operating business i.e. the Business Combination (See Note 1).

5. OTHER OPERATING EXPENSES

The other operating expenses of EUR 1,959,075 consist of fees for accounting, legal and other professional fees not related to the Private Placement. Directors' fees included in other operating expenses amount to EUR 198,053 as at 30 June 2022.

The Company did not have any employees during the period ended 30 June 2022.

6. INCOME TAXES

The reconciliation between actual and theoretical tax expense is as follows:

	Period from 1 January 2022 to 30 June 2022 (unaudited) EUR
Loss for the period before tax	(2,539,031)
Theoretical tax charges, applying the tax rate of 22.80%	(578,899)
Tax effect of adjustments from local GAAP to IFRS[1]	(505,951)
Unrecognized deferred tax assets	1,084,850
Income tax	**-**

The tax rate used in the reconciliation above is the Luxembourgish tax rate (22.80%) as the Company is domiciled in Luxembourg. Deferred tax assets have not been recognised in respect of the loss incurred during the period ended 30 June 2022 because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom. Unused tax losses of the Company can be used within a period of 17 years as per Luxembourg tax law.

7. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share ("EPS") is calculated by dividing the profit/(loss) for the period by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is calculated by dividing the profit/(loss) for the period by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the income and share data used in the basic and diluted EPS calculations:

	Period from 1 January 2022 to 30 June 2022 (unaudited)
Loss for the period	(EUR 2,539,031)
Weighted average number of ordinary shares for EPS	2,875,000
Basic and diluted EPS	(EUR 0.88)

[1] Income taxes payable to / recoverable from the tax authorities are determined based on the financial results of SMG European Recovery SPAC SE and its subsidiaries as shown in their stand-alone financial statements prepared in local GAAP. Hence adjustments from local GAAP to IFRS may lead to higher / lower taxable result in the consolidated financial statements as compared to that determined based on the stand-alone financial statements.

	Period from 1 January 2022 to 30 June 2022 (unaudited)
Number of potential ordinary shares which are antidilutive:	
Redeemable Class A shares	11,500,000
Warrants (Class A and B)	11,949,999
Total	23,449,999

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these unaudited interim consolidated financial statements.

8. CASH IN ESCROW

Cash in escrow of EUR 119,435,000 (31 December 2021: nil) consists of the gross proceeds on the Private Placement, Additional Sponsor Subscription and Overfunding Sponsor Subscription. The cash held in escrow from the Additional Sponsor subscription is used to cover the negative interest on the escrow whereas the Overfunding Sponsor Subscription will be used to provide additional funds in case of the liquidation of the Company after expiry of the Business Combination Deadline, or in case of redemptions of class A shares in the context of a Business Combination (See Note 13.1). The cash held in escrow from the gross proceeds on the Private Placement is set aside to pay the following, in case of Business Combination: i) payment of class A shares for which the redemption right was exercised, net of any interest, fees and taxes, ii) fixed deferred listing commission and if any, discretionary deferred listing commission (See Note 17), and iii) any remainder values will be returned to the Company.

If the Company does not consummate a Business Combination, the amounts standing on the escrow will be returned to the Company, and eventually to the holders of class A shares for the portion of the proceeds on the Private Placement, net of any interest, fees and taxes.

The fair value of cash in escrow approximates its carrying value as at 30 June 2022 (level 3).

9. DEFERRED COSTS

Deferred costs in the amount of EUR 1,111,859 as at 31 December 2021 pertained to legal costs and audit fees incurred by the Company in relation to the public offering. During the financial period, these costs, together with other Private Placement related costs, were offset against the proceeds of the planned Private Placement (See Note 13.3).

10. LOAN RECEIVABLE

On 5 July 2021, the Company provided a loan to the Chief Executive Officer for an amount of EUR 119,500. The loan is without interest and repayable on 5 July 2022. The balance of the loan amounts to EUR 100,500 as at 31 December 2021 and has been fully repaid as at 30 June 2022. The fair value of loan receivable approximates its carrying value as at 31 December 2021 (level 3).

