Interim report Q1 2020

+16.2%

Net revenue increase vs Q1 2019

4.7%

Adjusted EBITDA margin

Highlights of Q1 2020

- Net revenue amounted to EUR 48.0m, an increase of 16.2% compared to Q1 2019 (EUR 41.3m)
- Adjusted EBITDA amounted to EUR 2.2m, an increase of 25.1% compared to Q1 2019 (EUR 1.8m), corresponding to an adjusted EBITDA margin of 4.7% (4.3% in Q1 2019)
- EBIT amounted to EUR (2.0m), corresponding to an EBIT margin of (4.2%)
- Net profit (including minorities) amounted to EUR (6.0m)
- Net cash flow from operating activities amounted to EUR 4.0m
- In Q1 2020, Azerion acquired full ownership of Spil Games, following the acquisition of the mobile division of Spil Games in 2019, together with a 5% stake in the portals business. Furthermore, Azerion acquired the leading digital ad experts Collective Media Europe from TI Media
- ARPU D30 for Governor of Poker increased to EUR 0.96 as at Q1 2020, an increase of 23.1% compared to Q4 2019

Financial highlights

Income statement (EURm)	Q1 2020	Q1 2019
Net revenue	**48.0**	**41.3**
yoy net revenue growth	*16.2%*	-
Adjusted EBITDA	**2.2**	**1.8**
Adjusted EBITDA margin	*4.7%*	*4.3%*
EBIT	**(2.0)**	-
EBIT margin	*(4.2%)*	-
Net profit	**(6.0)**	-
Net cash flow from operations	**4.0**	-

Message from our CEO's

"The first quarter of 2020 has been an unprecedented quarter, primarily because of the Covid-19 pandemic that has impacted much of the world and many countries we conduct our business in. From the beginning we have taken Covid-19 very seriously and have used the full capacity of our organisation to ensure the safety of our employees and their families, our clients and our business operations. An immediate work-from-home policy was implemented following country lock-downs. We have worked closely and tirelessly with our country teams to ensure everyone's safety and business continuity. We are proud that in these challenging times we managed to minimise the disruption on our business.

Against this backdrop we are delighted with the solid operational and financial performance during the first quarter, which highlights the resilience of our business model. Compared to Q1 2019, our net revenue increased by 16.2% to EUR 48.0m and our adjusted EBITDA increased to EUR 2.2m from EUR 1.8m. The growth is driven by the Content and AdTech segments.

The Content segment grew by 32%, or EUR 4.2m, mainly driven by a combination of healthy organic growth combined with acquisitive growth. In addition, we launched exciting new subscription offerings, continued to add new features to a number of our titles, which were excellently received by our users and increased our MAUs and gameplays on the back of Covid-19.

The AdTech segment grew by 26%, or EUR 4.1m, mainly driven by an increased publisher base. It is very encouraging to see that after a period of integration, we have now been able to show an impressive increase of 139% in our Active Publisher base between the first quarter of 2019 and the first quarter of 2020.

The adverse impact of the Covid-19 pandemic is mostly apparent in our AdSales segment, however. This is driven by our client's decisions to significantly decrease their advertising budgets, starting in March. Consequently, the AdSales segment shows a decrease of EUR (1.6m) in net revenue and a decrease in adjusted EBITDA of EUR (0.8m) between the first quarter of 2019 and the first quarter of 2020. The pandemic has unfortunately forced us to align our organisational set-up with this new reality.

It is our firm believe that a healthy capital structure supports our business operations and our strategic objectives. Our strong operating performance and cash flow generation has enabled us to successfully place a EUR 60m bond issue in the Nordic market in March. Against increased capital markets turbulence, we generated strong interest for our offering and no other offerings have been placed successfully in the Nordic market from then until the end of April. The proceeds of the issue are used for a share buy-back program, balance sheet strengthening and future acquisitions.

Finally, we acquired the gaming portals business of Spil Games (of which we now have complete ownership) and the digital advertising company Collective Media. We welcome these companies as part of our company and look forward to integrating them into our Ecosystem to deliver exciting products and solutions to our users and clients.

We remain committed to executing persistently on our growth strategy, despite the circumstances. Our organisation has demonstrated it has the ability to adapt smoothly to unique conditions and we would like to thank all our employees, business relations and our clients for their contribution in this regard during the first quarter of 2020."

