



Interim report

Q1 2021

Highlights of Q1 2021

+18%

Adjusted EBITDA
increase vs Q1 2020

6%

Adjusted EBITDA
margin

- Net revenue for the quarter amounted to EUR 45.5m, a decrease of 5.0% compared to Q1 2020 (EUR 48.0m)
- Reported EBITDA amounted to EUR 1.7m, a substantial 18.1% increase as compared to Q1 2020 (EUR 1.4m)
- Adjusted EBITDA amounted to EUR 2.7m, an increase of EUR 0.5m or 20.9%, as compared to Q1 2020 (EUR 2.2m), corresponding to an adjusted EBITDA margin of 5.9% (4.7% in Q1 2020).
- Monthly gameplays of Governor of Poker 3 increased by 27.4% compared to Q1 2020 and ARPU D30 decreased from EUR 1.25 as at Q1 2020 to EUR 1.02
- Our gaming activities have continued to perform well throughout the first quarter, with notable highlights being the in-game concerts by international artists in our popular Hotel Hideaway game, which were very well received
- Our previously communicated large-scale German marketing campaign has kicked off and is delivering promising results
- We successfully placed a subsequent bond issue of EUR 27.5m under our existing framework to finance an acquisition and for general corporate purposes

Financial overview

Financial results (EURm) of the Azerion Consolidated Companies	Q1 2021	Q1 2020	Pro forma LTM
Net Revenue	45.5	48.0	197.8
COGS	(30.6)	(31.6)	
Gross profit	15.0	16.3	
Operating Expenses	(13.3)	(14.9)	
Reported EBITDA	1.7	1.4	
Adjusted EBITDA	2.7	2.2	31.4

Revenue growth, %	(5.0%)		
Gross margin, %	32.9%	34.1%	
Adjusted EBITDA growth %	20.9%		
Adjusted EBITDA margin, %	5.9%	4.7%	15.9%

¹ Proforma LTM figures are presented to illustrate the development of Azerion. Financial results for the Q1-LTM acquired companies Spilgames, Collective UK and Triodor are included on an annualized LTM basis.

² EBITDA after adjusting for items affecting comparability, namely transition expenses and non-recurring income or expense items.

Message from our CEO's



2021 is lining up to be an exciting year for Azerion. As vaccination programs are being rolled out and lockdown measures are being cancelled, we expect to return to a more normalised society. We are seeing the first signs of this in our business, for example with advertising spend picking up. User volumes are normalising, albeit with higher engagement levels than before Covid-19.

Next to that, we have a pipeline of exciting new title launches, world-class IP license deals for development and distribution, new in-game concerts, acquisitions, and further ecosystem integration and synergy extraction. Some of these have already materialised this quarter (please refer to the segment overview) and as such contributed to Q1 2021 performance.

Net revenue has increased substantially in our Premium Gaming and Casual & Distribution segments (see below for our new segmentation overview), which was however offset by a decreasing revenue of our Advertising Network, driven by Covid-19 adverse impact. The cost restructuring program initiated last year as well as ecosystem efficiencies, however, increased our adjusted EBITDA margin from 4.7% in Q1 2020 to 5.9% in Q1 2021, which is a healthy increase and solid result.

We are very pleased with the robustness of our organisation and platform and are confident that a strong organisation is in place to drive sustainable, profitable growth going forward.

We look forward to an eventful year.

Atilla Aytekin and Umut Akpinar

CEO's and Founders of Azerion

EUR 45.5m**Net revenue Q1 2021**

Financial overview Q1 2021

Net revenue

Azerion's net revenue for the quarter amounted to EUR 45.5m, slightly lower (-5.0%) than Q1 2020. The decrease is fully attributed to our Advertising Network segment (see below for new segmentation), which saw revenues decrease compared to Q1 2020. This is due to the fact that Q1 2020 only contained ~2 weeks of Covid-19 lock-down effects, whereas Q1 2021 includes a full-quarter effect. We continue to see positive momentum, however activity levels among advertisers remain at below pre-Covid-19 levels. Our Premium Gaming (+10.3%) and our Casual & Distribution (+51.7%) segments performed very strongly.