11. CASH AND CASH EQUIVALENTS

The amount of cash and cash equivalents was EUR 2,445,565 as at 30 June 2022 (31 December 2021: EUR 80,399).

The fair value of cash and cash equivalents (level 3) approximate its carrying value as at 30 June 2022 and 31 December 2021.

12. ISSUED CAPITAL AND RESERVES

Share capital – Class B shares

As at 31 December 2021, the subscribed share capital amounts to EUR 120,000 consisting of 12,000,000 class B shares without nominal value. The company may also issue class A Shares.

On 23 May 2022, following the extraordinary general meeting of shareholders the Company created two share classes within the class B shares and converted the existing 12,000,000 class B shares into 1,437,500 class B1 shares without nominal value and 1,437,500 class B2 shares without nominal value.

Upon and following the completion of the Business Combination, the class B shares existing at that point in time shall convert into class A shares in accordance with the conversion schedule (the "Promote Schedule" in the "Glossary" of the Prospectus).

The class B shares will only have nominal economic rights (i.e., reimbursement of their par value, at best, in case of liquidation). The class B shares shall not be part of the contemplated Private Placement and will not be listed on a stock exchange.

Share capital – Class A shares

On 30 May 2022, the Company issued 11,500,000 redeemable class A shares with a par value of approximately EUR 0.042 per share, together with class A warrants (together, a "Unit") for an aggregate price of EUR 10 per Unit, the nominal subscription price per Class A warrant being EUR 0.01. The total proceeds allocated to class A shares, with the share premium amounts to EUR 111,031,276 after Private Placement costs of EUR 3,911,224. Because the class A shares are redeemable under certain conditions, the Management Board concluded that the class A shares do not meet the definition of an equity instrument as per IAS 32. Hence, the Class A shares are considered as debt instruments (See Note 3).

Share premium

On 25 May 2022, it was resolved to raise additional funding to the Company in the form of an equity contribution in cash without the issuance of new shares (account 115 of the standard chart of accounts) for a total amount of EUR 700,000 in order to cover for operating expenses.

On 27 May 2022, the Management Board resolved to allocate EUR 600,000 from the distributable reserve (share premium), in accordance with the articles of association to the warrant reserve (see below).

Authorised capital

As at 30 June 2022, the authorized capital, excluding the issued share capital, of the Company is set at EUR 6,520,002 consisting of 156,208,387 shares without nominal value.

Legal reserves

The Company is required to allocate a minimum of 5% of its annual net profit to a legal reserve, until this reserve equals 10% of the subscribed share capital. This reserve may not be distributed.

Warrant reserve

Pursuant to Article 31 of the amended Articles of Association, the Management Board shall create a specific reserve in respect of the exercise of any class A warrants or class B warrants issued by the Company (the "Warrant Reserve") and allocate and transfer sums contributed to the share premium and/or any other distributable reserve of the Company to such Warrant Reserve. The Management Board may, at any time, fully or partially convert amounts contributed to such Warrant Reserve to pay for the subscription price of any class A Shares to be issued further to an exercise of class A warrants or class B warrants issued by the Company. Only in case of failure by the Company to secure a Business Combination before the expiry of the Business Combination Deadline, the Warrant Reserve may be used for redemption of class A shares, in case where other available reserves are not sufficient. The Warrant Reserve is not distributable or convertible prior to the exercise, redemption or expiration of all outstanding class A warrants and class B warrants and may only be used to pay for the class A shares issued pursuant to the exercise of such class A warrants and class B warrants; thereupon, the Warrant Reserve will become a distributable reserve.

As at 30 June 2022, EUR 600,000 has been allocated to warrant reserve from Share premium.

