



Interim report

Q2 2021

Highlights of Q2 2021

Net Revenue Increase
Q2 2021 v prior year

+7.1%

Adjusted EBITDA Q2
2021

13.1%

- Net revenue for the quarter amounted to EUR 52.7m, an increase of 7.1% compared to Q2 2020 (EUR 49.2m). Driven by growth in Advertising Network and Casual & Distribution segments.
- Reported EBITDA amounted to EUR 4.7m, a decrease of 18.5% compared to Q2 2020 (EUR 5.8m).
- Adjusted EBITDA amounted to EUR 6.9m, a decrease of EUR 0.6m or 7.6% compared to Q2 2020 (EUR 7.5m), corresponding to an adjusted EBITDA margin of 13.1% (15.2% in Q2 2020).
- On April 16, 2021 Azerion placed EUR 200m of senior secured fixed rate bonds. Proceeds from this transaction were used to repay the Group's previous outstanding bond of EUR 100m; the remaining is to be used to finance several acquisitions.
- During Q2 2021 Azerion acquired 4 companies, Genba Digital in May, Delta Projects, Whow Games and Strossle end of June.

Financial overview

Financial results (EURm) of the Azerion Consolidated Companies	Q2 2021	Q2 2020	Pro forma LTM
Net Revenue	52.7	49.2	249.4
COGS	(31.9)	(30.2)	
Gross profit	20.8	19.1	
Operating Expenses	(16.1)	(13.3)	
Reported EBITDA	4.7	5.8	
Adjusted EBITDA	6.9	7.5	42.1
Revenue growth, %	7.1%		
Gross margin, %	39.5%	38.7%	
Adjusted EBITDA growth %	(7.6%)		
Adjusted EBITDA margin, %	13.1%	15.2%	16.9%

Message from our CEO's



“We are very pleased to announce a robust set of financial results for Q2 2021. Our net revenue increased by 7.1% to EUR 52.7m (Q2 2020: EUR 49.2m), gross margin increased to 39.5% (Q2 2020: 38.7%), whereas our adjusted EBITDA decreased only slightly to 13.1% (Q2 2020: 15.2%). When analysing these numbers, one has to realise that Q2 2020 was the first quarter that fully captured the Covid-19 pandemic’s impact on our business. As we reported back then, we experienced exceptional inflows of new users, elevated levels of user engagement and game monetization, only partly offset by reduced advertising activity. Therefore Q2 2020 provides for a tough year over year comparison. In this light the net revenue growth and gross margin expansion are very encouraging to us.

We would like to emphasize a couple of operational highlights of the past quarter. Firstly, we have continued our successful in-game live concerts, which continue to drive user engagement and social connection across our communities. We hosted 6 concerts and meet and greets this quarter and have some exciting new ones coming up. In addition, we teamed up with IMPS/Lafig to develop and distribute five new Smurf games over the next year. We also announced a new, exclusive partnership with Vivendi-owned global video streaming service Dailymotion, on the back of which Dailymotion’s display, in-stream and out-stream ad inventory will be exclusively available through Azerion’s proprietary programmatic platform.

We view a prudent financial leverage profile as instrumental to operating and maintaining our business. In this light, we are pleased that we have successfully placed EUR 200m of senior secured fixed rate bonds in April under a framework of EUR 300m. The placement, was met with substantial investor interest and placed mainly with (both existing and new) investors from the Nordics, Europe and the US. The funds provide financial flexibility to our platform and has already enabled us to act quickly and decisively in acquiring new businesses.

During Q2 we acquired four exciting companies that complement various business lines/products and will each add value to our integrated platform. We are very excited to welcome Germany’s WHOW Games in our Premium Gaming segment, UK’s Genba in our Casual & Distribution segment and Sweden’s Delta Projects and Strossle in our Advertising Network. Our team’s are working hard to integrate the companies into the Azerion platform and to implement synergy roadmaps for the future. We cannot wait to present these new content and products to our users, publishers and advertisers.