Atilla Aytekin and Umut Akpinar

CEO's and Founders of Azerion

Financial overview Q1 2020

Net revenue

EUR 48.0m

Net revenue Q1 2020

Azerion's consolidated net revenue for the period amounted to EUR 48.0m, an increase of 16.2% (equivalent to EUR 6.7m) compared to Q1 2019. EUR 4.2m of the increase is on account of Content's consolidated acquisitions and accelerated organic growth trajectory; EUR 4.0m was delivered by AdTech, which, after a year of restructuring and consolidation, was able to increase the number of publishers internationally. AdSales accounts for EUR (1.6m), mainly driven by the impact of Covid-19 during March 2020 in the segment.

Earnings

EUR 2.2m

Adjusted EBITDA Q1 2020

Adjusted EBITDA margin amounted to 4.7% (EUR 2.2m) from 4.3% (EUR 1.8m) in the first quarter of 2019. This increase in adjusted EBITDA comes on the back of Content growth. Non-recurring items amounted to EUR 0.8m (EUR 0.0m in Q1 of 2019) and mainly include acquisition expenses, capital market expenses and transition costs.[1]

Azerion's cost base is dominated by COGS and personnel expenses, resulting in a highly variable cost structure with good flexibility to reduce costs and preserve EBITDA should net revenue decline. At 66% of net revenue, COGS increased slightly compared to Q1 2019 (64%), driven by an increased implied net revenue contribution of AdTech in Azerion's total net revenue (from 38% to 41%). However, it remained stable compared to the full year 2019. Opex amounted to 31% of net revenue in Q1 2020, relatively flat compared to Q1 of 2019 (32%).

Azerion capitalises some of its development costs, primarily relating to developers' time devoted to create games, platforms and other new features. EUR 2.3m was activated in Q1 2020, equivalent to 18% of personnel expenses.

EBIT amounted to EUR (2.0m) and included depreciation and amortisation totaling EUR 3.4m.

Net profit for the year amounted to EUR (6.0m).

Cash flow

The Group's cash flow from operating activities totalled EUR 4.0m. Net working capital contributed with EUR 4.1m driven by volume increase both in accounts receivable and short term liabilities.

Cash flow from investing activities totalled EUR (17.7m). EUR 2.2m was driven by R&D capex, EUR 7.7m on account of acquisitions made in Q1 (Spil Games and Collective Media) and EUR 3.2m was driven by IFRS16 adjustments.

Cash flow from financing activities totalled EUR 13.5m, mainly driven by the new bond issuance in March 2020. As a result, the cash flow for Q1 2020 was slightly negative and ended at EUR (0.3m), resulting in a cash and cash equivalent position of EUR 9.6m.

Capex

Maintenance capex R&D for Q1 2020 amounted to EUR 0.2m. Expansion capex R&D amounted to EUR 2.0m. R&D capitalisation is driven by continuous investments in Content development, a core activity to support innovation in our portfolio. The capex within intangible assets is driven by two acquisitions during the quarter, Spil Games and

[1] Adjusted EBITDA amounts to EUR 2.2m. Adjusted EBITDA with a 10% cap on non-recurring adjustments, as per the bond terms and conditions dated 9 March 2020, amounts to EUR 2.1m

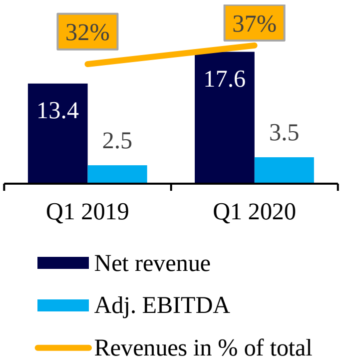
Collective Media. The movement in tangible asset capex is driven by the company-wide implementation of IFRS16 accounting standards, impacting lease obligation accounting.

Net interest-bearing debt

Azerion’s net interest-bearing debt amounted to EUR 62.9m, as per 31-Mar-2020. Interest-bearing debt mainly comprises the Company's outstanding bond loan with a nominal value of EUR 60m and an invoice lending agreement, less the cash and cash equivalents position of EUR 9.6m.