EUR 2.7m**Adjusted EBITDA Q1 2021**

Earnings

Adjusted EBITDA margin increased to 5.9% (EUR 2.7m) from 4.7% (EUR 2.2m) in the first quarter of 2020. With a marginally lower revenue in this quarter as compared to Q1 2020, this margin expansion and overall increase in EBITDA is driven by our ongoing restructuring efforts to increase ecosystem efficiency and reduce operational expenses. OPEX relative to net revenues were 29.1% during Q1 2021, compared to 31.1% during Q1 2020.

Non-recurring items affecting comparability amounted to EUR 1.0m and mainly include capital market expenses, acquisition expenses and general transition costs. These items are excluded from the definition of Adjusted EBITDA.

Cash flow

The Group's cash flow from operating activities totalled EUR 2.1m and cash flow from investing activities amounted to EUR (4.8m). Cash flow from financing activities totalled EUR 23.2m, which includes the final tap issue under our existing bond framework of EUR 27.5m.

Capex and Investments

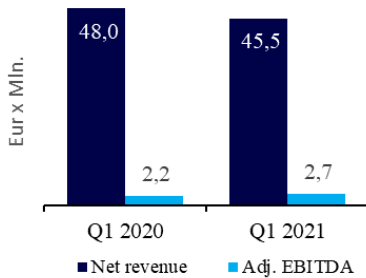
Azerion capitalizes some of its development costs, which are generated by the continuous investments in asset development, a core activity to support innovation in our content and technology platforms. These costs primarily relate to developers' time devoted to the development of games, platforms, and other new features. EUR 2.3m was capitalized in Q1 2021, equivalent to 17.2% of HR expenses.

Acquisitions

No acquisitions were completed in Q1 2021. Azerion acquired Genba Digital Ltd on the 18th May 2021, Genba reported gross revenue of EUR 33.8m and EBITDA of EUR 1.8m in 2020.

Financial position and financing

Azerion's net interest-bearing debt amounted to EUR 121.8m, as per 31 March, 2021. Interest-bearing debt mainly comprises the Company's outstanding bond loan and invoice factoring agreements, less the cash and cash equivalents position.



Significant events after the end of the quarter

Azerion successfully placed EUR 200m of new senior secured fixed rate bonds in April 2021 under a framework of EUR 300m. . The New Bonds will have a tenor of 3 years and carry a fixed rate coupon of 7.25 per cent per annum. Proceeds from the transaction will be used to repay the Group's outstanding EUR 100 million bond, to finance several acquisitions, to finance transaction costs and for general corporate purposes.

On 18 May 2021 Azerion acquired Genba Digital Ltd, a UK-based leading distributor of digital games. The acquisition allows us to further vertically integrate our digital distribution business.

Segment information

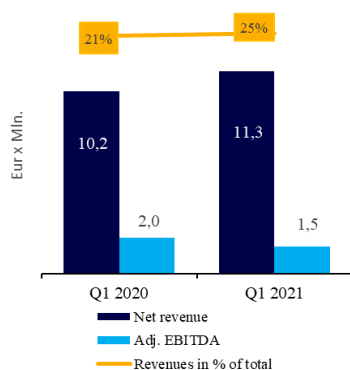
New segmentation FY21

In line with our user-centric business model and organisational set-up, a new segment reporting structure has been implemented. Going forward we will report the following segments: Premium Gaming, Casual & Distribution and Advertising Network. Premium Gaming contains our highest user engagement titles; our poker and social games. Casual & Distribution contains our casual distribution portfolio and our e-Commerce offering. Finally, Advertising Network contains our monetisation tools for ads on 3rd party properties (previously: Monetisation Tech).

