Interim report

Q4 2020

+122%

Reported EBITDA increase vs Q4 2019

19.7%

Adjusted EBITDA margin

Highlights of Q4 2020

- Net revenue for the quarter amounted to EUR 57.3m, a slight decrease compared to Q4 2019 (EUR 58.2m)
- Reported EBITDA amounted to EUR 10.3m, a substantial 121.5% increase as compared to Q4 2019 (EUR 4.6m)
- Adjusted EBITDA amounted to EUR 11.3m, an increase of EUR 3.1m or 37.9%, as compared to Q4 2019 (EUR 8.2m), corresponding to an adjusted EBITDA margin of 19.7% (14% in Q4 2019).
- Monthly gameplays of Governor of Poker 3 increased by 31.8% compared to Q4 2019 and ARPU D30 increased by 21.8% from EUR 0.78 as at Q4 2019 to EUR 0.95.
- Our gaming developments have persisted throughout the fourth quarter, notably with a Christmas beta launch of the iconic title Habbo Hotel, under the name Habbo 2020.
- To extend the geographic reach of our flagship title Governor of Poker 3, preparations have started for a large-scale marketing campaign in Germany to be delivered in Q1 2021 and a partnership announced for further growth in the Asian markets.
- We successfully placed a subsequent bond issue of EUR 12.5m under our existing framework to finance the acquisition of Triodor and the minority shareholding within Sulake, and for general corporate purposes.

Financial overview

Financial results (EURm) of the Azerion Consolidated Companies	**Q4 2020 ***	**Q4 2019***	**YTD 2020***	**YTD 2019***	**Pro forma LTM 2020[i]**
Net revenue	**57.3**	**58.2**	**196.4**	**182.7**	**202.2**
COGS	(38.5)	(42.1)	(126.4)	(122.6)	
Gross profit	**18.8**	**16.1**	**70.0**	**60.1**	
Operating expenses	(8.5)	(11.5)	(48.0)	(50.9)	
Reported EBITDA	**10.3**	**4.6**	**21.9**	**9.2**	
Adjusted EBITDA[ii]	**11.3**	**8.2**	**26.7**	**13.6**	**31.5**

Revenue growth, %	(1.5%)		7.5%		
Gross margin, %	32.7%	27.7%	35.6%	32.9%	
Reported EBITDA margin, %	37.9%		95.8%		
Adjusted EBITDA margin, %	19.7%	14.0%	13.6%	7.5%	

[i] Proforma LTM 2020 figures are presented to illustrate the development of Azerion. Financial results for the FY20 acquired companies Spilgames, Collective UK and Triodor are included on an annualized LTM FY20 basis.
[ii] EBITDA after adjusting for items affecting comparability, namely transition expenses and non-recurring income or expense items.
* The stated financial results are subject to the audit of the company's auditor, including the first-time adoption of IFRS by the group as of Jan 1, 2019.

Message from our CEO's

The fourth quarter is usually the strongest quarter of the year for our company, and this year was no different. Notwithstanding the ongoing impact the Covid-19 pandemic poses to society at large, our industry and our organisation within it, we have continued to execute our strategy in line with our vision undisturbed. This has led to sustained momentum across all our operating activities.

Although net revenues in Q4 remained relatively flat at EUR 57.3m from EUR 58.2m in Q3 of 2019, our operating profitability improved significantly, with a 121.5% increase in reported EBITDA from EUR 4.6m in Q4 2019 to EUR 10.3m in Q4 2020, showcasing our effective improvements to operating efficiency. With that, adjusted EBITDA increased to EUR 11.3m (19.7% margin) compared to EUR 8.2m in Q3 2019 (14.0% margin).

Our Gaming segment performed very well in the fourth quarter. We launched a big title update in the form of Habbo 2020, which went live just before Christmas. Further, in line with our strategy, we laid the foundation for further Gaming growth with entry into new markets (Germany, Asia), signed multiple major distribution partnerships and added multiple new e-commerce products. As a result, Gaming revenues increased to EUR 19.5m in Q4, compared to EUR 14.5m in Q4 of 2019 (+ 34.4%).