Segment information

Content



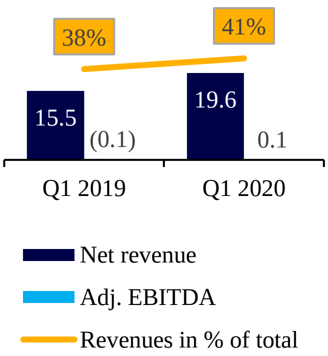
The Content segment continued to perform well in the first quarter. This is partly driven by ongoing organic growth on the back of Azerion's attractive content portfolio and monetisation efforts, and partly by the positive effects that Covid-19 has on gaming user volumes. As such, Content's MAU increased with 38% and DAU for some of our titles increased as much as 40%. As countries entered various levels of lock-downs in March, in general people were confined to their homes, which substantially increased gaming traffic as well as time spent playing games across platforms and products. In conjunction with this, we observed an increase in in-app revenues at the expense of advertising gaming revenues which drove ARPU upwards. Consequently, we have increased our focus on in-app monetisation during the quarter and because all our titles turned profitable (or at least break-even) during 2019, this in-app revenue growth contributed strongly to our adjusted EBITDA.

Commercial highlights for the quarter include a signed partnership in February with Telenor for a gaming subscription service to their customers, the launch of our subscription services for games, Playtime and Huz, in March, the product launch of Monopoly Poker in Europe (US introduction to follow shortly), the creation of our own video gaming channel, and the introduction of whitelabel gaming portals for our clients. Operational highlights include the reorganisation of our video products to optimally position for future growth and further supporting our proprietary Ecosystem products (Headerlift) by initiating mobile publishing.

The Content net revenue grew with 32% to EUR 17.6m in Q1 2020, compared to EUR 13.4m for Q1 2019. The revenue increase was driven by organic volume growth, increasing traffic on the back of Covid-19 and the launch of new products and titles.

Adjusted EBITDA increased to EUR 3.5m, corresponding to a 20% margin, compared to EUR 2.5m, or 18% for Q1 2019. The adjusted EBITDA increase is driven primarily by operational leverage of our business.

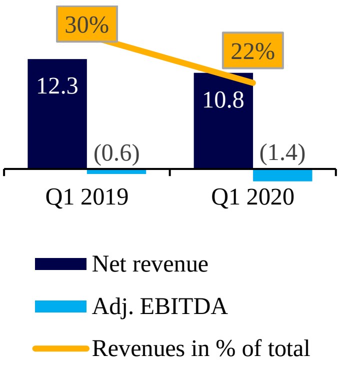
AdTech



In the first quarter of 2020 we continued signing up new publishers to our Improve Digital solutions, following the migration from 3rd-party technology to our proprietary AdTech platform. We signed up new publishers and added new functionalities. Our Active Publisher base increased by 139% between Q1 2019 and the Q1 2020. In addition, our Headerlift solution has been further developed to be ready to sell to external clients in different countries. Historically, Headerlift has been mainly aimed at serving internal products.

The AdTech net revenue amounted to EUR 19.6m in Q1 2020, an increase of 26% compared to Q1 2019 (EUR 15.5m). The increase was mainly driven by activating a number of big publishers in the UK on the back of UK sales efforts as well as new publisher activation in other international markets as we continue to add integration possibilities with Improve Digital. This was partly offset by Covid-19 impact on the demand for our AdTech solutions. The segment delivered adjusted EBITDA of EUR 0.1m in Q1 2020, compared to EUR (0.1m), in Q1 2019. The improvement is driven mainly by addition of a number of higher margin publishers and the sale of Universal Deal-ID's, partly offset by an increase of technical costs at Improve Digital and decreasing server costs at Headerlift.

AdSales

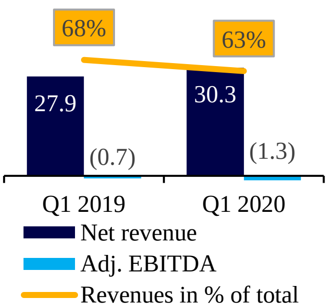


At the beginning of the year Azerion initiated a program to increasingly focus the sales efforts towards an Azerion Ecosystem product centricity. Core pillars of the program are increasing sales of Azerion's owned and operated products and to build a more streamlined and agile sales organisation. This program was initiated in the beginning of 2020, but accelerated as the first signs of the Covid-19 impact started to become clear early March. We increased our focus on cost control in parallel with simplifying and clarifying our sales proposition and product portfolio, laying the foundation for the remainder of our 2020 roadmap. Notwithstanding, Covid-19 has materially impacted our advertising revenues in March of the first quarter.

For advertisers and agencies in particular we designed the AMP (Azerion Marketplace) as our main focus. This product is a bundle of the technology, content and knowledge we have that simultaneously generates ROI for advertisers as it generates revenues for the media agencies. These setups take longer to negotiate and set up but are also much more robust, efficient and profitable than selling one-off advertising campaigns. The Netherlands has sold its first three of these deals and is in the process of activating them.