Premium Gaming

Following the easing of the lock-down measures globally and the subsequent user engagement levels, we have observed user engagement across Premium Gaming to stabilise during Q1. Monetisation per user has increased, demonstrating our increased focus on in-app monetisation models that we initiated last year.

Our popular poker and social titles, including last year's newly launched Monopoly Poker, continued to perform strongly where monthly gameplays and ARPU D30 have concluded substantially higher in this quarter, as compared to Q1 of 2020, the development summarized in the following table:



Segment	Monthly gameplays (m)			ARPU D30		
	2021 Q1	2020 Q1	Delta	2021 Q1	2020 Q1	Delta
Premium Gaming	72.3	62.9	14.9%	€0.42	€0.39	7.7%

During Q1 we supplemented our performance based marketing with brand marketing for some of our flagship titles, with increased presence on television with a focus on the Netherlands and Germany. In addition, a large amount of new users were reactivated by social media campaigns and in-game giveaways. Another main draw were our first four musical concerts in Hotel Hideaway which all drew large virtual crowds. We intend to continue this with more artist performing during the remainder of the year. In addition, we further developed our live ops offering (increasing ARPU D30) and we added new exciting titles (e.g. Snowstorm multiplayer).

These developments overall contributed to Premium Gaming net revenues increasing by 10.3% to EUR 11.3m in Q1 2021, compared to EUR 10.2m in Q1 2020. Profitability decreased with adjusted EBITDA of EUR 1.5m for the quarter, compared to EUR 2.0m in Q1 of 2020. This was driven by user acquisition being more expensive than it was during Q1 of 2020.

Financial results (EURm)		
Premium Gaming	Q1 2021	Q1 2020
Net revenue	11.3	10.2
COGS	(6.3)	(4.5)
Gross profit	5.0	5.8
Operating expenses	(3.7)	(3.8)
Reported EBITDAⁱ	1.3	2.0
Adjusted EBITDAⁱⁱ	1.5	2.0

ⁱ Book EBITDA before adjustments for items affecting comparability and before surcharge of expenses from non-operating entities.

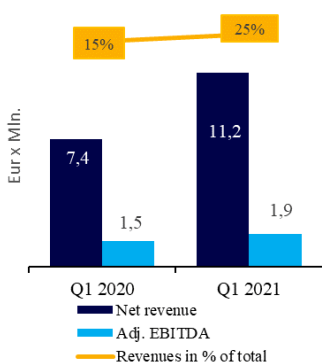
ⁱⁱ EBITDA after adjusting for items affecting comparability, namely transition expenses and non-recurring income or expense items, and after surcharge of expenses from non-operating entities.

Casual & Distribution

Organic investments were a big theme in our Casual & Distribution segment during Q1. We restructured our development teams and added senior, key people. We also launched a new development studio based in Turkey, which will focus on product and platform updates and new games production to add to our portfolio. Specifically for our digital goods offering, we refocused our specialized marketing team to cover affiliates, influencers, SEO, SEM and social media and we added more attractive publishers to our catalogue and added a new vertical (software).

Other operational highlights of the quarter include exciting new IP deals we signed to produce unique content for our platform include Smurfs, Hello Kitty, OddBods, Miffy, Shaun the Sheep and Dr. Panda. We also signed an exclusive distribution deal with Ubisoft for its successful Hungry Shark and we started production of four new instalments for some of our successful franchises, including Troll Face and My Dolphin Show.

This has resulted in a 51.7% net revenue increase in Q1 2021 to EUR 11.2m, compared to EUR 7.4m in Q1 2020. Adjusted EBITDA amounted to EUR 1.9m, compared to EUR 1.5m in Q1 2020. The adjusted EBITDA margin decreased slightly to 17.1%, compared to 20.7% in Q1 2020, driven by the abovementioned investments into our portfolio and organisation to set us up for sustainable future growth.



