# ANNUAL ACCOUNTS 2019

Azerion Holding B.V.
at Schiphol-Rijk

# CONTENTS

# REPORT OF THE MANAGEMENT BOARD

Management of the Azerion Holding B.V. (hereinafter 'Azerion') hereby presents its management report for the financial year ended on 31 December 2019.

Azerion is a media, entertainment and technology company that provides safe, reliable and valuable content and services. Our mission is to engage users while helping advertisers and publishers connect with them in a meaningful and valuable way. We touch real people when they're actively engaging with their friends and their favourite content while we help advertisers and publishers to connect with these people at the right time and in a meaningful and valuable way. Azerion believes there is an important future in digital entertainment and has built an ecosystem around entertainment content. Core values of this ecosystem are trust, quality content, and responsible, multi-cultural and entrepreneurial behaviour. We own the content and the technology to guarantee safety and reliability.

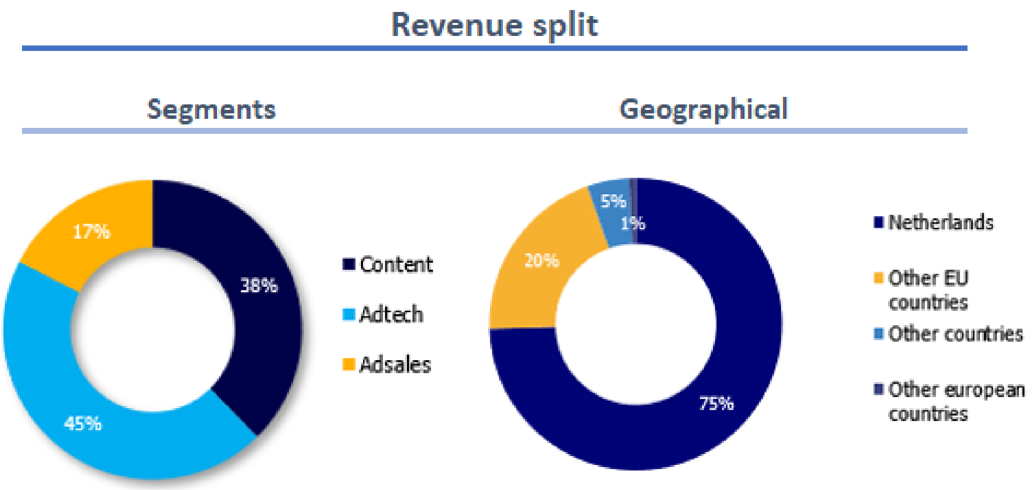
**General information**

This digital ecosystem helps consumers to connect to a high quality entertainment environment, free of malicious practices, safe for their families and respectful of their privacy; helps advertisers to connect to real, valuable human audiences to show them an attractive message at the right time, in appropriate and validated environments; helps distributors like publishers, broadcasters and telco's to monetize visitors through the ecosystem's sales force, its data, its technology and increased user engagement and helps the creators of video and gaming content to easily and quickly connect to the people, the advertisers and the distributors.

Azerion's Ecosystem execution provides revenue streams in all parts of the value chain creating opportunities for the Group to retain ad spend within the Ecosystem. Azerion is a highly diversified business generating revenue from a broad range of jurisdictions and verticals across its three segments. Core focus is on the European market with approximately 83% of revenues generated in EU jurisdictions.

Azerion is organized by way of three different business areas: Content, Adtech and Adsales with their own management structures which report into the company management board.

The revenue can be split between B2C and B2B where the business area Content mainly focuses on B2C and Adtech and Adsales on B2B. Amongst the most important categories of customers and suppliers are the leading publishers of newspapers, multinational technology company that specializes in Internet-related services and products, and the gaming community.



In 2019 Azerion made acquisitions in the following businesses:

- Sellbranch Benelux Bvba (100%, January 1, 2019);
- Hi Media Espana Publicidad On Line S.L. (100%, January 1, 2019);
- Adux Portugal Lda (renamed Azerion Portugal Lda) (75%, January 1, 2019);
- Semilo B.V. (100%, February 1, 2019);
- Rocabee Ltd (100%, January 1, 2019);
- Woozworld Inc (100%, January 1, 2019):
- Hi Media Deutschland GmbH (100%, April 1, 2019);
- Zoom.in (100%, October 1, 2019);
- Adux (54,95%, December 20, 2019)

Additionally, the mobile division of Spilgames was acquired in June 2019.

These acquisitions not only expanded the content proposition but also solidified Azerion European footprint in the Adsales industry. 2019 acquisitions supported our vision to deliver entire value chain solutions to our ecosystem of advertisers, publishers and consumers.

The acquisitions in the advertiser's space: Adux, Hi-Media Espana, Sellbranch Benelux, Adux Portugal and Hi Media Deutschland, increased Azerion's reach for branding & user acquisition in Belgium, Spain, The Netherlands and Germany and contributed to a higher market share. The integration of these sale houses in the Azerion ecosystem, allowed us to offer clients in these countries a complete package, with more substantial programmatic advertising and engaging games content.

Acquisitions in the content space: Spilgames, Woozworld and Zoom.in helped Azerion become a major player in the global games market while continuing to stay ahead in innovation.

Spilgames and Woozworld added know-how to maximize user engagement and advertiser impact in the consolidating mobile and social games market. Zoomin added a significant new strand to the Azerion proposition, helping brands and publishers reach their target audiences even better by broadening its content with premium video content which continues to be vital, particularly for brands and publishers trying to engage Gen Zes.

Azerion has stepped into a joint venture Talpa Azerion Gaming B.V. for 50 % in November 29, 2019.

The existing participation in Adux is increased from 25,6 % in 2018 to 54,95 % in December 30, 2019.

**Financial information**

Azerion grew its net traded revenues by 29% year-on-year in 2019 to EUR 163.3M (2018: EUR 126.9M), of which 54% is a result of organic growth and 46% of acquisitions. Gross margin (net turnover -/- external costs) increased by 41% to EUR 51.1M (2018: EUR 36.2M). Gross margin percentage increased from 29% to 32% mainly driven by successful integrations and further optimization of AdTech acquisitions made in 2018.

Operational costs increased to EUR 54.1M (2018: EUR 41.4M), also caused by the increase in incidental expenses related to post-M&A integration and financing activities. This results in an after-tax loss of EUR 9.4M (2018: loss of EUR 6.8M).

Azerion has a negative guaranteed capital at 31st December 2019 of EUR 0.7M as a result of the subordination of EUR 11.8M shareholder loans (2018: negative EUR 4.7M). Liquidity increased in 2019 to EUR 9.9M (2018: EUR 1.4M).

The company has fully repaid the outstanding bond of EUR 25.0M per March 17, 2020 with proceeds from the issuance of a bond of EUR 60.0M in Q1 of 2020. Operating activities generated in 2019 EUR -11.6M net cash (2018: EUR 18.5M). Net cash generated from Investment activities amounted to EUR-17.5M (2018: EUR -35.1M). Financing activities generated EUR 29.6M (2018: EUR 11.9M). Net cash flows amounted to EUR 0.6M (2018: EUR -4.7M).

**Significant risks and uncertainties**

The gaming industry is a dynamic global market. There are many external influences; such as legislation, governments, infrastructure and new technologies. The Personal Data Protection Act has a lot of influence on the cookie policy, which has a negative result on the traceability of the user.

Another external factor is a technological factor, such as the ad blockers. The emergence of ad blockers has had a negative effect on the volume of ads. In addition, Azerion Holding BV must be continuously technically competent and prepared for all kinds of fraud and deception on digital traffic and the internet.

Failure of internet and infrastructure is a major uncertainty. Although this type of major failure occurs rarely, it can have a major effect if it happens.

The risk for failure within personal integrity and frauds is handled with highest importance.

The main risks that result from the current uncertain situation regarding Covid-19 are:

Revenues and profitability: Overall turnover till June 2020 was EUR 97.2M and therefore ca 25% higher compared to prior year (2019: EUR 77.5M), but growth is less than expected compared to before the Covid-19 pandemic. This is mainly caused by a decrease in advertisement sales of 8% from EUR 19.5M in 2019 to EUR 17.9M in 2020 which was mitigated by the fact that Content revenue is higher than our expected increase due to the influence of the pandemic. For the remainder of 2020 we expect the Content revenue will continue to compensate for the decrease in Adsales revenue.

Credit Risk: We see no increased credit risk and expect our major customers to stay liquid and fulfil expectations both when it comes to revenue forecast and on time payments.

Impairments: The Covid-19 pandemic is treated as a non-adjusting after the balance sheet event in the current year financial statement. As the scale and duration of this pandemic remains uncertain the future impact and potential impairments cannot be predicted.

Government assistance: Azerion has applied for governmental assistance in the second quarter of 2020 during the Covid-19 pandemic. This assistance has taken different forms in accordance with the country regulations of which the employees' furlough and wage tax deferral are the most widely used. Azerion is aware that governments across Europe are defining plans to allow companies to return the tax deferrals maintaining the company's liquidity to avoid further dismissals. In addition, Azerion's business seasonality is such that the fourth quarter of the year is significantly the strongest. Therefore, even though there is an inherent risk associated with the deferral of wage taxes Azerion believes the combination of additional business generation driven by seasonality in combination with a structured tax liability pay-back program will not pose significant liquidity risk. Azerion expects that some aspects of the governmental assistance will continue throughout the third quarter of 2020.

Financing and liquidity: The outstanding bond of EUR 25.0M. with bank covenants was fully repaid with proceeds from the issuance of a bond of EUR 60.0M in Q1 of 2020.

As explained, the Covid-19 outbreak has affected our business from March 2020 onwards and might continue to do so in the future. The measures taken by various governments and the internal proactive cost-reduction actions taken by Azerion have been effective to contain and mitigate its impact in the long term.

Based on the facts and circumstances at this moment and the possible scenarios about how the Covid-19 and resulting government measures could evolve, management has taken strong measures to deal with the uncertainties described above. Whilst uncertain, we do not believe, however, that the impact of the Covid-19 virus would have a material adverse effect on our financial condition or liquidity.

The accounting principles applied to the valuation of assets and liabilities and the determination of results in these financial statements are based on the assumption of continuity of the company.

**Risk appetite**

The extent to which Azerion is prepared to take risks to achieve its objectives differs according to each objective and risk category. Risk limits are set out in various policy documents, handbooks and company regulations that define the specific limits and tolerances of the various operational activities.

| Risk category | Risk Appetite | Description |
|---|---|---|
| **Strategic** | Medium | Azerion is prepared to take moderate risks to realize its ambitions. In doing so, Azerion aims to strike a balance between our employer responsibilities (low risk acceptance) and our commercial targets (higher risk acceptance). |
| **Operational** | Medium | Azerion is a fast-growing company, and has historically made, and still plan to do, a lot of acquisitions. It's of high importance that the acquisitions are managed and integrated in an efficient way so that synergies are achieved as planned. |
| **Financial** | Low | Azerion is a debt-financed company and strives to maintain a solid financial position in order to guarantee access to the financial markets. Azerion is not prepared to take risks that could jeopardize its liquidity. |
| **Compliance** | Low | Azerion strives to comply with all applicable laws and regulations, with a particular focus on privacy information security laws (GDPR), safety of our employees, environmental and competition. |

**Information regarding financial instruments**

Financial instruments include trade and other receivables, cash items, derivative financial instruments, trade payables and other amounts payable.

During the normal course of business, the Group uses various financial instruments that expose it to market, currency, interest, cash flow, credit and liquidity risks. To control these risks, the Group has instituted a policy and procedures that are intended to limit the risks of unpredictable adverse developments in the financial markets and thus for the financial performance of the Group.