13. NON-CURRENT LIABILITIES

13.1 *Class B warrants at fair value*

	No. of class B warrants	30 June 2022 (unaudited) EUR	31 December 2021 (audited) EUR
Sponsor Capital At-Risk	3,243,333	3,113,600	-
Additional Sponsor Subscription	656,666	630,400	-
Overfunding Sponsor Subscription	2,300,000	2,208,000	-
Total	**6,199,999**	**5,952,000**	**-**

On 25 May 2022, the Sponsor, Co-Sponsor and the Company entered into a Sponsor Warrant Purchase Agreement. The Sponsor and the Co-Sponsor agreed, to initially subscribe to class B warrants as follows:

- 3,243,333 class B warrants at a price of EUR 1.50 per warrant or EUR 4,865,000 in total for the sponsor capital at-risk (the “Sponsor Capital At-Risk”);
- 656,666 class B warrants at a price of EUR 1.50 per warrant or EUR 985,000 in total for the additional sponsor subscription (the “Additional Sponsor Subscription”) and;
- 2,300,000 class B warrants at a price of EUR 1.50 per warrant or EUR 3,450,000 in total for the overfunding sponsor subscription (the “Overfunding Sponsor Subscription”).

An amount of EUR 78,332 presented as part of Receivable from Sponsor in the interim consolidated statement of financial position refers to the remaining subscription price of the class B warrants. On the same date, the Sponsor transferred 1,302,000 class B warrants to the Supervisory Board Investors.

The Sponsor agreed to set off EUR 2,497,668 of the Loan (See Note 13.4) against the subscription price of the class B warrants under the Sponsor Capital-At-Risk. The Sponsor Capital At-Risk is used to finance the Company's working capital requirements (including due diligence costs in connection with the Business Combination) and Private Placement and listing expenses, except for the deferred listing commission which will be paid from the escrow account. The Additional Sponsor Subscription is used to cover the negative interest on the escrow account. The Overfunding Sponsor Subscription will be used to provide additional funds to cover the liquidation of the Company after the expiry of the Business Combination Deadline or in case of redemptions of class A shares in the context of a Business Combination, for a redemption per class A share of up to (i) EUR 10.30 in case no extension has occurred, (ii) EUR 10.40 in case one extension has occurred and (iii) EUR 10.50 in case two extensions have occurred.

For any excess portion of the Additional Sponsor Subscription or Overfunding Sponsor Subscription remaining after the consummation of the Business Combination and the redemption of class A shares, the Sponsor may elect to either (i) request repayment of the remaining cash portion of the Additional Sponsor Subscription or the Overfunding Sponsor Subscription by redeeming the corresponding number of class B warrants subscribed for under the Additional Sponsor Subscription or the Overfunding Sponsor Subscription or (ii) not to request repayment and to keep the class B warrants subscribed for under the Additional Sponsor Subscription or the Overfunding Sponsor Subscription.

Furthermore, with respect to the Additional Sponsor Subscription, if the negative interest payable under the escrow account has been reduced due to a change in the interest rate on deposits set by European Central Bank, the Sponsor may request from the escrow agent that a portion of the proceeds from the Additional Sponsor Subscription reflecting the amount by which the negative interest has been overfunded in respect of such period shall either be (i) repaid to the Sponsor against redemption of the corresponding number of class B warrants subscribed for under the Additional Sponsor Subscription or (ii) paid to the Company for working capital purposes.

Each class B warrants entitles its holder to subscribe for one class A share, with a stated exercise price of EUR 11.50.

On the issue date, the fair value of class B warrants are determined to be EUR 1.06 per warrant using a combination of Monte Carlo and Binomial Tree valuation model (level 3). The breakdown are as follows:

- Class B warrants issued as Sponsor Capital At-Risk is valued at EUR 3,437,933;
- Class B warrants issued as Additional Sponsor Subscription is valued at EUR 696,067; and
- Class B warrants issued as Overfunding Sponsor Subscription is valued at EUR 2,438,000.

The above valuation resulted in the recognition of a day-one gain of EUR 2,728,000.

As at 30 June 2022, the fair value of class B warrants are determined to be EUR 0.96 per warrant using a combination of Monte Carlo and Binomial Tree valuation model (level 3). The breakdown are as follows:

- Class B warrants issued as Sponsor Capital At-Risk is valued at EUR 3,113,600;
- Class B warrants issued as Additional Sponsor Subscription is valued at EUR 630,400; and
- Class B warrants issued as Overfunding Sponsor Subscription is valued at EUR 2,208,000.