In the first quarter, Azerion acquired the leading digital ad experts Collective Media Europe from TI Media. We are very happy with the quick and smooth integration into our Ecosystem and welcome serving one of the biggest advertising markets in Europe.

AdSales' net revenue amounted to EUR 10.8m in Q1 2020, compared to EUR 12.3m for Q1 2019. The decrease is mainly the result of adverse market conditions caused by Covid-19 as advertising budgets have been cut across the board. Adjusted EBITDA amounted to EUR (1.4m) (EUR (0.6m) in Q1 2019), which is a reflection of the Covid-19 impact on our net revenue in relation to our opex base, partly offset by our cost-optimisation efforts initiated during the quarter.



New segment reporting from Q2 onwards

As part of its ongoing efforts to bring its reporting segments in line with the operational activities within the company, from Q2 onwards Azerion will report two segments: i) Content and ii) Digital Media. The new segment Digital Media will include the current segments AdTech and AdSales. Net revenue and adjusted EBITDA of the Digital Media segment for Q1 2020 amount to EUR 30.3m and EUR (1.3m), respectively.

Outlook Q2 and the remainder of the year

In March 2020, the novel coronavirus causing Covid-19, started impacting economies across the world as well as our business. Covid-19 is pushing societies inside their homes and is having a very positive effect on the usage and traffic of online entertainment of our games, portals and e-commerce. We are seeing substantial inflows of users and increased existing user activity in our content portfolio. However, the advertising market is declining and this has an impact on the average values of advertising impressions (eCPM). This is mainly impacting our Sales teams within the countries, where we continued our cost reduction programs. The effect of Covid-19 has only been partially included in our first quarter results as March is the first month with adverse effects.

Azerion has operations in many countries. Already in December, our operations in China started experiencing adverse effects of Covid-19 on their operations. This (and later the impact in Italy as the first European country) enabled us to quickly prepare and adapt our organisation to the impact of the virus. Therefor we were well-prepared once large-scale, country-wide lock-downs were implemented in March. In addition, we accelerated our efforts to concentrate more on centralising our Content in our advertising businesses and solutions.

Given the current market developments, our operational performance and organisational response, we believe we are well-positioned to deliver EUR 7.5m in adjusted EBITDA in Q2 of 2020. Furthermore, we reiterate our previously communicated guidance of EUR 25.5m adjusted EBITDA for the full year 2020.

Significant events after the reporting period

Significant events after the reporting period primarily include the ongoing impact of the Covid-19 pandemic, which has been described above.

Consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRS standards as adopted by the EU.

The financials are presented in millions of Euros and rounded, unless otherwise stated.

Consolidated balance sheet (unaudited)

Balance sheet (EURm)	Q1 20	FY19
ASSETS		
Fixed assets		
Development costs	4.0	4.8
Concessions permits & IPR	0.5	0.5
Goodwill	44.1	36.3
Games	18.4	21.0
Website	13.8	5.5
Intangible fixed assets	**80.8**	**68.1**
Renovations	-	0.4
Office equipment	5.1	2.6
Transportation	-	0.1
Tangible fixed assets	**5.1**	**3.1**
Other participating interests	0.1	1.0
Other receivables	25.6	1.3
Financial fixed assets	**25.7**	**2.3**
Current assets		
Trade receivables	42.7	32.7
Taxes and social securities	12.4	1.1
Other receivables, deferred assets	15.8	34.7
Receivables, prepayments and accrued income	**70.9**	**68.5**
Cash and cash equivalents	**9.6**	**9.9**
TOTAL	**192.2**	**151.9**

Balance sheet (EURm)	Q1 20	FY19
LIABILITIES		
Equity		
Group equity	(11.6)	(5.8)
Third party share in group equity	-	(0.1)
Total group capital	**(11.6)**	**(5.9)**
Subordinated loans	11.8	8.3
Total Protective Capital Resources	**0.2**	**2.4**
Provisions		
Provisions	3.1	5.7
Deferred tax liability	1.3	1.6
Total provisions	**4.4**	**7.3**
Non-current liabilities		
Convertible loans	1.0	3.5
Bond	60.2	25.1
Finance company debt	5.5	0.2
Debt to participating interests and companies	3.3	8.5
Total non-current liabilities	**69.9**	**37.3**
Current liabilities		
Finance company debt	11.4	13.1
Repayment obligation long-term debt	-	3.7
Difference Sellbranch equity	-	(1.9)
Trade creditors	72.3	57.4
Payables to other related parties	-	0.3
Taxes and social securities	11.3	4.7
Other liabilities, accrual and deferred income	22.7	27.6
Total current liabilities	**117.7**	**104.9**
TOTAL	**192.2**	**151.9**
Interest Bearing Debt	72.5	41.0
Less: Cash & Cash Equivalents	(9.6)	(9.9)
Net Interest Bearing Debt*	**62.9**	**31.1**