The business doesn't expose itself to risks within financial instruments, due to the nature of the business. Contracts are short-term, hedging non-existing and currency exposure is limited. The company's largest part of the revenue is in EUR.

**Balanced Male / Female Ratio**
In 2019, Azerion grew its workforce from 332 to 848 employees of which approximately 37% is female and 63% is male. The average number of employees, based on full-time equivalents, increased from 242 to 547. This growth is a result of the several acquisitions. Our talent pool represents more than 20 different nationalities, religions, of cultural communities.

**Composition of the Executive board**
The Executive Board of Azerion Holding constitutes 20% women. This imbalance is explained by seats taken by shareholders and executives from acquired companies.

**Environmental and human resources**
Azerion has a high level of environmental awareness. All contracts, documents, letters and other paper handling is done digitally. Therefore, use of paper is decreased to an absolute minimum. Commuting per public transport is promoted and compensates employees free public transport 24/7, year-round and throughout the country.

Azerion HQ consist of HR Team containing the VP HR International, HR Director Netherlands, two HR Support Specialists and a Corporate International Recruiter. Next to the team in the HQ some of the international locations have their own dedicated HR Specialists.

All HR processes such as recruitment, hiring, onboarding, performance management, contract management, offboarding are automated in the tool Bamboo HR. Payroll is outsourced to local, external payroll companies to ensure local labour and tax laws are applied correct.

Within Azerion recruiting, hiring, engaging, growing and retaining talent is of great importance. With the available tools together with the great employer brand the talent pool is optimized.

**Application of codes of conduct**
Azerion has a decentralized non-mandatory code of conduct policy in place, due to the different regulations by law in the countries we are based. In 2019 we didn't apply the use of the code of conduct to any case in Azerion.

**Social aspects of entrepreneurship**
Educational Responsibility has been a core value since Azerion's founding.

In 2019 we launched the Dream on Talent Project with major Educational partners like Albeda College in Rotterdam and Metis Montessori school in Amsterdam. Over 1000 young ambitious students with a bicultural background are reached with inspiring & interactive workshops and meetings. Furthermore, we guided and coached promising entrepreneurs in realizing their dream with our Dutch Dream Coaching program.

**Environmental sustainability**
In 2019 we defined our environmental sustainability strategy by becoming Carbon neutral within 2 years.

Starting with gaining insides of our carbon footprint, creating a reduction program by determining policy on purchasing, energy, mobility (scope 1 and 2) and relevant indirect emissions (scope 3). Furthermore, implementing an offsetting program by compensating our emissions with 20% by planting cherry trees at an orchard in Turkey.

**Research and development information**

Azerion has a large R&D team that drives the development of online games and publisher monetization platforms. Azerion continued to develop its platform “360 Polaris” and premium titles as “Governor of Poker” and “Stratego”. Next to this, several smaller casual games are developed. The development process, including software architecture and planning is managed from HQ in Schiphol-Rijk. Day-to-day development is done through internal and external resources.

**Outlook**

As explained in chapter 5, paragraph “Implications of Covid-19 on the business” and chapter 12, paragraph “subsequent events” in the financial statements, the Covid-19 outbreak and resulting measures taken by various governments to contain the virus have negatively affected our business from March 2020 onwards. In addition to the already known effects, the macroeconomic uncertainty causes disruption to economic activity and it is unknown what the longer-term impact on our business may be. The scale and duration of this pandemic remain uncertain but are expected to further impact our business. However Azerion is a healthy and growing company with focus on both organic growth and strategical acquisitions.

Overall the turnover till June 2020 was EUR 97.2M and therefore 25% higher compared to prior year (2019: EUR 77.5M), but growth is less than expected compared to before the Covid-19 pandemic. This is mainly caused by a decrease in advertisement sales of 8% from EUR 19.5M in 2019 to EUR 17.9M in 2020 which was mitigated by the fact that Content revenue is higher than our expected increase due to the influence of the pandemic. For the remainder of 2020 we expect Content revenue will continue to compensate for the decrease in Adsales revenue.

In 2020, despite the current circumstances with Covid-19, Azerion will continue its growth due to further acquisitions, optimization of existing businesses and investments in technology and content. The group aims for double digit growth in revenues whilst maintaining or increasing profit margins. Recent year's expansion has created opportunities to reach markets across the globe as well, although Azerion foresees Europe to continue being its core market going forward.

The group will limit its investments until it has clarity as to when government measures will end, and business activity will improve.

In the first quarter of 2020 Azerion has raised a EUR 60.0M bond to inject additional liquidity. Based on the current financial position and results, we see no risk that we may not meet our covenant ratios at the next measurement date on December 31, 2020 or any subsequent quarterly measurement dates in 2021.  We will not propose to pay any dividends this year.

Schiphol-Rijk, September 30, 2020

The Management Board:

| | | |
|---|---|---|
| Mr. U. Akpinar | Mr. A. Aytekin | Ms. D. Alonso |
| Chief Executive Officer | Chief Executive Officer | CFO (appointed October 2019) |

# FINANCIAL STATEMENTS

# 1. CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2019

(after appropriation of result)

| | | 31 December 2019 | | 31 December 2018 | |
|---|---|---|---|---|---|
| | | € | € | € | € |
| **ASSETS** | | | | | |
| **FIXED ASSETS** | | | | | |
| Intangible fixed assets | (1) | 67,748,533 | | 37,544,164 | |
| Tangible fixed assets | (2) | 1,745,538 | | 949,974 | |
| Financial fixed assets | (3) | 6,991,033 | | 3,218,729 | |
| | | | 76,485,104 | | 41,712,867 |
| **CURRENT ASSETS** | | | | | |
| Receivables, prepayments and accrued income | (4) | 71,095,325 | | 33,982,019 | |
| Cash and cash equivalents | | 9,912,654 | | 1,417,459 | |
| | | | 81,007,979 | | 35,399,478 |
| **TOTAL ASSETS** | | | 157,493,083 | | 77,112,345 |

| | | 31 December 2019 | | 31 December 2018 | |
|---|---|---|---|---|---|
| | | € | € | € | € |
| **GROUP EQUITY AND LIABILITIES** | | | | | |
| **GROUP EQUITY** | | | | | |
| Group equity | (5) | -13,092,241 | | -6,071,051 | |
| Third-party share in group equity | (6) | 549,878 | | 1,349,841 | |
| | | | -12,542,363 * | | -4,721,210 |
| **PROVISIONS** | (7) | | 7,804,510 | | 3,140,822 |
| **NON-CURRENT LIABILITIES** | (8) | | 11,246,638 | | 20,454,039 |
| **CURRENT LIABILITIES** | (9) | | 150,984,298 | | 58,238,694 |
| **TOTAL GROUP EQUITY AND LIABILITIES** | | | 157,493,083 | | 77,112,345 |

** Included in the non-current liabilities are subordinated loans with a total amount of € 11.823.300, which together with the group equity form the guaranteed capital of the group to the amount of € -719.063.*

## 2. CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2019

| | | 2019 | | 2018 | |
|---|---|---|---|---|---|
| | | € | € | € | € |
| **Net turnover** | (10) | 163,265,438 | | 126,851,185 | |
| Other operating income | | - | | 278,126 | |
| **Sum of operating income** | | | 163,265,438 | | 127,129,311 |
| External costs | | 111,800,147 | | 90,999,601 | |
| Charged wages and salaries | (11) | 24,681,802 | | 14,593,956 | |
| Social security charges | | 4,300,605 | | 2,196,030 | |
| Pension costs | | 232,210 | | 539,807 | |
| Amortization and depreciation | (12) | 6,553,868 | | 8,640,023 | |
| Other operating expenses | (13) | 18,323,155 | | 15,342,497 | |
| **Total costs** | | | 165,891,787 | | 132,311,914 |
| **Operating result** | | | -2,626,349 | | -5,182,603 |
| Financial income and expenses | (14) | | -6,113,283 | | -1,703,312 |
| **Result from normal operations before tax** | | | -8,739,632 | | -6,885,915 |
| Taxes | (15) | | -1,421,246 | | -77,896 |
| | | | -10,160,878 | | -6,963,811 |
| Share in result of participating interests | (16) | | 496,080 | | -652,531 |
| **Result from normal operations after tax** | | | -9,664,798 | | -7,616,342 |
| Minority interest | | | 219,675 | | 775,090 |
| **Result after tax** | | | -9,445,123 | | -6,841,252 |

## 3. CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2019

The cash flow statement is prepared using the indirect method.

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | € | € |
| **Cash flow from operating activities** | | | |
| Operating profit/ (loss) | | -2,626,349 | -5,182,603 |
| *Adjustments for:* | | | |
| Depreciation, amortisation and other impairments | | 10,652,947 | 7,650,003 |
| Movement in provisions | (7) | -1,155,841 | 2,105,715 |
| | | 9,497,106 | 9,755,718 |
| *Movement in working capital:* | | | |
| Receivables | (4) | 4,223,658 | -29,132,808 |
| Current liabilities (excluding finance balances) | (9) | -17,599,264 | 44,506,049 |
| | | -13,375,606 | 15,373,241 |
| Cash generated from operations | | -6,504,849 | 19,946,356 |
| Interest received | | 592,614 | 138,103 |
| Foreign exchange gains/ (losses) | | -1,686,325 | - |
| Corporate income tax paid | | -328,131 | -77,896 |
| Interest paid | | -3,628,324 | -1,500,055 |
| | | -5,050,166 | -1,439,848 |
| **Cash generated from operations** | | **-11,555,015** | **18,506,508** |
| **Cash flow from investment activities** | | | |
| Acquisition of group companies | (3) | -595,072 | - |
| Acquisition of other participating interests | (3) | -1,046,220 | -3,475,758 |
| Investments in intangible fixed assets | (1) | -13,711,133 | -32,223,443 |
| Investments in tangible fixed assets | (1) | -2,269,656 | -710,228 |
| Disposal of other participating interests | (2) | 86,620 | - |
| Divestments in intangible fixed assets | (1) | 2,021 | 1,249,436 |
| Divestments in tangible fixed assets | (2) | 38,089 | 77,056 |
| **Net cash generated from investment activities** | | **-17,495,351** | **-35,082,937** |
| **Cash flow from financing activities** | | | |
| Movement reserves and minority interests | | - | 1,329,820 |
| Increase non-current other receivables | (3) | -1,693,442 | -647,277 |
| Decrease non-current other receivables | (3) | 743,670 | 4,125 |
| Increase of other borrowings | (8) | 9,543,090 | 5,426,300 |
| Decrease of other borrowings | (8) | -3,141,637 | - |
| Increase of debts to credit institutions | (8) | 25,149,391 | 6,077,146 |
| Decrease of debts to credit institutions | (8) | -951,074 | -306,892 |
| **Net cash generated from financing activities** | | **29,649,998** | **11,883,222** |
| **Net cash flows** | | **599,632** | **-4,693,207** |
| Exchange gains/(losses) on cash at bank and in hand | | 30,854 | - |
| **Net increase/(decrease) in cash at banks and in hand** | | **630,486** | **-4,693,207** |

The movement in cash banks and in hand can be broken down as follows:

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | € | € |
| Cash and cash equivalents | | 1,417,459 | 2,060,858 |
| Bank overdrafts and factoring | (9) | -4,072,242 | -22,434 |
| **Balance as at 1 January** | | -2,654,783 | 2,038,424 |
| | | | |
| Cash and cash equivalents | | 9,912,654 | 1,417,459 |
| Bank overdrafts and factoring | (9) | -11,936,951 | -4,072,242 |
| **Balance as at 31 December** | | -2,024,297 | -2,654,783 |
| | | | |
| Movement cash and cash equivalents | | 8,495,195 | -643,399 |
| Movement bank overdrafts and factoring | | -7,864,709 | -4,049,808 |
| **Movements during the financial year** | | 630,486 | -4,693,207 |

## 4. STATEMENT OF TOTAL RESULT OF THE GROUP FOR THE YEAR ENDED DECEMBER 31, 2019

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | € | € | € | € |
| Consolidated net result after taxation | | -9,664,798 | | -7,616,342 |
| Currency translation differences in foreign subsidiaries | 244,419 | | -46,540 | |
| Total of direct movement in group equity | | 244,419 | | -46,540 |
| Total result of the group | | -9,420,379 | | -7,662,882 |

## 5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. General notes

*Activities*
The activities of Azerion Holding B.V. (CoC file 59272449), with registered offices in Schiphol-Rijk, and its group holdings mainly consist of the following: holding activities, online gaming, platform development, advertising, asset management, management activities and managing domain names, trademark and form rights.