In our Monetization Technology segment, we maintained the positive momentum driven by the integration and reorganisation efforts of the first three quarters of the year. We see publishers and advertisers starting to adapt to the new (post-)Covid-19 reality and activity in the segment is further picking up however, has not reached the 2019 levels yet.

2020 was a relatively calm year on the acquisitions side, focusing much of our efforts on assessing the impact of the Covid-19 pandemic and adjusting our company accordingly. However, we are very pleased with the two acquisitions we did in December. The acquisition of the remaining minority stake in Sulake fully aligns with our vision that gaming is increasingly becoming a social pastime, with users meeting and interacting with each other virtually. In addition, our acquisition of Triodor Software meaningfully increases our development power, which we aim to leverage across our content portfolio to drive title and feature development.

We remain very excited about our future as we continue to build our platform that connects the digital gaming ecosystem of users, content creators, publishers and advertisers in one seamless network. We will continue scaling this platform and adding new nodes to the network to keep engaging users and monetizing the platform activity for publishers and advertisers.

We thank all our employees, users and business partners for their efforts in navigating a challenging, but successful year for Azerion.

Atilla Aytekin and Umut Akpinar

CEO's and Founders of Azerion

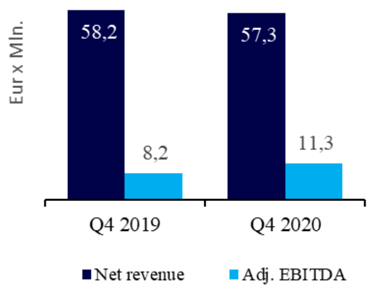
Financial overview Q4 2020

EUR 57.3m

Net revenue Q4 2020

EUR 11.3m

Adjusted EBITDA Q4 2020



Net revenue

Azerion's net revenue for the quarter amounted to EUR 57.3m, slightly lower (-1.5%) than Q4 2019. The decrease is particularly attributed to our Monetization Tech segment, which has concluded the quarter with a lower like-for-like sales volume, as compared to Q4 2019. Although certain companies have adjusted and found their new equilibrium in their advertising strategy throughout the headwinds of the pandemic, others remain perpetually affected and have significantly diminished their advertising spend as compared to the same quarter in the prior year.

Earnings

Adjusted EBITDA margin increased to 19.7% (EUR 11.3m) from 14.0% (EUR 8.2m) in the fourth quarter of 2019. With a marginally lower revenue volume within the quarter as compared to Q4 2019, this margin expansion and overall increase in EBITDA profitability is driven by our ongoing restructuring efforts to increase ecosystem efficiency and reduce operational expenses, and the synergies obtained from the merger of acquisitions.

Specifically, our reported Q4 cost base has decreased in relation to both COGS and OPEX as compared to Q4 of 2019, from 72.3% and 19.7% in Q4 2019, to 67.3% and 14.8% in Q4 2020. As such, the gross margin improved by 506 bps, from 27.7% to 32.7%.

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 2.2m, cash flow from investing activities amounted to EUR (7.2m), as a result of our Q4 acquisitions. Cash flow from financing activities totalled EUR 8.1m, inclusive of our subsequent Q4 bond issue of EUR 12.5m.

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 2.1m was capitalized in Q4 2020, equivalent to 3.7% of revenue.

Acquisitions

In December, Azerion acquired the remaining 49% of minority shareholding in Finnish social game studio Sulake from its co-shareholder Elisa Oyj. Azerion first invested in Sulake in 2018 and has been a driver of its significant revenue growth since. Complete ownership will unlock the full potential of our growing gaming ecosystem to Sulake's loyal gamers and the publisher alike.