We look back on the past quarter, and indeed the first six months of the year, with great pride. We firmly believe that our vision of combining distribution, monetization and content in one integrated platform continues to bear fruit and provided a robust basis for our business operations going forward.

We look forward to an eventful year.”

Atilla Aytekin and Umut Akpinar

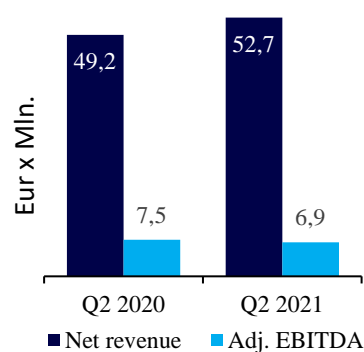
CEO’s and Founders of Azerion

EUR 52.7m**Net revenue Q2 2021**

Financial overview Q2 2021

Net revenue

Azerion's net revenue for the quarter amounted to EUR 52.7m, higher (7.1%) than Q2 2020. The increase is attributed to growth in Advertising Network and Casual and Distribution segments, partially offset by a normalising of Premium Gaming revenue from the highs experienced in Q2 2020 due to the initial COVID-19 lockdowns.

EUR 6.9m**Adjusted EBITDA Q2 2021**

Earnings

Azerion delivered EUR 6.9m adjusted EBITDA compared to EUR 7.5m in Q2 2020. The reduction in EBITDA was driven by the normalising of gaming activity and the consequent increase in user acquisition costs to pre-lockdown levels. We have invested in infrastructure within the Casual and Distribution segment to further support that's segments growth.

Non-recurring items amounted to EUR 2.2m and mainly includes capital market expenses, acquisition expenses and general transition costs. These items are excluded to arrive at Adjusted EBITDA.

Earnings before tax were EUR (12.6m) compared to EUR 2.1m in Q2 2020. This result was driven mostly by financing costs associated with the new bond issue and old bond redemption.

Cash flow

The Group's cash flow from operating activities totalled EUR 30.8m and cash flow from investing activities amounted to EUR (85.1m). Cash flow from financing activities totalled EUR 99.8m, which includes our existing bond of EUR 200m and settlement of our previous bond.

Capex and Investments

Azerion capitalizes development costs which are related to asset development, a core activity to support innovation in our platform. These costs primarily relate to developers' time devoted to the development of games, platforms, and other new features. EUR 2.7m was capitalized in Q2 2021, equivalent to 17.3% of personnel costs.

Acquisitions

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

On June 21, Azerion acquired Delta Projects, a Swedish innovative programmatic advertising company.

On June 24, Azerion acquired WHOW Games, a leading German gaming developer and publisher of online free-to-play social games. WHOW Games will expand Azerion's extensive gaming portfolio even further and we expect it to open up new exciting investment and content production opportunities for advertisers and publishers in the DACH region as well as globally.

On June 30, Azerion acquired Swedish media tech company Strossle. Strossle's award-winning contextual and native advertising platform will expand our product portfolio and support clients mainly in the Nordic markets and CEE countries.

Financial position and financing

Azerion's net interest-bearing debt amounted to EUR 150.8m at 30 June 2021. Interest-bearing debt mainly comprises the Company's outstanding bond loan with a nominal value of EUR 200m and invoice factoring agreements with a balance of EUR 9.2m, less the cash and cash equivalents position of EUR 77.9m.

Significant events after the end of the quarter

On July 30, Azerion acquired the web business of Berlin-based portfolio of softgames. The web business consists of the distribution and monetisation of HTML5 casual games across the web. In addition, Azerion becomes the exclusive distribution partner for Softgames' Instant Games.

On July 30, in August, Azerion acquired Keymobile, the Swedish mobile advertising company. The addition of Keymobile to Azerion's platform affirms our ambition to offer the most comprehensive and integrated advertising offering to publishers and advertisers in Europe.

On August 12, The Group increased its participation in Talpa Azerion Gaming B.V, a gaming company based in the Netherlands to 100%.