*Implications of Covid-19 on the business*
The Covid-19 outbreak is affecting the business of Azerion and its group companies from March 2020 onwards. The currently known impacts on Azerion Holding B.V. are:

- 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 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 and to a lesser extent the AdTech business unit, where we continued our cost reduction programs.
- Overall turnover till June 2020 was EUR 97.2M and therefore ca 25% higher compared to prior year (2019: EUR 77.5M), but growth is less than expected compared to before the Covid-19 pandemic. This is mainly caused by a decrease in advertisement sales of 8% from EUR 19.5M in 2019 to EUR 17.9M in 2020 which was mitigated by the fact that Content revenue is higher than our expected increase due to the influence of the pandemic. For the remainder of 2020 we expect the Content revenue will continue to compensate for the decrease in Adsales revenue.
- Impairments: The Covid-19 pandemic is treated as a non-adjusting after the balance sheet event in the current year financial statement. As the scale and duration of this pandemic remains uncertain the future impact and potential impairments cannot be predicted.
- Azerion has operations in several countries. The impact of Covid-19 in Italy enabled us to quickly prepare and adapt our organization to the impact of the virus. Therefore, we were well-prepared once large-scale, country-wide lockdowns were enforced during the first quarter of 2020. In addition, Azerion directed the selling efforts towards ecosystem roll-out, meaning, the sale of in-house tech and content products yielding higher margins.
- Azerion has tapped into governmental assistance in the second quarter of 2020 during the Covid-19 pandemic. This assistance has taken different forms in accordance with the country regulations of which the employees' furlough and wage tax deferral are the most widely used. Azerion is aware that governments across Europe are defining plans to allow companies to make us of tax deferrals maintaining the company's liquidity to avoid further dismissals. In addition, Azerion's business seasonality is such that the fourth quarter of the year is significantly the strongest. Therefore, even though there is an inherent risk associated with the deferral of wage taxes Azerion believes that the combination of additional business generation driven by seasonality in combination with a structured tax liability pay-back program will not pose significant liquidity risk. Azerion expects that some aspects of the governmental assistance will continue throughout the third quarter of 2020.

- Additionally, the group will limit its investments until it has clarity as to when government measures will end, and business activity will improve. The group does not intend to reduce its workforce other than the announced restructuring measures which will lead to a cost reduction and improve the result.

In the first quarter of 2020 Azerion has raised a EUR 60.0M bond to inject additional liquidity. Based on the current financial position and results, we see no risk that Azerion may not meet covenant ratios at the next measurement date on December 31, 2020 or any subsequent measurement dates in 2021.

Based on the facts and circumstances known at this moment and the possible scenarios about how the COVID-19 and resulting government measures could evolve, management has taken strong measures to deal with the uncertainties above. Whilst uncertain, we do not believe however that the impact of the COVID-19 virus would have a material adverse effect on our financial condition or liquidity.

The accounting principles applied to the valuation of assets and liabilities and the determination of results in these financial statements are based on the assumption of continuity of the company.

*Registered address*

The registered and actual address of Azerion Holding B.V. (CoC file 59272449) is Beechavenue 182 in Schiphol-Rijk.

*Group structure*

Large-sized company Azerion Holding B.V. is the head of the Azerion group. Azerion Holding B.V. is located at Schiphol-Rijk, the Netherlands.

*Judgments, estimates and uncertainties*

In applying the principles and policies for preparing the financial statements, the directors of Azerion Holding B.V. make different estimates and judgments that may be essential to the amounts disclosed in the financial statements. If it is necessary in order to provide the true and fair view required under Book 2, article 362, paragraph 1, the nature of these estimates and judgments, including assumptions related to the uncertainties, is disclosed in the notes to the relevant financial statement items.

*Correction of errors*

A material error which leads to a difference when restating the equity is recognised as follows:

- Equity is recalculated at the end of the previous financial year as if the error has not occurred; and

- The difference between the equity at the end of the previous financial year, before and after recalculation (cumulative effect), is recognized as a change directly in equity at the beginning of the financial year in which the correction is made.

*Consolidation*

The consolidation includes the financial information of Azerion Holding B.V., its group companies and other entities in which it exercises control or whose central management it conducts. Group companies are entities in which Azerion Holding B.V. exercises direct or indirect control based on a shareholding of more than one half of the voting rights, or of which it has the authority to govern otherwise their financial and operating policies. Potential voting rights that can be exercised directly from the balance sheet date are also taken into account.

Group companies and other entities in which Azerion Holding B.V. exercises control or whose central management it conducts are consolidated in full. Participating interests in group equity and group result are disclosed separately. Participating interests over which no control can be exercised (associates) are not included in the consolidation.

The Company's interests in joint ventures are accounted for by proportionate consolidation. An entity qualifies as a joint venture if its participants exercise joint control under a collaborative agreement.

Intercompany transactions, profits and balances among group companies and other consolidated entities are eliminated, unless these results are realised through transactions with third parties. Unrealised losses on intercompany transactions are also eliminated, unless such a loss qualifies as an impairment. The accounting policies of group companies and other consolidated entities have been changed where necessary, in order to align them to the prevailing group accounting policies.

In the consolidated annual accounts Azerion Holding B.V. the financial data of Azerion Holding B.V. and the following group companies are included:

| | | | | |
|---|---|---|---|---|
| Azerion IP B.V. | Schiphol-Rijk (NL) | Content | 100% | FC |
| Azerion Yalzilim Ltd | Istanbul (TR) | Content | 100% | FC |
| Connect2 Media Ltd | Manchester (GB) | Content | 100% | FC |
| Funtomic Ltd | Ramat Gan (IL) | Content | 100% | FC |
| Gembly B.V. | Schiphol-Rijk (NL) | Content | 100% | FC |
| HUZ B.V. | Schiphol-Rijk (NL) | Content | 100% | FC |
| KeyGames Network B.V. | Schiphol-Rijk (NL) | Content | 100% | FC |
| Netwerk360 GmbH | Berlin (DE) | Content | 100% | FC |
| OG DMCC | Dubai (AE) | Content | 100% | FC |
| Plinga GmbH | Berlin (DE) | Content | 83,16% | FC |
| Rocabee Ltd | London (GB) | Content | 100% | FC |
| sMeets Communications GmbH | Berlin (DE) | Content | 100% | FC |
| Sulake Corp | Helsinki (FI) | Content | 51% | FC |
| Talpa Azerion Gaming B.V. | Schiphol-Rijk (NL) | Content | 50% | PC |
| Voidu B.V. | Schiphol-Rijk (NL) | Content | 100% | FC |
| Woozworl Inc | Toronto (CA) | Content | 100% | FC |
| Yoki Network Holding B.V. | Schiphol-Rijk (NL) | Content | 100% | FC |
| Youda Games Holding B.V. | Schiphol-Rijk (NL) | Content | 100% | FC |
| Zoom.In Group B.V. | Schiphol-Rijk (NL) | Content | 100% | FC |
| | | | | |
| Azerion Nederland B.V. | Schiphol-Rijk (NL) | Adtech | 100% | FC |
| Azerion Publisher Services B.V. | Schiphol-Rijk (NL) | Adtech | 100% | FC |
| ImproveDigital B.V. | Schiphol-Rijk (NL) | Adtech | 100% | FC |
| Sellbranch AB | Stockholm (SE) | Adsales | 100% | FC |
| | | | | |
| Adux Portugal Lda | Lisbon (PT) | Adsales | 75% | FC |
| Adux SA | Paris (FR) | Adsales | 54,95% | FC |
| Hi-Media Deutschland AG | Düsseldorf (DE) | Adsales | 100% | FC |
| Hi-Media Espana Publicidad On Line SL | Madrid (ES) | Adsales | 100% | FC |
| Sellbranch Benelux BvbA | Ixelles (BE) | Adsales | 100% | FC |
| | | | | |
| Azerion Productions B.V. | Schiphol-Rijk (NL) | Other | 100% | FC |

*FC = full consolidation, PC = proportionate consolidation, EM = equity method*

Additionally there’s a 5% interest in Spil Games Group B.V. (Schiphol-Rijk (NL), content) which is not consolidated.

*Related parties*

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also entities which can control the Company are considered to be a related party. In addition, statutory directors, other key management of Azerion Holding B.V. and close relatives are regarded as related parties.

Transactions with related parties are disclosed in the notes insofar as they are not transacted under normal market conditions. The nature, extent and other information is disclosed if this is necessary in order to provide the required insight.

*Acquisition and disposal of group companies*

Identifiable assets acquired and liabilities assumed in a business combination are recognised in the consolidated financial statements from the acquisition date, being the moment that control can be exercised over the acquired company.

The acquisition price consists of the cash consideration, or equivalent, agreed for acquiring the company plus any directly attributable expenses. If the acquisition price exceeds the net amount of the fair value of the identifiable assets and liabilities, the excess is capitalised as goodwill under intangible assets. If the acquisition price is lower than the net amount of the fair value of the identifiable assets and liabilities, the difference (i.e. negative goodwill) is disclosed under accruals and deferred income.

Entities continue to be consolidated until they are sold; they are deconsolidated from the date that control ceases and if they are classified as groups held-for-disposal.

*Accounting policies for the cash flow statement*

The cash flow statement has been prepared using the indirect method. The cash items disclosed in the cash flow statement comprise cash at banks and in hand except for deposits with a maturity longer than three months. Cash flows denominated in foreign currencies have been translated at average estimated exchange rates. Exchange differences affecting cash items are shown separately in the cash flow statement. Interest paid and received, dividends received and income taxes are included in cash from operating activities. Dividends paid are recognised as cash used in financing activities. The purchase consideration paid for the acquired group company has been recognised as cash used in investing activities where it was settled in cash. Any cash at banks and in hand in the acquired group company have been deducted from the purchase consideration. Transactions not resulting in inflow or outflow of cash, such as entering into a financial leasing agreement, are not recognised in the cash flow statement. The value of the related asset and lease liability are disclosed in the notes to the balance sheet items. Payments of finance lease instalments qualify as repayments of borrowings under cash used in financing activities and as interest paid under cash generated from operating activities.

## 2. General policies

*General*

The financial statements are prepared in accordance with the provisions of Title 9, Book 2 of the Dutch Civil Code and the firm pronouncements in the Dutch Accounting Standards, as published by the Dutch Accounting Standards Board ('Raad voor de Jaarverslaggeving').

Assets and liabilities are generally valued at historical cost, production cost or at fair value at the time of acquisition. If no specific valuation principle has been stated, valuation is at historical cost. In the balance sheet, income statement and the cash flow statement, references are made to the notes.

*Comparison with previous year*

The valuation principles and method of determining the result are the same as those used in the previous year.

*Foreign currencies*

Functional currency

Items included in the financial statements of group companies are measured using the currency of the primary economic environment in which the respective group company operates (the functional currency). The consolidated financial statements are presented in Euros, which is the functional and presentation currency of Azerion Holding B.V.