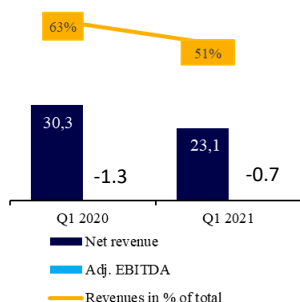
Financial results (EURm)

Casual & Distribution	Q1 2021	Q1 2020
Net revenue	11.2	7.4
COGS	(7.2)	(6.8)
Gross profit	4.0	0.5
Operating expenses	(2.2)	0.5
Reported EBITDAⁱ	1.8	1.0
Adjusted EBITDAⁱⁱ	1.9	1.5

Advertising Network

The main driver of performance in our Advertising Network segment continues to be Covid-19. Advertiser spend is closely correlated with the trend of consumer confidence and their ability to spend money in key sectors like travel, automotive, events and going out. People, businesses and therefore also advertisers have become more used to the conditions and have adapted accordingly. Where the initial shock of the virus scared many businesses away from marketing and advertising last year, we now see many of them have returned except, obviously, advertisers that still see their businesses directly disrupted by Covid-19 measures.

Last year's cost rationalisation program allows us to run our Advertising Network at a significantly reduced cost base thereby increasing margins. Furthermore, efforts initiated in 2020 to extract synergies from our ecosystem and work increasingly close with our other business segments (Premium Gaming and Casual & Distribution) have paid off and increased revenues in those segments as well. Advertising spend through our technology



ⁱ Book EBITDA before adjustments for items affecting comparability and before surcharge of expenses from non-operating entities.

ⁱⁱ EBITDA after adjusting for items affecting comparability, namely transition expenses and non-recurring income or expense items, and after surcharge of expenses from non-operating entities.

platform and on our owned and managed platforms increased substantially, highlighting the power of our ecosystem.

Against this backdrop, net revenue amounted to EUR 23.1m in Q1 2021, compared to EUR 30.3m during Q1 2020. Adjusted EBITDA margin increased to EUR (0.7m) from EUR (1.3m), driven by the cost improvements and ecosystem efficiencies.

Financial results (EURm)		
Advertising Network	Q1 2021	Q1 2020
Net revenue	23.1	30.3
COGS	(17.1)	(20.3)
Gross profit	6.0	10.0
Operating expenses	(7.0)	(12.0)
Reported EBITDAⁱ	(1.0)	(2.0)
Adjusted EBITDAⁱⁱ	(0.7)	(1.3)

ⁱ Book EBITDA before adjustments for items affecting comparability and before surcharge of expenses from non-operating entities.

ⁱⁱ EBITDA after adjusting for items affecting comparability, namely transition expenses and non-recurring income or expense items, and after surcharge of expenses from non-operating entities.

Consolidated financial results

The group has first-time adopted the International Financial Reporting Standards in 2020 and the consolidated financial results have been prepared and are stated in accordance with IFRS.

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

Consolidated balance sheet (unaudited)

Balance sheet (EURm)	Q1 21	Q4 20
<i>Goodwill</i>	56.8	58.2
<i>Other intangible assets</i>	51.4	51.3
Intangible fixed assets	108.2	109.5
Tangible fixed assets	15.0	7.0
Financial fixed assets	31.1	30.0
Total fixed assets	154.4	146.5
Receivables, prepayments and accrued income	54.7	63.4
Cash and cash equivalents*	31.3	10.4
Total current assets	86.0	73.8
TOTAL ASSETS	240.4	220.3
Group equity	18.7	20.2
Minority share	(0.4)	2.7
Total equity	18.3	22.9
Provisions	9.9	9.6
Bond	98.3	72.1
Finance company debt	11.6	3.0
Total non-current liabilities	119.8	84.7
Finance company debt	13.9	13.9
Trade & other payables	84.2	94.2
Other liabilities	4.2	4.5
Total current liabilities	102.3	112.6
TOTAL EQUITY AND LIABILITIES	240.4	220.3