In addition, we acquired international software development company Triodor in December. Head-quartered in the Netherlands and with an award-winning software development center in Istanbul, Turkey, Triodor has been involved in game development and customer support for Azerion since 2015. The acquisition significantly increases our development capacity and enhances our technical capabilities.

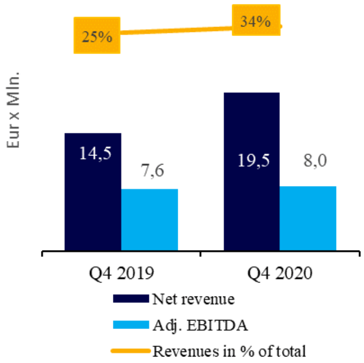
Financial position and financing

Azerion’s net interest-bearing debt amounted to EUR 75.7m, as per Dec 30, 2020. Interest-bearing debt mainly comprises the Company's outstanding bond loan with a nominal value of EUR 72.5m and invoice factoring agreements with a year-end balance of EUR 8.9m, less the cash and cash equivalents position of EUR 10.4m.

Significant events after the end of the period

Azerion successfully placed a subsequent bond issue of EUR 27.5m in February 2021. This bond issue was the third and last in a series under a total framework of EUR 100m, which has now been fully tapped. The proceeds will be used to finance an acquisition (yet to be announced) and to finance general corporate purposes of the group.

Segment information



Gaming

After the second quarter peak in new gaming users, driven by the confinement effects of Covid-19, the new user volume has somewhat flattened and towards the end of Q4 recovered to a pre-pandemic run-rate average. The quality of users across the portfolio has in turn continued to increase throughout the fourth quarter; measured by higher game plays, average time in games and average revenues per user, the latter driven by our efforts to optimize in-app monetisation.

This is best evidenced within our popular titles, and the recently launched title Monopoly Poker, where monthly gameplays and ARPU D30 have concluded substantially higher in this quarter, as compared to Q4 of 2019, the development summarized in the following table:

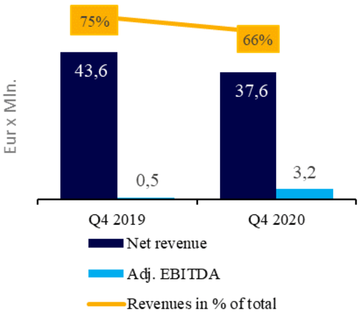
	Monthly gameplays (EURm)			ARPU D30		
Title	**2020 Q4**	**2019 Q4**	**Delta**	**2020 Q4**	**2019 Q4**	**Delta**
Governor of Poker 3	21.1	16.0	31.8%	€0.95	€0.78	21.8%
Habbo Hotel	11.7	9.1	28.4%	€0.29	€0.19	52.6%
Hotel Hideaway	41.6	26.5	56.9%	€0.11	€0.09	22.2%
Monopoly Poker	2.1	0.3	650.7%	€0.30	€0.03	900.0%

We have continued our investments in Q4 towards our promising E-commerce gaming platform Voidu, where our efforts to expand both product offering and geographies have resulted in new partnerships to enable gift and subscription card offering in addition to the sale of game keys. In addition, within GameDistribution, we signed partnerships with Yandex and Mail.ru., and a deal with Microsoft to distribute their classic titles on our platform and our titles on MSN and Bing.

These developments overall contributed to Gaming net revenues increasing by 34.4% to EUR 19.5m in Q4 2020, compared to EUR 14.5m in Q4 2019. Profitability improved with EBITDA concluding at 8.5m for the quarter, a 3.1m increase as compared to Q4 of 2019. Adjusted EBITDA increased 5.5% from EUR 7.6m to EUR 8.0m, when compared to Q4 2019, corresponding to an impressive 41.1% EBITDA to net revenue margin.