Transactions, receivables and liabilities

Transactions in foreign currencies are stated in the financial statements at the exchange rate of the functional currency on the transaction date.

Monetary assets and liabilities in foreign currencies are converted to the closing rate of the functional currency on the balance sheet date. The translation differences resulting from settlement and conversion are credited or charged to the income statement, unless hedge-accounting is applied.

Non-monetary assets measured at historical cost in a foreign currency are converted at the exchange rate on the transaction date.

Non-monetary assets valued at fair value in a foreign currency are converted at the exchange rate on the date on which the most recent fair value was determined.

Translation differences on intragroup long-term loans that effectively constitute an increase or decrease in net investments in a foreign operation are directly recognised in equity as a component of the legal reserve for translation differences.

Translation differences on foreign currency loans contracted to finance a net investment in a foreign operation are recognised in the legal reserve for currency translation differences if and when such loans effectively hedge the exchange rate exposure on that net investment in a foreign operation.

Group companies

Assets and liabilities of consolidated subsidiaries with a functional currency different from the presentation currency are translated at the rate of exchange prevailing at the balance sheet date; income and expenses are translated at average exchange rates during the financial year. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of these subsidiaries and translated at the closing rate. Any resulting exchange differences are taken directly to the legal reserve for translation differences within equity.

*Leasing*

Financial leasing

The company leases some of the equipment, whereby it holds substantially all the risks and rewards of ownership of these assets. These assets are recognised on the balance sheet upon commencement of the lease contract at the lower of the fair value of the asset or the discounted value of the minimum lease payments. The lease instalments to be paid are divided into a repayment and an interest portion, using the annuity method.
The liabilities under the lease, excluding the interest payments, are included under long-term debts.

The interest component is included in the income statement for the duration of the contract on the basis of a fixed interest percentage of the average remaining redemption component. The assets are depreciated over the remaining economic life or, if shorter, the duration of the contract.

Operational leasing

The company may have lease contracts whereby a large part of the risks and rewards associated with ownership are not for the benefit of nor incurred by the company. The lease contracts are recognised as operational leasing. Lease payments are recorded on a straight-line basis, taking into account reimbursements received from the lessor, in the income statement for the duration of the contract.

*Financial instruments*

Derivatives are initially recognised in the balance sheet at fair value, the subsequent valuation of derivative financial instruments depends on whether or not the instrument is quoted in an open market. If the underlying object of the derivative financial instrument is listed on a stock exchange, it is valued at fair value. If the object is not quoted in an open market, it will be stated at cost or current value, if lower.

Recognition of changes in the value of a derivative financial instrument is dependent on whether or not the instrument is designated as a hedging instrument to which hedge accounting is applied.

Derivatives not quoted in an open market not designated as hedging instruments

These derivative financial instruments are stated at cost or current value, if lower, after initial recognition at fair value. If the fair value as at balance sheet date is lower than the cost of the derivative financial instrument, the difference is recognised in the profit and loss account.

*Criteria for no longer recognizing assets & liabilities*

An asset or liability included in the balance sheet remains recognized in the balance sheet when a transaction does not lead to a significant change in the economic reality with regard to this balance sheet item. For such transactions no results are recorded. An important change in the economic reality is assessed on the basis of the economic benefits and risks that are likely to occur in practice. For example, if the legal transfer of the debtor portfolio does not lead to a significant change in the actual expected risk of bad debt, the debtor portfolio remains on the balance sheet.

An asset or liability item included in the balance sheet is derecognized from the balance sheet when a transaction results in all or substantially all rights to economic benefits and all or substantially all risks related to the asset or liability item being transferred to a third party.

## 3. Accounting policies applied to the valuation of assets and liabilities

*Intangible fixed assets*

Intangible fixed assets are stated at historical cost less accumulated amortisation and impairment. With regard to the determination as to whether an intangible fixed asset is subject to an impairment, please refer to the note regarding “Impairment of fixed assets”.

Development costs

Expenditure on development projects is capitalised as part of the production cost if it is likely from both a commercial and technical perspective that the project will be successful (i.e.: if it is likely that economic benefits will be realised) and the cost can be determined reliably. A legal reserve has been recognised within equity with regard to the recognised development costs for the capitalised amount. The amortisation of capitalised development costs commences at the time when the commercial production starts and takes place over the expected future useful life of the asset.

Research costs are recognised in the income statement.

Concessions, licenses and intellectual property

Costs of intangible assets other than those internally generated, including patents and licences, are valued at acquisition cost and amortised on a straight-line basis over their estimated future useful lives, with a maximum of 20 years.

Goodwill

Goodwill resulting from acquisitions and calculated in accordance with the note regarding “Acquisition and disposal of group companies" is capitalised and amortised on a straight-line basis over the estimated economic life.

Negative goodwill is released in the income statement to the extent that charges and losses occur, where it is taken into account in the allocation of the acquisition and these charges and losses can be measured reliably. If expected charges and losses have not been taken into account, the negative goodwill is released based on the weighted average of the remaining life of the acquired amortisable assets. Insofar as the negative goodwill exceeds the fair value of the non-monetary assets identified, the surplus is recognised directly in the income statement.

*Tangible fixed assets*

Tangible fixed assets are presented at acquisition price less cumulative depreciation and, if applicable, less impairments in value. Depreciation is based on the estimated useful life and calculated as a fixed percentage of cost, taking into account any residual value. Depreciation is initiated from the date an asset comes into use.

*Financial fixed assets*

Participations

Where significant influence is exercised participations in non-consolidated group companies are valued under the net asset value method, but not lower than a nil value. This net asset value is based on the same accounting principles as applied by Azerion Holding B.V.

Participations with a negative net equity value are valued at nil. If the company fully or partly guarantees the liabilities of the participation concerned, or has the effective obligation respectively to enable the participation to pay its (share of the) liabilities, a provision is formed. Upon determining this provision, provisions for doubtful debts already deducted from receivables from the participation are taken into account.

The non-consolidated participating interests whose business and financial policies can be significantly influenced, are valued at the nett capital value that is, however, not lower than zero. This nett capital value is calculated based on the principles of Azerion Holding B.V.

Participations over which no significant influence can be exercised are valued at historical cost. The result represents the dividend declared in the reporting year, whereby dividend not distributed in cash is valued at fair value.

Loans and other receivables
Upon initial recognition the receivables on and loans to participations and other receivables are valued at fair value and then valued at amortised cost, which equals the face value, after deduction of any provisions.

Deferred tax assets
Deferred tax assets are recognised for all deductible temporary differences between the value of the assets and liabilities under tax regulations on the one hand and the accounting policies used in these financial statements on the other, on the understanding that deferred tax assets are only recognised insofar as it is probable that future taxable profits will be available to offset the temporary differences and available tax losses.

The calculation of the deferred tax assets is based on the tax rates prevailing at the end of the reporting year. If there are changes in the tax rates or in the tax legislation, this is taken into account when measuring the deferred taxes only if there is a legal determination of these changes or if this has already been materially decided on the balance sheet date.

Deferred income taxes are recognised at nominal value.

### *Impairment of fixed assets*

On each balance sheet date, the company assesses whether there are any indications that a fixed asset may be subject to impairment. If there are such indications, the realisable value of the asset is determined. If it is not possible to determine the realisable value of the individual asset, the realisable value of the cash- generating unit to which the asset belongs is determined.

An impairment occurs when the carrying amount of an asset is higher than the realisable value; the realisable value is the higher of the realisable value and the value in use. An impairment loss is directly recognised in the income statement while the carrying amount of the asset concerned is concurrently reduced.

The realisable value is initially based on a binding sale agreement; if there is no such agreement, the realisable value is determined based on the active market, whereby usually the prevailing bid price is taken as market price. The costs deducted in determining net realizable value are based on the estimated costs that are directly attributable to the sale and are necessary to realize the sale. For the determination of the value in use, an estimate is made of the future net cash flows in the event of continued use of the asset / cash-generating unit; these cash flows are discounted, based on a discount rate of 8.9% – 9.2% (2018: 18%). The discount rate does not reflect risks already taken into account in future cash flows.

If it is established that an impairment that was recognised in the past no longer exists or has reduced, the increased carrying amount of the asset concerned is set no higher than the carrying amount that would have been determined if no impairment value adjustment for the asset concerned had been reported. An impairment of goodwill cannot be reversed.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists, the impairment loss is determined and recognised in the income statement

The amount of an impairment loss incurred on financial assets stated at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss shall be reversed. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal shall be recognised through profit or loss.

*Accounts receivable*

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost. If payment of the receivable is postponed under an extended payment deadline, fair value is measured on the basis of the discounted value of the expected revenues. Interest gains are recognised using the effective interest method. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

*Cash and cash equivalents*

Cash and cash equivalents represent cash in hand, bank balances and deposits with terms of less than twelve months. Overdrafts at banks are recognised as part of debts to lending institutions under current liabilities. Cash and cash equivalents is carried at nominal value.

*Non-controlling interest*

Non-controlling interests in group equity concerns the minority interest of third parties in the shareholders' equity of consolidated companies. In the profit and loss account the share of third parties in the result of consolidated companies is deducted from the group result.

*Provisions*

General

A provision is recognised when the company has a present obligation as a result of a past event, when 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. Provisions are valued at nominal value. The other provisions are carried at the nominal value of the expenditure that is expected to be necessary in order to settle the obligation, unless stated otherwise.

Pension provision

*Foreign pension plans*

For foreign pension schemes which are not similar to the way in which the Dutch pension system is designed and operates, a best estimate is made of the obligation as at the balance sheet date. The liability is determined using the Projected Unit Credit method, as used in IAS 19 and FAS 87/158.

*Defined-benefit pension plans*
A defined-benefit plan refers to post-employment defined benefits other than defined contribution plan. Group net bonds pursuant to defined benefit plans are assessed separately for each plan in assessing the amount of future benefits acquired by personnel in exchange for services rendered during the current and previous periods. This amount is updated to determine its current value. The fair value of plan assets is then deducted. Calculations are made every year by a qualified actuary, using the projected unit credit method. The Group recognizes immediately in other comprehensive income of all actuarial gains and losses under defined benefit plans.

Deferred tax liability

This tax provision concerns the temporary differences between the valuation in the financial statements and the tax valuation of assets and liabilities. The provision is calculated based on the applicable tax rate.

The provisions are mostly long-term.

*Non-current liabilities (long-term debts)*
On initial recognition long-term debts are recognised at fair value. Transaction costs which can be directly attributed to the acquisition of the long-term debts are included in the initial recognition. After initial recognition long-term debts are recognised at the amortised cost price, being the amount received taking into account premiums or discounts and minus transaction costs.
The difference between stated book value and the mature redemption value is accounted for as interest cost in the income statement on the basis of the effective interest rate during the estimated term of the long- term debts.

The effective interest rate takes into account the expected future cash flows. If the expected cash flows change, then the carrying amount is adjusted to reflect the actual cash flows and the revised estimated cash flows. The carrying amount is calculated by discounting the revised estimated cash flows with the adjusted effective interest rate, if there is a change because of changes in market interest rates or, if this is not the case, the original effective interest rate. The adjustment is recognised as income or expense in the profit and loss account.

*Current liabilities*
On initial recognition current liabilities are recognised at fair value. After initial recognition current liabilities are recognised at the amortised cost price.

When there are no premiums, discounts or transaction costs, the amortised cost is equal to the nominal value.

## 4. Principles for the determination of the result

*General*

The result is determined based upon the difference between the nett turnover and the costs and other expenses taking into account the aforementioned valuation principles.

*Revenue recognition*

General

Net turnover comprises the income from the sale of (goods and) services after deduction of discounts and such like and of taxes levied on the turnover.