* Cash and Cash Equivalents include an amount of EUR 4.5m which is situated on an Escrow account. Conditions for releasing this escrowed amount are detailed in clause 4 of the Escrow Agreement signed between Azerion Holding B.V. (as "Issuer"), Nordic Trustee & Agency AB (as "Bond Trustee") and NT Services AS (as "Escrow Manager"). Accordingly, Escrow Manager shall release the full amount of EUR 4,500,000 from the escrow account: (i) upon being instructed in writing to do so by the Issuer with prior written consent from the Bond Trustee (such consent shall be granted provided that the Issuer has confirmed to the Bond Trustee that the acquisition of the Target will be consummated promptly following release of the funds), or (ii) upon a final, binding and non-appealable decision by the relevant court of law to do so, and in each case to such party designated in the written instructions or in the decision by the relevant court of law (as the case may be).

Interest Bearing Debt	Q1 21	Q4 20
Total non-current indebtedness	109.9	75.1
Total current indebtedness	13.9	13.9
Total financial indebtedness	123.8	89.1
<u>Facilities excluded</u>		
Accrued Interests	1.0	1.4
Zero interest bearing loans	1.0	1.5
Interest Bearing Debt*	121.8	86.2

* As defined per section 1.1 in the Terms & Conditions of the Senior Secured Callable Floating Rate Bonds ISIN: SE0015837794.

Consolidated income statement (unaudited)

Income statement (EURm)	Q1 21	Q1 20
Net revenue	45,5	48,0
COGS	(30,6)	(31,6)
Gross profit	15,0	16,3
Operating expenses	(13,3)	(14,9)
EBITDA	1,7	1,4
D&A	(4,5)	(3,4)
Other gains and losses	(0,3)	(0,0)
EBIT	(3,1)	(2,0)
Financial/other results*	(2,0)	(3,6)
EBT	(5,1)	(5,6)
Income taxes	(0,1)	(0,4)
Result from operations after tax	(5,2)	(6,0)
Third party share	0,4	0,0
Result after tax (excl. minority share)	(4,7)	(6,0)
EBITDA	1,7	1,4
Transition expenses - Capital Markets	0,5	0,1
Transition expenses - Acquisitions/Disposals	0,1	0,4
Other non-recurring income or expenses	0,4	0,3
Adjusted EBITDA	2,7	2,2

Consolidated cash flow statement (unaudited)

Cash flow statement (EURm)	Q1 21
Cash flow from operating activities	2.1
Cash flow from investing activities	(4.8)
Cash flow from financing activities	23.2
Effect of exchange rate changes	0.4
Total cash flows	20.9
Compilation cash	
Opening cash	10.4
Movement of cash and equivalents	20.9
Closing cash	31.3

Other information

About Azerion

Azerion is a leading pan-European technology, entertainment and media company engaged in 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 media 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 38 acquisitions completed since 2014, of which 4 in 2020. Azerion currently employs 770 employees across 13 European offices.

By strategically combining and integrating its various product segments, Azerion efficiently monetizes its users whilst offering a compelling solution to content creators, publishers, advertisers and other third parties; supported by carefully selected strategic partnerships.

Risks and uncertainties

Commentary on the risks and uncertainties relating to our business can be found in the consolidated annual report FY20 of Azerion Holding B.V., which is held and can be viewed upon request at the offices of Azerion Holding B.V., Beechavenue 182, 1119 PX Schiphol-Rijk, Netherlands.

Declaration/ Management statement

To the best of our knowledge, the interim Q1 FY21 financial results are truly and fairly presented.

Legal

This report has been prepared solely for informing the bond holders as per the initial bond terms and conditions dated 23 April 2021. This report has not been reviewed nor audited by the company's auditor.

Financial calendar

Publication Audited Annual Report FY20	30 June 2021
Interim Q2 report FY21	30 September 2021

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