Segment information

New segmentation FY21

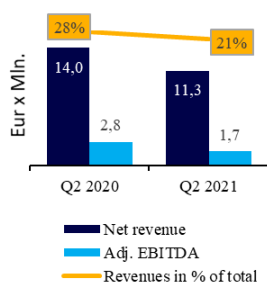
As part of its ongoing efforts to bring its reporting segments in line with the operational activities within the company, from Q3 onwards Azerion reports two segments: i) Premium Gaming and ii) Platform. The new reporting segment Platform includes the current Casual & Distribution and Advertising Network.

Premium Gaming

Q2 2020 was an extraordinary quarter with a high inflow of users (new and recurring) as well as user engagement due to the first lockdown period of COVID-19. This response generated a significant uplift in Q2 2020 revenue and EBITDA. In Q2 of 2021 we saw the normalising of financial and operational results as lockdown measures were lifted and users began spending more time outside the digital environment. Our year-over-year comparison should be viewed against this background.

Nevertheless, we were able to retain and cater for a large proportion of the users and increased the monetization features. Important accomplishments were the organisation of six live concerts and meet and greets in our social titles. In Q1 we released the new Habbo client, on the back of which momentum is improving in Q2 in terms of revenue and players.

Premium Gaming net revenue was EUR 11.3m in Q2 2021, compared to EUR 14.0m in Q2 2020. Profitability decreased to an adjusted EBITDA of EUR 1.7m for the quarter from EUR 2.8m in Q2 of 2020. This was driven by user acquisition being more expensive than it was during Q2 of 2020. Q2 2021 reflects a normalised business after the highs seen during the COVID-19 lockdowns.



Financial results (EURm)		
Premium Gaming	Q2 2021	Q2 2020
Net revenue	11.3	14.0
COGS	(5.3)	(6.0)
Gross profit	6.0	8.0
Operating expenses	(4.4)	(5.2)
Reported EBITDAⁱ	1.6	2.8
Adjusted EBITDAⁱⁱ	1.7	2.8

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.

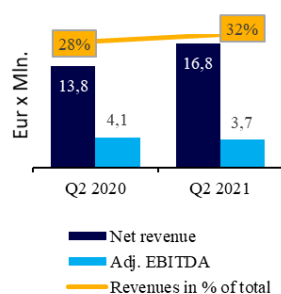
Casual & Distribution

Organic investments were a big theme in our Casual & Distribution segment during Q2. Exciting new partnerships were an important driver this past quarter including new relationships with Constructive Media, Bing.com and RTL2. We improved the quality of games released on Casual & Distribution channels; the number of games was reduced slightly while enhanced standards helped us release games with higher retention.

The portfolio increased with Microsoft classic puzzles collection, Oddbods & Atari IPs. These led to quality improvement in our user base. In addition, the team executed in-game monetization updates to scale video inventory and optimize performance.

In general, advertising activity in Q2 2021 picked up again after the market deterioration seen following the onset of COVID-19

This has resulted in a EUR 3.0m net revenue increase in Q2 2021 to EUR 16.8m, compared to EUR 13.8m in Q2 2020. Adjusted EBITDA amounted to EUR 3.7m, compared to EUR 4.1m in Q2, driven by the above mentioned investments.



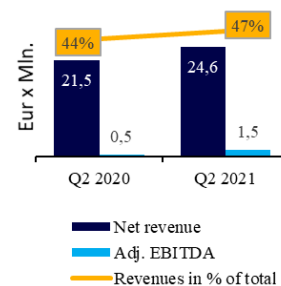
Financial results (EURm)		
Casual & Distribution	Q2 2021	Q2 2020
Net revenue	16.8	13.8
COGS	(10.4)	(8.8)
Gross profit	6.4	5.0
Operating expenses	(3.4)	(1.3)
Reported EBITDAⁱ	3.1	3.7
Adjusted EBITDAⁱⁱ	3.7	4.1

Advertising Network

Q2 2021 has been a strong quarter compared to last year for our Advertising Network. Efforts to reorganize and increase operational and financial flexibility last year when COVID-19 began are paying off in 2021.

In addition, further integration of previously acquired companies into our eco-system is also bearing fruit. Cooperation between the teams, repositioning the companies, aligning the sales processes and pitches, executing on the efficiencies of working together more and buying centrally all add to a better organized and more profitable company.