Sales of services

Revenues from the services rendered are recognised in proportion to the services delivered, based on the services rendered up to the balance sheet date in proportion to the total of services to be rendered. The revenue regarding sales of advertising space is being recognized as being a principal.

*Other operating income*

Other operating income results are recognized which are not directly linked to the supply of goods or services as part of the normal, non-incidental operations.

*External costs*

External costs comprise costs that relate directly to the services rendered.

*Wages and salaries and social security charges*

Salaries, wages and social security contributions are charged to the income statement based on the terms of employment, where they are due to employees and the tax authorities respectively.

*Pension costs*

For all domestic (Dutch) employees, Azerion Holding B.V. has a defined contribution benefit plan. For foreign pension plans similar to the way in which the Dutch pension system is designed and operates, recognition and measurement of liabilities arising from these pension schemes are carried out in accordance with the treatment of the Dutch pension scheme.

For foreign pension schemes which are not similar to the way in which the Dutch pension system is designed and operates, a best estimate is made of the obligation as at the balance sheet date. Further reference made is to the disclosure on page 32 (note 7 Provisions). Azerion Holding B.V. applies the liability approach for all pension schemes. The premium payable during the financial year is charged to the result. Changes in the pension provision are also charged to the result. Please also refer to the valuation principles for assets and liabilities. Apart from the obligation noted, no other obligations exist in relation to the pension.

Premiums are recognized as employee cost when they are due. Prepaid contributions are recognized as deferred assets if these lead to a refund or reduction of future payments. Contributions that are due but have not yet been paid are presented as liabilities.

*Amortisation and depreciation*

The amortisation of the intangible fixed assets is calculated using fixed percentages of the purchase price or the research and development costs.

The depreciation on tangible fixed assets is calculated by using a fixed rate on the acquisition cost or cost of conversion.

Gains and losses on disposal of tangible fixed assets are recorded under amortization/depreciation. Future depreciation and amortisation is adjusted if there is a change in estimated future useful life. Gains and losses from the occasional sale of property, plant or equipment are included in depreciation.

*Financial income and expenses*

Financial income and expenses mainly comprise interest income and expenses for loans (issued and received) during the current reporting period.

*Other operating expenses*

Other operating expenses comprise costs chargeable to the year that are not directly attributable to the cost of the services (and goods) sold.

*Financial income and expense*

<u>Interest income and interest expenses</u>

Interest income and expenses are recognised on a pro rata basis, taking account of the effective interest rate of the assets and liabilities to which they relate. In accounting for interest expenses, the recognised transaction expenses for loans received are taken into consideration.

<u>Currency translation differences</u>

Currency translation differences arising upon the settlement or conversion of monetary items are recognised in the income statement in the period that they are realised, unless hedge accounting is applied.

*Share in result of participating interests*

Where significant influence is exercised over participations, the group's share in the participations' results is included in the consolidated profit and loss account. This result is determined on the basis of the accounting principles applied by Azerion Holding B.V.

*Taxes*

Tax on the result is calculated based on the result before tax in the income statement, taking account of the losses available for set-off from previous financial years (to the extent that they have not already been included in the deferred tax assets) and exempt profit components and after the addition of non-deductible costs. Due account is also taken of changes which occur in the deferred tax assets and deferred tax liabilities in respect of changes in the applicable tax rate.

The corporate income taxes for the companies included in the fiscal unity are being calculated as if they were independently taxable.

## 5. Financial instruments and risk management

*Market risk*

Currency risk

Azerion Holding B.V. mainly operates in the European Union. The currency risk for Azerion Holding B.V. largely concerns positions and future transactions in US dollars and sterling pounds. Azerion Holding B.V. also incurs currency risk on the net investment in the outside the European Union based operation.

Interest rate and cash flow risk

Azerion Holding B.V. in particular incurs interest rate risk on the long-term interest-bearing receivables (those included in financial assets) and on long-term interest-bearing liabilities (including borrowings).

Where floating-interest loans and receivables are concerned, Azerion Holding B.V. incurs risk regarding future cash flows. In addition, Azerion Holding B.V. incurs risk on fixed-interest loans and receivables with respect to the fair value due to changes in the market rate of interest. No financial derivatives for hedging of the interest rate risk are contracted with regard to the receivables.

*Credit risk*

Azerion Holding B.V. does not have any significant concentrations of credit risk. Sales are made to customers that meet the company's credit rating. Goods and services are sold subject to payment deadlines ranging between eight and sixty days. A different payment period may apply to major supplies, in which case additional securities are demanded, including guarantees.

Azerion Holding B.V. has issued loans to associates, as well as to shareholders. These counterparties do not have a history of non-performance.

For banks and financial institutions only independently rated parties are accepted after a thorough risk assessment.

*Liquidity risk*

Azerion Holding B.V. uses several banks in order to avail itself of a range of overdraft facilities. Where necessary, further securities will be furnished to the bank for available overdraft facilities.

# 6. NOTES TO THE CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2019

## 1. Intangible fixed assets

| | Concessions, licences and intellectual property | Goodwill | Total |
|---|---|---|---|
| | € | € | € |
| **Balance as at 1 January 2019** | | | |
| Historical costs | 29,597,967 | 20,486,749 | 50,084,716 |
| Cumulative impairment and amortization | -8,631,721 | -3,908,831 | -12,540,552 |
| Book value | 20,966,246 | 16,577,918 | 37,544,164 |
| **Movements** | | | |
| Investments incl. new consolidations | 22,045,649 | 18,157,231 | 40,202,880 |
| Disposals | 184 | - | 184 |
| Prior year adjustments | -4,084,307 | 4,337,762 | 253,455 |
| Amortization | -5,865,229 | -4,384,716 | -10,249,945 |
| Amortization of disposals | -2,205 | - | -2,205 |
| Balance | 12,094,092 | 18,110,277 | 30,204,369 |
| **Balance as at 31 December 2019** | | | |
| Historical costs | 47,559,493 | 42,981,742 | 90,541,235 |
| Cumulative impairment and amortization | -14,499,155 | -8,293,547 | -22,792,702 |
| Book value | 33,060,338 | 34,688,195 | 67,748,533 |
| Amortization rates | 10% - 33,3% | 5% - 10% - 33,3% | |

**2. Tangible fixed assets**

| | Renovations | Equipment | Total |
|---|---|---|---|
| | € | € | € |
| **Balance as at 1 January 2019** | | | |
| Acquisition costs | 482.752 | 944.954 | 1.427.706 |
| Cumulative impairment and depreciation | -75.855 | -401.877 | -477.732 |
| Book value | 406.897 | 543.077 | 949.974 |
| | | | |
| **Movements** | | | |
| Investments incl. new consolidations | 49.886 | 1.186.769 | 1.236.655 |
| Disposals | - | -90.834 | -90.834 |
| Depreciation disposals | - | 52.745 | 52.745 |
| Depreciation | -50.596 | -352.406 | -403.002 |
| Balance | -710 | 796.274 | 795.564 |
| | | | |
| **Balance as at 31 December 2019** | | | |
| Historical costs | 532.638 | 2.040.889 | 2.573.527 |
| Cumulative impairment and depreciation | -126.451 | -701.538 | -827.989 |
| Book value | 406.187 | 1.339.351 | 1.745.538 |
| | | | |
| Depreciation rates | 10% | 10% - 33,3% | |

The carrying amounts of assets under financial leasing, which are held without legal title by the company, included in equipment amount to € 72K (2018: € 33K). These assets are collateral for the financial lease obligations. See also note 8 Non-current liabilities in the disclosure notes.

There is no obligation to repair after the use of the building.

**3. Financial fixed assets**

| | Other participating interests | Loans and other receivables | Deferred tax assets | Total |
|---|---|---|---|---|
| | € | € | € | € |
| **Balance as at 1 January 2019** | 2,567,660 | 3,792 | 647,277 | 3,218,729 |
| Additions | 1,046,220 | 2,691,067 | 939,695 | 4,676,982 |
| Prior year adjustments | - | - | 2,406,652 | 2,406,652 |
| Share of profit of participations | -762,710 | - | - | -762,710 |
| Disposals | -1,804,950 | -3,792 | -739,878 | -2,548,620 |
| **Balance as at 31 December 2019** | 1,046,220 | 2,691,067 | 3,253,746 | 6,991,033 |

€ 1,7M of the disposal of participations is related to AdUX SA over which Azerion Holding B.V. gained control in 2019, after which AdUX has become a group company and is being consolidated in the financial statements. The shares in AdUX SA included in the participations (2018: € 2,5M) are valued based on quoted market prices.

In 2019 5% of the shares in Spil Games Group B.V. have been acquired for € 1M.
In February 2020 Azerion Holding B.V. bought the remaining 95% of the shares in this entity.

The interest rates on loans and securities are 0% - 12%.

All receivables included under the financial assets fall due in more than one year.

An amount of 1.6M of the deferred tax assets are related to compensable losses and an amount of € 1.7M to deductible temporary differences. In respect of the unused deductible losses of € 191M, it is not yet probable that these may be utilized against future taxable profits or set off against other tax liabilities.

**Acquisitions and new consolidations**
Azerion Holding B.V. acquired the following companies in 2019:

| | % of shares | | | | |
|---|---|---|---|---|---|
| | Purchase | | | Start | |
| Company | 2019 | Total | Purchase price | consolidation | Activities |
| AduX SA | 28,93% | 54,95% | 3.762.140 | 31-12-2019 | AdSales |
| Azerion Nederland B.V. | 100% | 100% | 500.000 | 1-2-2019 | AdSales |
| Azerion Portugal Lda | 75% | 75% | 120.912 | 1-1-2019 | AdSales |
| Azerion Publisher Services B.V. | 35% | 100% | 330.000 | prior 2019 | AdTech |
| Hi Media Espana Publicidad On Line S.L. | 100% | 100% | 240.000 | 1-1-2019 | AdSales |
| Hi-Media Deutschland (1) | 100% | 100% | 4.090.909 | 1-7-2019 | AdSales |
| ImproveDigital B.V. | 10% | 100% | 1.000.000 | prior 2019 | AdTech |
| Rocabee Ltd. | 100% | 100% | 663.600 | 1-1-2019 | Content |
| Sellbranch Benelux BVBA | 100% | 100% | 907.584 | 1-1-2019 | AdSales |
| Talpa Azerion Gaming B.V. | 50% | 50% | 8.000.000 | 22-11-2019 | Content |
| Voidu B.V. | 7,12% | 100% | 150.000 | prior 2019 | Content |
| Woozworld Inc (2) | 100% | 100% | 405.641 | 1-1-2019 | Content |
| Youda Games Holding B.V. | 5,02% | 100% | 904 | prior 2019 | Content |
| Zoom.in Group B.V. (3) | 100% | 100% | 1.282.000 | 1-11-2019 | Content |

1) *As part of the purchase price Seller Stock Appreciation Right for a total of € 1M are issued;*
2) *Earn-out which has been settled in May 2020 at CAD 499K;*
3) *As part of the purchase price an earn out has been agreed on, based on the revenue and adjusted EBITDA for 2020, 2021 and 2022. The maximum of this earn out would be € 6.2M over these three years, however the management expects these criteria won't be achieved.*

None off the activities from the new participations has been stopped or discontinued.
For the new acquisitions purchase acquisition accounting is applied.