Financial results (EURm)				
Gaming	**Q4 2020 ***	**Q4 2019 ***	**YTD 2020 ***	**YTD 2019 ***
Net revenue	**19.5**	**14.5**	**91.3**	**58.2**
COGS	(10.8)	(7.2)	(50.6)	(33.0)
Gross profit	**8.8**	**7.3**	**40.8**	**25.2**
Operating expenses	(0.2)	(1.9)	(19.0)	(10.3)
Reported EBITDA[i]	**8.5**	**5.4**	**21.8**	**15.0**
Adjusted EBITDA[ii]	**8.0**	**7.6**	**23.2**	**17.4**
Revenue growth, %	34.4%		56.8%	
Gross margin, %	44.8%	50.2%	44.6%	43.3%
Adjusted EBITDA growth, %	5.5%		33.0%	
Adjusted EBITDA margin, %	41.1%	52.4%	25.3%	29.9%

[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.
* The stated financial results are subject to the audit of the company's auditor, including the first-time adoption of IFRS by the group as of Jan 1, 2019.



Monetization Tech

The fourth quarter is seasonally the strongest quarter of the year for our Monetization Tech, and Q4 of 2020 was no different, despite the ongoing pandemic that made sales more volatile and short term, and new projects harder to secure. In comparison to previous quarter (Q3), net revenues for Monetization Tech have increased by 13.4m from 24.2m to 37.6m.

Within the enduring pandemic, which throughout 2020 has shown its significant effects on advertising budgets across the globe, many companies forced to downscale their operations (airlines, restaurants, travel agencies, etc.) have shown no to limited advertising spend during 2020 and across Q4, impacting sales volumes of Monetization Tech and the main driver for a EUR 6.0m decline in Q4 2020 revenues as compared to the same period in the prior year.

Nonetheless, we continue initiatives to improve our conversions within the Ad Monetisation industry. In Q4, we have succeeded to sell more deal-ids and direct campaigns within our local European markets to buyers and agencies. The percentage of deal-id versus open marketplace (oRTB) has increased from 9% (Q3 YTD) to 21% in Q4, validating the operating effectiveness of our ecosystem.

Further, we started allowing buyers and agencies access to our Agency Marketplace (AMP), a strategic focus in growing our business in 2021, allowing buyers and agencies to run efficient campaigns throughout our publisher base, while assuring a brand-safe and non-fraudulent environment. To address these needs we integrated with Oracle MOAT for brand safety and Oracle Grapeshot for viewability targeting. On the sell side we integrated with ID5 for their cookie-less identity solution, making it easier for buyers to reach the right audiences in a world with diminishing 3rd party cookies.

With the Q4 reorganization of a series of past acquisitions and integration within the Azerion ecosystem, powered by organizational restructurings, segment profitability has improved despite lower net revenues, when compared to the same period in prior year. As a result, gross margin improved by 6.2% from 20.2% in Q4 2019 to 26.8% in Q4 2020. Operating expenses therewith decreased by EUR 3.7m, all together driving an adjusted EBITDA growth of 487.5% from EUR 0.5m to EUR 3.2m, and an adjusted EBITDA margin expansion from 1.3% to 8.6%, in Q4 2020 vs Q4 2019.

Financial results (EURm)				
Monetization Tech	**Q4 2020 ***	**Q4 2019***	**YTD 2020 ***	**YTD 2019***
Net revenue	**37,6**	**43,6**	**104,8**	**124,5**
COGS	(27,5)	(34,8)	(75,7)	(89,6)
Gross profit	**10,1**	**8,8**	**29,2**	**34,9**
Operating expenses	(5,9)	(9,6)	(26,7)	(40,6)
Reported EBITDA[i]	**4,1**	**-0,8**	**2,5**	**-5,7**
Adjusted EBITDA[ii]	**3,2**	**0,5**	**3,6**	**-3,8**

Revenue growth, %	(13.9%)		(15.8%)	
Gross margin, %	26.8%	20.2%	27.8%	28.0%
Adjusted EBITDA growth, %	487.5%		(194.3%)	
Adjusted EBITDA margin, %	8.6%	1.3%	3.4%	(3.0%)

[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.
* The stated financial results are subject to the audit of the company's auditor, including the first-time adoption of IFRS by the group as of Jan 1, 2019.