* As defined per section 1.1 of the Terms & Conditions

Consolidated income statement (unaudited)

Income statement (EURm)	Q1 20	Q1 19
Net Revenue	48.0	41.3
COGS	(31.6)	(26.4)
Gross margin	**16.3**	**14.9**
Operating Expenses	(14.9)	(13.1)
EBITDA	**1.4**	**1.8**
D&A	(3.4)	
EBIT	**(2.0)**	
Financial results	(3.6)	
EBT	**(5.6)**	
Income taxes	(0.4)	
Result from operations after tax	**(6.0)**	
Third party share	0.0	
Result after tax (incl. minorities)	**(6.0)**	
EBITDA	**1.4**	**1.8**
Transition expenses - Capital Markets	0.1	-
Transition expenses - Acquisitions	0.4	-
Other non-recurring expenses	0.3	-
Adjusted EBITDA	**2.2**	**1.8**

Consolidated cash flow statement (unaudited)

Cash flow statement (EURm)	Q1 20
Cash flow from operating activities	
Operating result	(2.0)
Adjustments for:	-
Amortisation and depreciation	2.9
Movement of provisions	(0.6)
Movement of working capital:	-
Movement of accounts receivable	2.4
Movement of short-term liabilities	1.7
Cash flow from operating activities	**4.4**
Other operating cash flows	
Income taxes	(0.4)
Third party share	0.0
Net cash flow from operating activities	**4.0**
Cash flow from investing activities	
Movements in intangible fixed assets	(14.4)
Movements in tangible fixed assets	(3.8)
Movements in other related parties	0.5
Cash flow from investing activities	**(17.7)**
Cash flow from financing activities	
Movement in group equity	(4.9)
Movement reserves and minority interest	-
Proceeds from convertible loans	-
Repayment loans	(3.6)
Borrowing	40.7
Withdrawal debt to finance companies	-
Movement of other receivables	(16.0)
Repayment of finance company debt	(2.7)
Cash flow from financing activities	**13.5**
Total cash flow	**(0.3)**

Compilation cash	Q1 20	FY19
Opening cash	9.9	1.4
Movement of cash and equivalents	(0.3)	8.5
Closing cash	**9.6**	**9.9**

Other information

About Azerion

Azerion is a leading pan-European technology, entertainment and media company engaged in a numerous interrelated operating activities. We develop, publish and operate online social games and digital entertainment. In addition, we provide technology solutions to automate the purchase and sale of digital advertising inventory for buyers and sellers.

Founded in 2014, the company has experienced rapid growth since its inception owing to organic initiatives as well as a successful M&A track record, including 37 acquisitions completed since 2014, of which 8 in 2019. Azerion currently employs ~1,050 employees across 22 European offices.

By strategically combining and integrating its various product segments, Azerion is able to efficiently monetise on its users whilst offering a compelling solution to content creators, publishers, advertisers and other third-parties. In addition, we have strategic partnerships with Ajax eSports, Talpa Gaming and Monopoly, which were launched in 2019.

Risk and uncertainty factors

A presentation of risks and uncertainties relating to our business can be found in the terms and conditions to our Azerion Holding B.V. bond 20/23 (ISIN: SE0013774957).

Declaration/ Management statement

To the best of our knowledge, the interim consolidated financial statements present a true and fair view of the operations, the consolidated assets, liabilities, the financial position and the profit or loss of Azerion Holding B.V.; and that the material risks impacting our business are noted.

Legal

This report has been prepared solely for informing the bond holders as per the bond terms and conditions dated 9 March 2020.This report has not been reviewed nor audited by the company's auditor.

Financial calendar

Quarterly report, Q1 2020	29 May 2020
Annual report FY2019	30 June 2020
Half-year report, H1 2020	31 August 2020
Quarterly report, Q3 2020	30 November 2020

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