**Mergers**

The following mergers took place in 2019:

| Company | Merged into | Start date | Activities |
|---|---|---|---|
| Isioux Game Productions B.V. | Youda Games Holding B.V. | 1-1-2019 | Content |
| Yoki Network B.V. | Yoki Network Holding B.V. | 1-1-2019 | Content |
| Tibaco Internet Media B.V. | Yoki Network Holding B.V. | 1-1-2019 | Content |
| Yoki Network International B.V. | Yoki Network Holding B.V. | 1-1-2019 | Content |
| ImproveDigital International B.V. | ImproveDigital B.V. | 1-1-2019 | AdTech |
| ImproveDigital Software B.V. | ImproveDigital B.V. | 1-1-2019 | AdTech |

None off the activities from the merged participations has been stopped or discontinued.

**4. Receivables, prepayments and accrued income**

| | 31/12/2019 | 31/12/2018 |
|---|---|---|
| | € | € |
| Trade receivables | 29,367,720 | 11,726,103 |
| Receivables from other related parties | - | 119,718 |
| Taxes and social securities | 11,185,219 | 898,637 |
| Other receivables and accrued income | 30,542,386 | 21,237,561 |
| | 71,095,325 | 33,982,019 |

The receivables are all due within a period of 1 year.

| | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Trade receivables | € | € |
| Debtors | 37,469,686 | 11,979,413 |
| Less: doubtful debtor provision | -8,101,966 | -253,310 |
| | 29,367,720 | 11,726,103 |

A provision is made for doubtful trade receivables.

Trade receivables are partly financed through factoring agreements. The acquired resources are included in the bank overdrafts and factoring as part of the current liabilities.

| | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Taxes and social securities | € | € |
| Corporate income tax | 25,641 | - |
| VAT | 11,136,583 | 898,637 |
| Other taxes | 22,995 | - |
| | 11,185,219 | 898,637 |

**5. Group equity**

The shareholders' equity is detailed in the notes to the company financial statements.

**6. Non-controlling interest**

Movements in the non-controlling interest can be broken down as follows:

| | 2019 | 2018 |
|---|---|---|
| | € | € |
| Balance as at 1 January | 1,349,841 | 227,548 |
| Result of the financial year | -219,675 | -775,090 |
| Additions due to new acquisitions | -1,627,773 | 1,906,133 |
| End of non-controlling interest * | 367,288 | -8,750 |
| Prior year adjustments | 686,538 | - |
| Currency translation effect | -6,341 | - |
| Balance as at 31 December | 549,878 | 1,349,841 |

** Azerion Holding B.V. acquired more shares or the entity is being liquidated.*

**7. Provisions**

| | **Pension allowance obligations** | **Deferred tax liabilities** | **Other provisions** | **Total** |
|---|---|---|---|---|
| | € | € | € | € |
| **Balance as at 1 January 2019** | - | 2,326,927 | 813,895 | 3,140,822 |
| Prior year adjustments | - | 1,218,869 | - | 1,218,869 |
| Additions | 479,948 | 2,350,389 | 2,404,402 | 5,234,739 |
| Withdrawal | - | -976,025 | -813,895 | -1,789,920 |
| **Balance as at 31 December 2019** | 479,948 | 4,920,160 | 2,404,402 | 7,804,510 |

The provisions are mostly long-term.

<u>Pension provisions</u>

| | 2019 | 2018 |
|---|---|---|
| | € | € |
| **Balance as at 1 January** | - | 46,893 |
| Additions | 479,948 | -46,893 |
| **Balance as at 31 December** | 479,948 | - |

Group commitments mainly concern French and Italian entities. The evaluation of the French retirement commitment is determined by the method of projected credit units.

Commitments have been calculated in accordance with the provisions of the advertising collective agreement of AdUX and its subsidiaries.

The provision relative to the Group's retirement commitments is as follows:

| In thousands of euros | 31-dec-2019 |
|---|---|
| Discounted value of the obligations as at January | 430 |
| Cost of services rendered and financial cost | 25 |
| Actual losses/(gains) recognized in equity | 25 |
| Change in scope | 0 |
| Discounted value of the obligations as at January | 480 |

The assumptions used in the assessment of pension liabilities for the French entities at closing are as follows:

| | |
|---|---|
| Discounting rate | 0.80% |
| Rate of future increase of salaries | 2.50% |
| Retirement age (Executives) | 67 years |
| Retirement age (Non-Executives) | 62 years |
| Actuarial table | INSEE F 2010 |

The assessment of the commitments is calculated according to the projected unit credit method.

Deferred tax liabilities

Deferred tax liabilities are recognised for the taxable temporary differences between the tax base and the accounting base of intangible fixed assets and is calculated based on a tax rate of 19%.

Other provisions

| | 31/12/2019 | 31/12/2018 |
|---|---|---|
| | € | € |
| Commercial litigation | 2,051,667 | - |
| Restructuring | - | - |
| Royalty costs | - | 552,319 |
| Others | 352,735 | 261,576 |
| | 2,404,402 | 813,895 |

Provisions for commercial litigation are primarily linked with trade litigation and disputes.

- On March 11th, 2019, the Paris Commercial Court sentenced group company Quantum, to pay the sum of EUR 1.07M following a commercial dispute. Quantum has appealed this judgment as of March 14th, 2019.

- By act dated June 21st, 2016, group company AdUX has assigned a publisher as well as advertising network having resumed the commercialization of advertising space of this publisher because of:
    - the improper termination of the sales house agreement and partnership agreement with the publisher; and
    - the transfer of the effects of this contract to other boards.

To this end, AdUX claims in particular to these different companies the sum of EUR 2.4M. The hearing took place on April 12, 2019 and on July 1, 2019, the Commercial Court of Paris convicted the publisher for improper breach of contract for the payment of EUR 1M and ordered the provisional execution.

AdUX has served the judgment. The publisher has appealed the judgment.

A legal redress proceeding ("procédure de redressement judiciaire") with respect to the publisher was opened on August 1, 2019. Due to the continuation of the procedure, AdUX has chosen to maintain the provision recognized in the accounts at December 31, 2018 of EUR 770K in respect of receivables for an advance granted and remaining due from this publisher

## 8. Non-current liabilities

| | Subordinated loans | Convertible loans | Debt to credit institutions | Debt to participating interests and companies | Other | Total |
|---|---|---|---|---|---|---|
| | € | € | € | € | € | € |
| **Balance as at 1 January 2019** | - | 4,125,000 | 4,681,299 | 11,423,300 | 224,440 | 20,454,039 |
| Additions | 1,500,000 | - | 26,346,022 | 5,000,000 | 1,584,918 | 34,430,940 |
| Interest accrual | 359,649 | 1,429,415 | 149,416 | 104,511 | - | 2,042,991 |
| Repayments | - | -625,000 | -951,074 | -1,100,000 | -68,724 | -2,744,798 |
| Other movements | 6,839,600 | - | - | -6,839,600 | - | - |
| | 8,699,249 | 4,929,415 | 30,225,663 | 8,588,211 | 1,740,634 | 54,183,172 |
| Repayment obligation next year | - | -4,929,415 | -28,994,822 | -8,588,211 | -424,086 | -42,936,534 |
| **Balance as at 31 December 2019** | 8,699,249 | - | 1,230,841 | - | 1,316,548 | 11,246,638 |
| | | | | | | |
| **Of which (duration)** | | | | | | |
| < 1 year | - | 4,929,415 | 28,994,822 | 8,588,211 | 424,086 | 42,936,534 |
| ≥1 year ≤ 5 years | 8,699,249 | - | 1,230,841 | - | 1,316,548 | 11,246,638 |
| > 5 years | - | - | - | - | - | - |

Repayment obligations falling due within 12 months from the end of the financial year, as set out above, are included in current liabilities.

<u>Subordinated loans</u>
The interest rates are between 3% and 10%. The loans are subordinated to all other debts.

<u>Convertible loans</u>
The interest rate is 6% and an additional bonus interest payment applies, which amounts to 7.5% per annum on the principal sum. The loans are repaid in April 2020.

<u>Debts to credit institutions</u>
The interest rates are between 0% and 9.25%.

- EUR 25M relates to a financing bond that has been voluntarily repaid in March 2020. There was no breach of the bank covenants. The interest rates are between 7.5% and 9.25%. For this financing bond the following securities are given:
    - A guarantee by Youda Games Holding B.V.;
    - The investment in Youda Games Holding B.V. that is held by Azerion Holding B.V.;
    - The loan receivable between Azerion Holding B.V. and Youda Games Holding B.V.

- EUR 1.2M relates to a zero-interest financing for innovation, with an expiration date of September 30, 2022. In addition, following the measures put in place linked to support for business due to the Covid health crisis, the payment schedule was postponed by 6 months, with a last payment on March 31, 2023.

Debt to participants
The interest rates are between 3% and 10%.

In 2019 an amount of EUR 5.9M from Azerion Group B.V. and an amount of EUR 978K from STAK Azerion Holding are moved to the subordinated loans.

Other
Included are € 52K for financial lease obligations, for which the leased objects are provided as securities.
The interest rates for these obligations are between 3% and 4.99%.

### 9. Current liabilities

| | 31/12/2019 | 31/12/2018 |
|---|---|---|
| | € | € |
| Bank overdrafts and factoring | 11.513.135 | 4.072.242 |
| Repayment obligation of long-term debt | 42.936.534 | 1.347.913 |
| Trade creditors | 56.406.091 | 31.884.725 |
| Payables to participants | 259.782 | 149.500 |
| Taxes and social securities | 15.262.312 | 1.567.491 |
| Other liabilities and accruals and deferred income | 24.606.444 | 19.216.823 |
| | 150.984.298 | 58.238.694 |

The current liabilities have a due period shorter than 1 year. Pledged securities for the bank overdrafts and factoring are as follows:

- Trade receivables Improve Digital B.V.

Taxes and social securities

| | 31/12/2019 | 31/12/2018 |
|---|---|---|
| | € | € |
| Corporate income tax | 692,312 | 27,951 |
| Pay-roll tax | 1,600,151 | 981,162 |
| Pension premiums | - | 578 |
| Other taxes | 12,969,849 | 557,800 |
| | 15,262,312 | 1,567,491 |

**CONTINGENT LIABILITIES**

*Rental commitments buildings*
The company and its group companies have long-term rental commitments, which relate to the rent of the office/building. The commitments amount to EUR 1.2M (on a yearly basis); EUR 2.1M (1 – 5 years); EUR 1,4M (longer than 5 years); EUR 4.7 (in total).

Rental payments charged to the income statement amount to EUR 1.2M (2018: EUR 360K).

*Lease*
The company and its group companies have liabilities arising from operational lease commitments, which amounts to EUR 590K (on a yearly basis); EUR 1.3M (1 – 5 years); EUR 100K (longer than 5 years); EUR 2M (in total).

Lease payments charged to the income statement amount to EUR 590K (2018: EUR 117K).

*Bank guarantee*
Included in the cash and cash equivalents is an amount of EUR 805K which is a bank guarantee regarding a legal claim that isn’t at free disposal.

*Share appreciation rights*
During 2019 Share Appreciation Rights are granted which may lead to a future outflow of resources from the company. This outflow depends on future events which are uncertain at the time the financial statements are prepared.