The above valuation resulted in the recognition of fair value gain of EUR 620,000 from the period from the issue date to the closing date, and a net fair value gain of EUR 3,348,000 from 1 January 2022 to

30 June 2022. The significant inputs to the valuation model include the contractual terms of the warrants (i.e. exercise price, maturity), risk-free rates of German government bonds , volatility of the Company's potential target peers and volatility of the warrants by reference to traded warrants issued by similar listed special purpose acquisition companies.

Class B warrants are identical to the class A warrants underlying the Units sold in the Private Placement, except that the class B warrants are not redeemable and may always be exercised on a cashless basis while held by the Sponsor or their Permitted Transferees (defined in the prospectus). Class B warrants are not part of the Private Placement and are not listed on a stock exchange.

13.2 *Class A warrants at fair value*

On 30 May 2022, the Company issued 5,750,000 class A warrants (the "Class A warrants") together with the class A shares (together, a "Unit") for an aggregate price of EUR 10 per Unit, the nominal subscription price per Class A warrant being EUR 0.01. Hence, total proceeds in relation to the issue of the warrants amount to EUR 57,500. Class A warrants has International Securities Identification Number ("ISIN") LU2380751656. Each Class A warrants entitles its holder to subscribe for one Class A share, with a stated exercise price of EUR 11.50, subject to customary anti-dilution adjustments. Holders of Class A warrants can exercise the warrants on a cashless basis unless the Company elects to require exercise against payment in cash of the exercise price.

On the issue date, the fair value of Class A warrants was estimated at EUR 4,082,500 (EUR 0.71 per warrant) using a combination of Monte Carlo and Binomial Tree valuation model (level 3), resulting in the recognition of a day-one loss of EUR 4,025,000.

As at 30 June 2022, the fair value of Class A warrants was estimated to be EUR 3,737,500 (EUR 0.65 per warrant) using a combination of Monte Carlo and Binomial Tree valuation model (level 3), resulting in the recognition of fair value gain of EUR 345,000 for the period from issue date to closing date and a net fair value loss of EUR 3,680,000 for the period from 1 January 2022 to 30 June 2022. The significant inputs to the valuation model include the contractual terms of the warrants (i.e. exercise price, maturity), risk-free rates of German government bonds , volatility of the Company's potential target peers and volatility of the warrants by reference to traded warrants issued by similar listed special purpose acquisition companies.

Class A warrants may only be exercised for a whole number of class A shares. Class A warrants will become exercisable 30 days after the completion of a Business Combination. Class A warrants will expire five years from the date of the consummation of the Business Combination, or earlier upon redemption or liquidation. The Company may redeem Class A warrants upon at least 30 days' notice at a redemption price of EUR 0.01 per Class A warrant if (i) the closing price of its class A shares for any 20 out of the 30 consecutive trading days following the consummation of the Business combination equals or exceeds EUR 18.00 or (ii) the closing price of its class A shares for any 20 out of the 30 consecutive trading days following the consummation of the Business Combination equals or exceeds EUR 10.00 but is below EUR 18.00, adjusted for adjustments as described in the section of redemption of warrants in the prospectus. Holders of Class A warrants may exercise them after the redemption notice is given.

13.3 *Redeemable class A shares*

On 30 May 2022, the Company issued 11,500,000 redeemable class A shares (the "Class A shares") with a par value of EUR 0.0417, with ISIN code LU2380749676. The Class A shares are issued together with the Class A warrants (together, a "Unit") for an aggregate price of EUR 10 per Unit. Holders of Class A shares are entitled to one vote for each share. On the issue date, the redeemable Class A shares is measured at amortised cost valued at EUR 111,031,276, net of transaction costs amounting to EUR 3,911,224.

Transaction costs are incremental costs that are directly attributable to the issuance of the Class A shares and its subsequent listing to the Frankfurt Stock Exchange were deducted from its initial fair value. The transaction costs includes Listing Fee (See Note 17), legal fees, audit fees, accounting and administration fees, and CSSF fees.