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)	Q4 20	Q3 20
Intangible fixed assets	85.3	81.7
Tangible fixed assets	7.0	5.7
Financial fixed assets	31.3	24.0
Total fixed assets	**123.6**	**111.4**
Receivables, prepayments and accrued income	64.1	66.9
Cash and cash equivalents	10.4	7.4
Total current assets	**74.5**	**74.3**
TOTAL ASSETS	**198.1**	**185.7**
Group equity	0.4	(16.2)
Minority share	1.0	7.6
Subordinated loans **	-	15.1
Total protective capital	**1.4**	**6.5**
Provisions	10.3	6.0
Bond	70.9	60.2
Finance company debt	4.2	5.9
Total non-current liabilities	**85.3**	**72.0**
Finance company debt	13.9	11.5
Trade creditors	65.8	64.7
Taxes and social securities	25.5	20.2
Other liabilities	6.2	10.7
Total current liabilities	**111.5**	**107.2**
TOTAL EQUITY AND LIABILITIES	**198.1**	**185.7**

Interest Bearing Debt	Q4 20	Q3 20
Total non-current indebtedness	75.0	66.0
Total current indebtedness	13.9	11.5
Total financial indebtedness	**89.0**	**77.5**
Facilities excluded		
Accrued Interests	1.4	1.5
Zero interest bearing loans	1.5	1.6
Interest Bearing Debt*	**86.1**	**74.4**

* As defined per section 1.1 in the Terms & Conditions of the Senior Secured Callable Floating Rate Bonds ISIN: SE0013774957.

** Within Q4, modifications effectuated to a series of subordinated shareholder loans to the amount of EUR 15.1m have led to the reclassification of this balance to equity, in accordance with the stipulations of IFRS 9 financial instruments.

Consolidated income statement (unaudited)

Income statement (EURm)	Q4 20	Q4 19
Net revenue	57.3	58.2
COGS	(38.5)	(42.1)
Gross profit	**18.8**	**16.1**
Operating expenses	(8.5)	(11.5)
EBITDA	**10.3**	**4.6**
D&A	(8.5)	**-**
Other gains and losses	0.3	**-**
EBIT	**2.0**	
Financial/other results*	(1.7)	-
EBT	**0.3**	**-**
Income taxes	(1.1)	-
Result from operations after tax	**(0.7)**	**-**
Third party share	(0.4)	-
Result after tax (excl. minority share)	**(1.2)**	**-**
EBITDA	**10.3**	**4.6**
Transition expenses - Capital Markets	0.3	1.3
Transition expenses - Acquisitions/Disposals	0.3	1.8
Other non-recurring income or expenses	0.4	0.5
Adjusted EBITDA	**11.3**	**8.2**

* The group accounting policy for share based payments under IFRS 2 is under review and therefore no income statement entries in relation to this matter have been recorded in the presented income statement.

Consolidated cash flow statement (unaudited)

Cash flow statement (EURm)	Q4 20	Q3 20
Cash flow from operating activities	2.2	(4.3)
Cash flow from investing activities	(7.2)	0.4
Cash flow from financing activities	8.1	(1.3)
Total cash flows	**3.0**	**(5.2)**
Compilation cash		
Opening cash	7.3	12.6
Movement of cash and equivalents	3.0	(5.2)
Closing cash	**10.4**	**7.3**

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 37 acquisitions completed since 2014, of which 2 in 2020. Azerion currently employs ~850 employees across 15 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 FY19 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 Q4 FY20 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 9 March 2020, and the amendment dated 12 November 2020. This report has not been reviewed nor audited by the company's auditor.

Financial calendar

Publication Annual Report FY20	30 April 2021
Interim Q1 report FY21	31 May 2021

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