# 7. NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2019

## 10. Net turnover

| | 2019 | 2018 |
|---|---|---|
| | € | € |
| Adsales | 28,543,000 | 9,951,185 |
| AdTech (Publishing) | 73,227,000 | 78,400,000 |
| Content | 61,495,438 | 38,500,000 |
| | 163,265,438 | 126,851,185 |

| | 2019 | 2018 |
|---|---|---|
| | € | € |
| The Netherlands | 115,736,527 | 88,630,010 |
| Other EU countries | 38,746,532 | 26,929,188 |
| Other European countries | 1,192,412 | 1,484,902 |
| Other countries | 7,589,967 | 9,807,085 |
| | 163,265,438 | 126,851,185 |

## 11. Employee expenses

Average number of employees

During 2019, 547 employees on a full-time basis (2018: 242). Of these employees, 359 were employed outside the Netherlands (2018: 153).

| | 2019 | 2018 |
|---|---|---|
| - Management | 31 | 17 |
| - Office | 87 | 21 |
| - IT | 13 | 3 |
| - Adtech | 118 | 7 |
| - Adsales | 39 | 7 |
| - Content | 259 | 187 |
| | 547 | 242 |

## 12. Amortization and depreciation

| | 2019 | 2018 |
|---|---|---|
| | € | € |
| Intangible fixed assets | 10.249.945 | 7.341.185 |
| Tangible fixed assets | 403.002 | 308.818 |
| | 10.652.947 | 7.650.003 |
| Book result | -4.099.079 | 990.020 |
| | 6.553.868 | 8.640.023 |

In 2019 a book profit of EUR 3,964K had been realized due to the investment in the new joint venture Talpa Azerion Gaming B.V., in which the group has a 50% interest.

## 13. Other operating expenses

Among others, under other operating expenses are included transition costs for the amount of EUR 1.1M (2018: EUR 4.5M). Transition costs are costs marked as “one-off-costs” related to the optimization of the business' operations. These costs are expected to have a non-recurring nature and are thus separately classified under the other operation expenses. The amount mainly consists the transition costs related to Improve Digital.

## 14. Financial income and expenses

| | 2019 | 2018 |
|---|---|---|
| | € | € |
| Foreign exchange results | -1.686.325 | - |
| Interest and similar income | 592.614 | 138.103 |
| Interest and similar expenses | -5.019.572 | -1.841.415 |
| | -6.113.283 | -1.703.312 |

## 15. Tax on result

The tax on the result, amounting to EUR 1.4M, can be specified as follows:

| | 2019 | 2018 |
|---|---|---|
| | € | € |
| Result before tax | -8.739.632 | -6.885.915 |
| Deferred corporate income tax | -454.395 | -199.955 |
| Corporate income tax current financial year | -966.851 | 57.393 |
| Corporate income tax previous financial year | - | 64.666 |
| | -1.421.246 | -77.896 |
| Effective tax rate | 16,26% | 1,13% |
| Applicable tax rate | 15% - 31% | 15% - 31% |

The applicable tax rate is based on the proportion of the contribution to the result by the group entities and the tax rate applicable in the respective countries.

The effective tax rate for both 2018 and 2019 deviates from the applicable tax rate as deferred tax assets resulting from fiscal compensable losses are not fully capitalised, while other group entities realized significant taxable results.

**16. Result from participations**

| | 2019 | 2018 |
|---|---|---|
| | € | € |
| Result of sale Vooxe Technology A/S | - | -474,790 |
| Change in fair value of AdUX SA | -762,710 | -908,098 |
| Result of AdUX SA | 715,441 | - |
| Purchase result ImproveDigital B.V. and Sellbranch AB | - | 730,357 |
| Purchase result Azerion Publisher Services B.V. | 84,336 | - |
| Purchase result Hi-Media Espana Publicidad online SL | 89,333 | - |
| Purchase result Azerion Nederland B.V. | 122,879 | - |
| Purchase result Zoom.In Group B.V. | 246,801 | - |
| | 496,080 | -652,531 |

**17. Subsequent events**

The company is experiencing a negative effect of the Covid-19 virus on the business in the first few months of 2020. In addition to the already known effects, the macroeconomic uncertainty causes disruption to economic activity and it is unknown what the longer term impact on our business may be. The scale and duration of this pandemic remain uncertain but are expected to further impact our business. We also refer to chapter 4, paragraph “going concern”.

The Covid-19 pandemic is treated as a non-adjusting after the balance sheet event in the current year financial statements, as the scale and duration of this pandemic remains uncertain, the future impact and potential impairments cannot be predicted.

In the first quarter of 2020 Azerion has raised a EUR 60.0M bond to inject additional liquidity.

## 8. COMPANY BALANCE SHEET AS AT 31 DECEMBER 2019

(after appropriation of result)

| | | 31 December 2019 | | 31 December 2018 | |
|---|---|---|---|---|---|
| | | € | € | € | € |
| **ASSETS** | | | | | |
| **FIXED ASSETS** | | | | | |
| Intangible fixed assets | (18) | 28,762,174 | | 9,094,949 | |
| Tangible fixed assets | (19) | 76,352 | | 1,686 | |
| Financial fixed assets | (20) | 25,650,842 | | 17,051,922 | |
| | | | 54,489,368 | | 26,148,557 |
| **CURRENT ASSETS** | | | | | |
| Receivables, prepayments and accrued income | (21) | 27,883,413 | | 16,423,036 | |
| Cash and cash equivalents | | 478,101 | | 45,382 | |
| | | | 28,361,514 | | 16,468,418 |
| **TOTAL ASSETS** | | | 82,850,882 | | 42,616,975 |

| | | 31 December 2019 | | 31 December 2018 | |
|---|---|---|---|---|---|
| | | € | € | € | € |
| **EQUITY AND LIABILITIES** | | | | | |
| **EQUITY** | (22) | | | | |
| Issued share capital | | 1,176 | | 1,176 | |
| Share premium reserve | | 525,280 | | 525,280 | |
| Legal reserves | | 5,064,911 | | 3,561,825 | |
| Other reserves | | -8,754,648 | | -3,310,236 | |
| | | | -3,163,281 | | 778,045 |
| **NON-CURRENT LIABILITIES** | (23) | | 11,642,344 | | 19,014,688 |
| **CURRENT LIABILITIES** | (24) | | 74,371,819 | | 22,824,242 |
| **TOTAL EQUITY AND LIABILITIES** | | | 82,850,882 | | 42,616,975 |

## 9. COMPANY PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2019

| | 2019 | 2018 |
|---|---|---|
| | € | € |
| Share in result of participating interests | -2,228,062 | 2,670,588 |
| Income/(loss) from operations after corporation tax | -4,696,424 | -3,315,927 |
| **Result after tax** | -6,924,486 | -645,339 |

## 10. GENERAL ACCOUNTING PRINCIPLES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

The company financial statements have been prepared in accordance with Title 9 Book 2 of the Netherlands Civil Code. For the general principles for the preparation of the financial statements, the principles for valuation of assets and liabilities and determination of the result, as well as for the notes to the specific assets and liabilities and the results, reference is made to the notes to the consolidated financial statements, if there is no further explanation provided.

**Financial fixed assets**

Participating interests in group companies where extensive influence is exerted on business and financial policies are valued based on the net capital value that is, however, not lower than zero. This net capital value is calculated based on the principles of Azerion Holding B.V.

Participating interests with a negative net capital value are valued at zero. When the company guarantees (wholly or partially) debts of the participating interest concerned, a provision is created primarily at the expense of claims against this participating interest and for the remainder under the provisions of the remaining part in the losses of the participating interest or the expected payments by the company on behalf of these participating interests

## 11. NOTES TO THE COMPANY BALANCE SHEET AS AT 31 DECEMBER 2019

### 18. Intangible fixed assets

| | Concessions, licences and intellectual property | Goodwill | Total |
|---|---|---|---|
| | € | € | € |
| **Balance as at 1 January 2019** | | | |
| Historical costs | 3,266,312 | 10,219,344 | 13,485,656 |
| Cumulative impairment and amortization | -1,604,531 | -2,786,176 | -4,390,707 |
| Book value | 1,661,781 | 7,433,168 | 9,094,949 |
| **Movements** | | | |
| Investments incl. new consolidations | - | 16,368,688 | 16,368,688 |
| Prior year adjustments | - | 6,072,628 | 6,072,628 |
| Amortization | -653,256 | -2,120,835 | -2,774,091 |
| Balance | -653,256 | 20,320,481 | 19,667,225 |
| **Balance as at 31 December 2019** | | | |
| Historical costs | 3,266,312 | 32,660,660 | 35,926,972 |
| Cumulative impairment and amortization | -2,257,787 | -4,907,011 | -7,164,798 |
| Book value | 1,008,525 | 27,753,649 | 28,762,174 |
| Amortization rates | 10% - 20% | 5% - 10% | |

## 19. Tangible fixed assets

| | Office equipment |
|---|---|
| | € |
| **Balance as at 1 January 2019** | |
| Acquisition costs | 1,808 |
| Cumulative impairment and depreciation | -122 |
| Book value | 1,686 |
| **Movements** | |
| Investments incl. new consolidations | 80,969 |
| Amortization | -6,303 |
| Balance | 74,666 |
| **Balance as at 31 December 2019** | |
| Historical costs | 82,777 |
| Cumulative impairment and depreciation | -6,425 |
| Book value | 76,352 |
| Depreciation rates | 20% |

## 20. Financial fixed assets

| | Participations in group companies | Receivables group companies | Other participating intrest | Total |
|---|---|---|---|---|
| | € | € | € | € |
| **Balance as at 1 January 2019** | 14,231,346 | 325,291 | 2,495,285 | 17,051,922 |
| Additions | -2,073,364 | 319,363 | 5,035,948 | 3,281,947 |
| Prior year adjustments | -3,249,440 | - | - | -3,249,440 |
| Share of profit of participations | 11,133,740 | - | -769,189 | 10,364,551 |
| Currency translation effect | 244,419 | - | - | 244,419 |
| Disposals | - | - | -1,732,575 | -1,732,575 |
| | 20,286,701 | 644,654 | 5,029,469 | 25,960,824 |
| Provisions | - | -309,982 | - | -309,982 |
| **Balance as at 31 December 2019** | 20,286,701 | 334,672 | 5,029,469 | 25,650,842 |

The disposal of other participating interest is related to AdUX S.A. which has become a group company in 2019.

For receivables from group companies is also included a provision of EUR 9.6M for the receivable sMeets Communications GmbH. Nothing has been agreed in respect of repayment and securities.

Azerion Holding B.V. (Schiphol-Rijk)

Azerion Holding B.V. has direct interest in the following participations:

| Name | Registered office | Share |
|---|---|---|
| Azerion IP B.V. | Schiphol-Rijk (NL) | 100% |
| Azerion Yalzilim Ltd | Istanbul (TR) | 100% |
| Connect2 Media Ltd | Manchester (GB) | 100% |
| Funtomic Ltd | Ramat Gan (IL) | 100% |
| Gembly B.V. | Schiphol-Rijk (NL) | 100% |
| HUZ B.V. | Schiphol-Rijk (NL) | 100% |
| KeyGames Network B.V. | Schiphol-Rijk (NL) | 100% |
| Network 360 GmbH | Berlin (DE) | 100% |
| OG DMCC | Dubai (AE) | 100% |
| Plinga GmbH | Berlin (DE) | 83,16% |
| Rocabee Ltd | London (GB) | 100% |
| sMeet Communications GmbH | Berlin (DE) | 100% |
| Sulake Corp | Helsinki (FI) | 51% |
| Talpa Azerion Gaming B.V. | Schiphol-Rijk (NL) | 50% |
| Voidu B.V. | Schiphol-Rijk (NL) | 100% |
| Woozworl Inc | Toronto (CA) | 100% |
| Yoki Network Holding B.V. | Schiphol-Rijk (NL) | 100% |
| Youda Games Holding B.V. | Schiphol-Rijk (NL) | 100% |
| Zoom.In Group B.V. | Schiphol-Rijk (NL) | 100% |
| | | |
| Azerion Nederland B.V. | Schiphol-Rijk (NL) | 100% |
| Azerion Publisher Services B.V. | Schiphol-Rijk (NL) | 100% |
| ImproveDigital B.V. | Schiphol-Rijk (NL) | 100% |
| Sellbranch AB | Stockholm (SE) | 100% |
| | | |
| AdUX SA | Paris (FR) | 54,95% |
| Azerion Portugal Lda | Lisbon (PT) | 75% |
| Hi-Media Deutschland AG | Düsseldorf (DE) | 100% |
| Hi-Media Espana Publicidad On Line SL | Madrid (ES) | 100% |
| Sellbranch Benelux BvbA | Ixelles (BE) | 100% |
| | | |
| Azerion Productions B.V. | Schiphol-Rijk (NL) | 100% |

## 21. Receivables, prepayments and accrued income

| | 31/12/2019 | 31/12/2018 |
|---|---|---|
| | € | € |
| Trade receivables | 294,570 | 353,793 |
| Receivables from group companies | 20,654,377 | 13,579,463 |
| Receivables from other related parties | - | 119,718 |
| Taxes and social securities | 823,232 | 45,708 |
| Other receivables and accrued income | 6,111,234 | 2,324,354 |
| | 27,883,413 | 16,423,036 |

The receivables are all due within a period of 1 year.