As at 30 June 2022, the amortized cost of the redeemable Class A shares amounts to EUR 111,279,558 after amortisation of EUR 248,282 calculated using the EIR method. This amortization is presented as part of finance cost in the consolidated statement of comprehensive income. The fair value of Redeemable Class A shares is EUR 111,435,000 based on its quoted price (level 1) as at 30 June 2022 (31 December 2021: nil).

Class A Shareholders may request redemption of all or a portion of their Class A shares in connection with the Business Combination, subject to the conditions and procedures set forth in the Articles of Association. Class A shares will only be redeemed under the following conditions, (i) the Business Combination is approved by the general meeting of shareholders and subsequently consummated, (ii) a holder of Class A shares notifies the Company of its request to redeem a portion or all of its Class A shares in writing by completing a form approved by the Management Board for this purpose that will be included with the convening notice for the general meeting of shareholders and such notification is received by the Company not earlier than the publication of the notice convening the general meeting of shareholders for the approval of the Business Combination and (iii) the holder of Class A shares transfers its Class A shares to a trust depositary account specified by the Company and/or blocked on the account of the redeeming shareholder, (ii) and (iii) both not later than two business days prior to the date of the general meeting of shareholders convened for the purpose of approving the Business Combination.

Each Class A share that is redeemed shall be redeemed in cash for a price equal to the aggregate amount on deposit in the escrow account related to the proceeds from the Private Placement of the Class A shares and warrants, divided by the number of the then outstanding Class A Shares, subject to (i) the availability of sufficient amounts on the escrow account and (ii) sufficient distributable profits and reserves of the Company.

Because the Class A are redeemable under certain conditions, the Management Board concluded that the Class A shares do not meet the definition of an equity instrument as per IAS 32. Hence, the Class A shares are considered as debt instruments (See Note 3).

13.4 *Loan payable to related party*

The Company as the borrower concluded a loan agreement with the Sponsor with effect on 17 June 2021 (“Loan”). A loan amount of up to EUR 1,000,000 has been granted to the Company. Interest accrues at the rate of 2.00% per annum on the outstanding principal amount of the Loan from the date of the agreement, until the Loan is fully repaid. The Loan is repayable one year after the end of the Availability Period, as defined in the agreement, or any other date on which the parties may mutually agree on writing. An addendum to the original Loan contract has been signed on 18 February 2022 to increase its amount to EUR 1,500,000 and further amended on 3 May 2022 to increase the Loan to EUR 2,500,000.

On 25 May 2022, the outstanding balance of the Loan amounted to EUR 2,497,668 (31 December 2021: EUR 980,826). Total interest expense and accrued during the period amounted to EUR 11,707. The outstanding balance was set off against the subscription price of the class B warrants (See Note 13.1). Consequently, the loan agreement was terminated and any interest accrued on the loan amounting to EUR 12,033 was waived by the Sponsor. The net amount on the interest expense and the accrued interest waived is presented as Other income in the interim consolidated statement of comprehensive income.

The fair value of loan payable to related party (level 3) approximate its carrying value as at 31 December 2021.

14. TRADE AND OTHER PAYABLES

Trade and other payables amount to EUR 3,682,620 (31 December 2021: EUR 1,036,867) as at 30 June 2022.

Trade and other payables are related to legal and other services received by the Group. The carrying amounts of these approximate their fair value (level 3) as at 30 June 2022 and 31 December 2021.

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group consists of newly formed companies that have conducted no operations and currently generated no revenue. They do not have any foreign currency transactions. Hence, currently the Group does not face foreign currency risks nor any interest rate risks as the financial instruments of the Group bear a fixed interest rate.

Liquidity risks

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Company has completed its Private Placement and listing on the Frankfurt Stock exchange. The proceeds from the Private Placement as well as the Additional Sponsor Subscription and Overfunding Sponsor Subscription is deposited in an escrow account. The amount held in the escrow account will only be released in connection with the completion of the Business Combination or the Company's liquidation. As at 30 June 2022, the Management Board believes that the funds available to the Group outside of the secured deposit account are sufficient to pay costs and expenses incurred by the Group prior to the completion of the Business Combination. Furthermore, the Group has financial instruments which are presented as non-current liabilities which does not impose any liquidity issues to the Group. The class B warrants amounting to EUR 3,113,600 (See Note 13.1) have no redemption rights or liquidation distribution rights and will expire worthless in case of liquidation. Furthermore, the Class A warrants amounting to EUR 3,737,500 are redeemable at the option of the Company (See Note 13.2) hence, does not pose any liquidity issues to the Group.