The significant improvement in adjusted EBITDA for Q2 shows the compounded result of all our cost control and efficiency efforts in the last year with, gradually recovering revenue. As a result, net revenue amounted to EUR 24.6m in Q2 2021, compared to EUR 21.5m during Q2 2020. Adjusted EBITDA margin increased to EUR 1.5 from EUR 0.5m, driven by cost improvements and ecosystem efficiencies.



Financial results (EURm)		
Advertising Network	Q2 2021	Q2 2020
Net revenue	24.6	21.5
COGS	(16.2)	(15.4)
Gross profit	8.4	6.1
Operating expenses	(7.4)	(6.1)
Reported EBITDAⁱⁱⁱ	(1.0)	0.0
Adjusted EBITDAⁱ	1.5	0.5

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.

Interim consolidated financial results

The group adopted 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.

Interim consolidated balance sheet

Balance sheet (EURm)	Q2 21	Q1 21
<i>Goodwill</i>	147.1	56.8
<i>Other intangible assets</i>	59.9	51.4
Intangible fixed assets	207.0	108.2
Tangible fixed assets	19.7	15.0
Financial fixed assets	43.8	31.1
Total fixed assets	270.4	154.4
Receivables, prepayments and accrued income	83.6	54.7
Cash and cash equivalents	77.9	31.3
Total current assets	161.5	86.0
TOTAL ASSETS	431.9	240.4
Group equity	14.0	18.7
Minority share	1.1	(0.4)
Total equity	15.1	18.3
Provisions	12.7	9.9
Bond	198.4	98.3
Finance company debt	17.3	11.6
Total non-current liabilities	228.4	119.8
Finance company debt	14.8	13.9
Trade & other payables	94.1	61.9
Taxes and social securities	29.7	22.3
Other liabilities	49.8	4.2
Total current liabilities	188.5	102.3
TOTAL EQUITY AND LIABILITIES	431.9	240.4

Interest Bearing Debt	Q2 21	Q1 21
Total non-current indebtedness	215.7	109.9
Total current indebtedness	14.8	13.9
Total financial indebtedness	230.5	123.8
<u>Facilities excluded</u>		
Accrued Interests	1.0	1.0
Zero interest bearing loans	0.8	1.0
Interest Bearing Debt*	228.6	121.8

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

Interim consolidated income statement

Income statement (EURm)	Q2 21	Q2 20
Net revenue	52.7	49.2
COGS	(31.9)	(30.2)
Gross profit	20.8	19.1
Operating expenses	(16.1)	(13.3)
EBITDA	4.7	5.8
D&A	(4.3)	(2.9)
Other gains and losses	1.2	-
EBIT	1.6	2.9
Financial/other results	(14.3)	(0.8)
EBT	(12.6)	2.1
Income taxes	0.1	(0.0)
Result from operations after tax	(12.5)	2.1
Third party share	5.8	(0.5)
Result after tax (excl. minority share)	(6.7)	1.6
EBITDA	4.7	5.8
Transition expenses - Capital Markets	1.0	0.2
Transition expenses - Acquisitions/Disposals	0.5	0.6
Other non-recurring income or expenses	0.7	0.9
Adjusted EBITDA	6.9	7.5

Interim consolidated cash flow statement

Cash flow statement (EURm)	Q2 21	Q1 21
Cash flow from operating activities	30.8	2.1
Cash flow from investing activities	(85.1)	(4.8)
Cash flow from financing activities	99.8	23.2
Effect of exchange rate changes and accounting principles	1.0	0.4
Total cash flows	46.5	20.9
<u>Compilation cash</u>		
Opening cash	31.3	10.4
Movement of cash and equivalents	46.5	21.0
Closing cash	77.9	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 42 acquisitions completed since 2014, of which 5 were in 2021. At end of June 2021 Azerion employed 957 staff across 17 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 Q2 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	31 October 2021
Interim Q3 report FY21	30 November 2021

Contact

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ⁱ 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.