The average intercompany balances bear interest at EURIBOR 12 months at the beginning of the year + 2%. Nothing has been agreed in respect of repayment and securities.

## 22. Equity

| | 31/12/2019 | 31/12/2018 |
|---|---|---|
| | € | € |
| Issued share capital | | |
| Subscribed and paid up 117,563 ordinary shares at par value € 0.01 | 1,176 | 1,176 |
| Share premium reserve | 525,280 | 525,280 |
| Legal reserves | | |
| Reserve for developments cost | 4,862,389 | 3,603,722 |
| Reserve for exchange differences | 202,522 | -41,897 |
| | 5,064,911 | 3,561,825 |

| | 2019 | 2018 |
|---|---|---|
| | € | € |
| Reserve for developments cost | | |
| Balance as at 1 January | 3,603,722 | 2,604,522 |
| Allocation/withdrawal | 1,258,667 | 999,200 |
| Balance as at 31 December | 4,862,389 | 3,603,722 |
| Reserve for exchange differences | | |
| Balance as at 1 January | -41,897 | 4,643 |
| Allocation/withdrawal | 244,419 | -46,540 |
| Balance as at 31 December | 202,522 | -41,897 |
| Other reserves | | |
| Balance as at 1 January | -3,310,236 | -1,665,697 |
| Result of the financial year | -6,924,486 | -645,339 |
| Prior year adjustment | 2,738,741 | - |
| Allocation/withdrawal legal and statutory reserves | -1,258,667 | -999,200 |
| Balance as at 31 December | -8,754,648 | -3,310,236 |

Differences in equity between the company and consolidated financial statements

- The group equity as at 31 December 2019 amounts to EUR -13,1M negative.
- The company equity as at 31 December 2019 amounts to EUR -3.2M negative.

The difference of EUR -9.9M negative is caused by single participations with a negative net capital value that are valued at nil. This amount is the unrecognized share of the loss in participations.

Prior year adjustment

The prior year adjustment included in the other reserves relates to PPA recognitions of acquisitions done in 2018.

### 23. Non-current liabilities

| | Subordinated loans | Convertible loans | Debt to credit institutions | Loans from group companies | Debts to participating interests and companies | Other | Total |
|---|---|---|---|---|---|---|---|
| | € | € | € | € | € | € | € |
| **Balance as at 1 January 2019** | - | 4,125,000 | - | 3,466,388 | 11,423,300 | - | 19,014,688 |
| Additions | 1,500,000 | - | 25,060,867 | - | 5,000,000 | 70,945 | 31,631,812 |
| Interest accrual | 359,649 | 1,429,415 | 149,416 | 220,947 | 104,511 | - | 2,263,938 |
| Repayments | - | -625,000 | - | -796,675 | -1,100,000 | - | -2,521,675 |
| Other movements | 6,839,600 | - | - | - | -6,839,600 | - | - |
| | 8,699,249 | 4,929,415 | 25,210,283 | 2,890,660 | 8,588,211 | 70,945 | 50,388,763 |
| Repayment obligation next year | - | -4,929,415 | -25,210,283 | - | -8,588,211 | -18,510 | -38,746,419 |
| **Balance as at 31 December 2019** | 8,699,249 | - | - | 2,890,660 | - | 52,435 | 11,642,344 |
| **Of which (duration)** | | | | | | | |
| < 1 year | - | 4,929,415 | 25,210,283 | - | 8,588,211 | 18,510 | 38,746,419 |
| ≥1 year ≤ 5 years | 8,699,249 | - | - | 2,890,660 | - | 52,435 | 11,642,344 |
| > 5 years | - | - | - | - | - | - | - |

Subordinated loans
The interest rates are between 3% and 10%. The loans are subordinated to all debts.

Convertible loans
The interest rate is 6% and an additional bonus interest payment applies, which amounts to 7.5% per annum on the principal sum. The loan is repaid in April 2020.

Debts to credit institutions
This is a financing bond that has been voluntarily repaid in March 2020. There was no breach of bank covenants. The interest rates are between 7.5% and 9.25%. For this financing bond the following securities are given:

- A guarantee by Youda Games Holding B.V.;
- The investment in Youda Games Holding B.V. that is held by Azerion Holding B.V.;
- The loan receivable between Azerion Holding B.V. and Youda Games Holding B.V.

Debts to participants
The interest rates are between 3% and 10%.

In 2019 an amount of EUR 5.9M from Azerion Group B.V. and an amount of EUR 978K from STAK Azerion Holding are moved to the subordinated loans.

Other
Included are EUR 52K for financial lease obligations, for which the leased objects are provided as securities. The interest rates for this obligation is 4.99%.

**24. Current liabilities**

| | 31/12/2019 | 31/12/2018 |
|---|---|---|
| | € | € |
| Bank overdraft and factoring | 7,704,778 | - |
| Repayment obligation of long-term debt | 38,746,419 | - |
| Trade creditors | 3,018,640 | 865,704 |
| Loans from group companies | 18,528,354 | 19,485,177 |
| Payables to other related parties | 259,782 | - |
| Accruals and deferred income | 6,113,846 | 2,473,361 |
| | 74,371,819 | 22,824,242 |

The average intercompany balances bear interest at EURIBOR 12 months at the beginning of the year + 2%. Nothing has been agreed in respect of repayment and securities.

The current liabilities have a due period shorter than 1 year.

Securities
The bank overdraft and factoring position consists of a loan received from Billfront for which ImproveDigital B.V. issued a guarantee and their trade receivables as securities.

**OFF BALANCE SHEET COMMITMENTS**

**Contingent liabilities**

*Tax unity*
Azerion Holding B.V. is part of a fiscal unity for both value added and corporate income taxes with other group companies. The company can be held reliable for the fiscal debts of the total fiscal unity.

**Long-term financial obligations**

*Rental commitments buildings*
The company and its group companies have long-term rental commitments, which relate to the rent of the office/building. The commitments amount to EUR 172K (on a yearly basis); EUR 0 (longer than 5 years); EUR 495K (in total).

Rental payments charged to the income statement amount to EUR 172K (2018: EUR -).

Lease

The company and its group companies have liabilities arising from rental and operational lease commitments until 2024, which amount to EUR 129K (on a yearly basis); EUR 422K (in total).

Lease payments charged to the income statement amount to EUR 76K (2018: EUR 43K).

## 12. NOTES TO THE COMPANY PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2019

**Remuneration of directors**

The emoluments (including pension obligations) which were charged in 2019 amount to EUR 794K (2018: EUR 586K) for the directors of the company.

**Staff**

During 2019 no employees were employed in the company.

**Independent auditor's fees**

| 2019 | PWC | Other accountants | Total |
|---|---|---|---|
| | € | € | € |
| Audit of the financial statements | 388,994 | 357,328 | 746,322 |
| Tax advisory | - | 201,000 | 201,000 |
| Other non-audit services | - | 1,008,295 | 1,008,295 |
| | 388,994 | 1,566,623 | 1,955,617 |

| 2018 | PWC | Other accountants | Total |
|---|---|---|---|
| | € | € | € |
| Audit of the financial statements | - | 80,000 | 80,000 |
| Tax advisory | - | 32,000 | 32,000 |
| Other non-audit services | - | - | - |
| | - | 112,000 | 112,000 |

The fees listed above relate to the procedures applied to the Company and its consolidated group entities by accounting firms and external auditors as referred to in Section 1, subsection 1 of the Audit Firms Supervision Act ('Wet toezicht accountantsorganisaties - Wta') as well as by Dutch and foreign-based accounting firms, including their tax services and advisory groups.

These fees relate to the audit of the 2019 financial statements, regardless of whether the work was performed during the financial year.

**Financial income and expenses**

Interest income includes EUR 119K (2018: EUR 259K) of interest income relating to group companies.

Interest expenses include EUR 367K (2018: EUR 295K) of interest expenses relating to group companies.

## 13. OTHER DISCLOSURE

**Appropriation of the result for the 2018 financial year**
The annual account for 2018 was adopted by the General Meeting held on October 30, 2019. The General Meeting has determined the appropriation of the result as it was proposed.

**Recognition of the profit for 2019**
The board of directors proposes to add the 2019 result to the other reserves for the total amount. The General Meeting of Shareholders will be asked to approve the appropriation of the 2019 result, this proposition is already recognized in the financial statements.

*Adoption of the financial statements*

The consolidated and company financial statements are created and adopted by the management respectively the General Meeting.

Schiphol-Rijk, September 30, 2020

On behalf of of Principion Holding B.V.,

Mr. U. Akpinar

Mr. A. Aytekin

# OTHER INFORMATION

**Provisions of the Articles of Association relating to profit appropriation**
Concerning the appropriation of profit the following has been determined in article 20 of the provisions of the articles of the companies:

The profit is placed at the disposal of the General Shareholders' Meeting. The company can distribute the profit in case the shareholders' equity amounts to more than the paid-up and called-up part of the capital added to the reserves that need to be kept in virtue of the law.

# *Independent auditor's report*

To: the general meeting of Azerion Holding B.V.

## *Report on the financial statements 2019*

### *Our opinion*

In our opinion, the financial statements of Azerion Holding B.V. ('the Company') give a true and fair view of the financial position of the Company and the Group (the company together with its subsidiaries) as at 31 December 2019, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

### *What we have audited*

We have audited the accompanying financial statements 2019 of Azerion Holding B.V., Schiphol-Rijk. The financial statements include the consolidated financial statements of the Group and the company financial statements.

The financial statements comprise:

- the consolidated and company balance sheet as at 31 December 2019;
- the consolidated and company profit and loss account for the year then ended; and
- the notes, comprising the accounting policies and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is Part 9 of Book 2 of the Dutch Civil Code.

### *The basis for our opinion*

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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*Independence*

We are independent of Azerion Holding B.V. in accordance with the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

### *Emphasis of matter - uncertainty related to the effects of the coronavirus (COVID-19)*

We draw attention to the note "Implication of Covid-19 on our business" in the financial statements in which the management board has described the possible impact and consequences of the coronavirus (COVID-19) on the company and the environment in which the company operates as well as the measures taken and planned to deal with these events or circumstances. This note also indicates that uncertainties remain and that currently it is not reasonably possible to estimate the future impact. Our opinion is not modified in respect of this matter.

## *Report on the other information included in the annual report*

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the report of the management board;
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The management board is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

## *Responsibilities for the financial statements and the audit*

### *Responsibilities of the management board*

The management board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the management board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the management board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the management board should prepare the financial statements using the going-concern basis of accounting unless the management board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The management board should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

### *Our responsibilities for the audit of the financial statements*

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 30 September 2020
PricewaterhouseCoopers Accountants N.V.

Original has been signed by W. Poot RA

## Appendix to our auditor's report on the financial statements 2019 of Azerion Holding B.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

### The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management board.
- Concluding on the appropriateness of the management board's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the management board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.