Capital management

The Management Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. In order to meet the capital management objective described above, the Group has raised funds through a Private Placement reserved to certain qualified investors inside and outside of Germany, and had the Class A shares and Class A warrants issued in the context of this Private Placement admitted to listing and trading on the Frankfurt Stock Exchange. The above-mentioned financial instruments issued as part of this Private Placement represent what the entity is managing as capital, although these instruments are considered as debt instruments from an accounting standpoint.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is currently exposed to credit risk from its financing activities, including deposits with banks and financial institutions. No specific counterparty risk is being assessed as cash and cash equivalents are mostly deposited with a P-1 (Moody's) or A-2 (S&P's) rated bank.

16. RELATED PARTIES DISCLOSURES

Parties are considered to be related if one party has the ability to control the other or exercise significant influence over the other party in making financial or operational decisions.

Terms and conditions of transactions with related parties

Other receivables amounting to EUR 201,083 (31 December 2021: EUR 56,563) refers to payments of invoices made on behalf of a related entity. The Group also has a receivable due from the Sponsor amounting to EUR 85,472 for the remaining value of the warrants subscription price (See Note 13.1) as well as payments of invoices on behalf of the Sponsor. The payable due to Sponsor amounting to EUR 22,845 refers to expenses paid by the Sponsor on behalf of the Company.

Please also see notes 10 and 13.4 for the remaining related party balances as at 30 June 2022 and 31 December 2021. There have been no guarantees provided or received for any related party receivables or payables as at 30 June 2022.

Commitments with related parties

There are no commitments with related parties as at 30 June 2022, except those already disclose in these interim consolidated financial statements.

Transactions with key management personnel

There are no advances or loans granted to members of the Management Board as at 30 June 2022, except for the ones disclosed herein and in Note 10.

The Management Board and Supervisory Board members received remuneration during the period ended on 30 June 2022 as disclosed in Note 5.

17. COMMITMENTS AND CONTINGENCIES

The following agreements were entered by the Company in the context of the Private Placement:

a. On 24 May 2022, the Company entered into a fee letter with ELF European Lending Fund I SCSp SICAV-RAIF for facilitating the loan facility provided by ELF Fund. Under this agreement, the Company paid a fee of 1.75% of the amount investment by SMG SPAC Investment S.à rl. (the "Sponsor Investment") on the date of the completion of the Private Placement. This fee was paid from the Sponsor Capital At-Risk. On the date of the consummation of the Business Combination, the Company will pay ELF Fund a fee of 3.5% on the Sponsor Investment.

b. On 25 May 2022, the Company entered into an underwriting agreement with Barclays Bank Ireland PLC as the Sole Global Coordinator and Joint Bookrunner, and ABN AMRO Bank N.V. as Joint

Bookrunner. Under this agreement, the Company paid a Listing Fee of 1.75% of the gross proceeds from the Private Placement on the date of the completion of the Private Placement and a Deferred Listing Commission of 3.5% on the gross proceeds from the Private Placement on the completion of the Business Combination.

c. On 25 May 2022, the Company entered into a fee letter with Alpine Consulting B.V.. Under this agreement, the Company paid a fee of 1.75% of the gross proceeds from the Private Placement raised from investors initially contacted by Alpine Consulting on the date of the completion of the Private Placement. This fee was paid from the Sponsor Capital At-Risk. On the date of the consummation of the Business Combination, the Company will pay a fee of 3.5% on the gross proceeds from the Private Placement raised from investors initially contacted by Alpine Consulting.

The Group has no other commitments and contingencies as at 30 June 2022.

18. EVENTS AFTER THE REPORTING PERIOD

There are no other events or conditions after the reporting period requiring disclosure in or adjustment to the interim consolidated financial statements.