



Full year report 2019

Driving profitable growth

Highlights of full year 2019

+44%

Net revenue increase vs
2018

9%

Adjusted EBITDA margin

- Net revenue amounted to EUR 182.1m, an increase of 44% compared to the full year 2018 (EUR 126.9m)
- Adjusted EBITDA amounted to EUR 17.1m, an increase of 125% compared to the full year 2018 (EUR 7.5m), corresponding to an adjusted EBITDA margin of 9% (6% in 2018)
- EBIT amounted to EUR 4.9m, compared to EUR (5.2m) for the full year 2018, corresponding to an EBIT margin of 3% ((4%) in 2018)
- Net profit (including minorities) amounted to EUR (5.7m), compared to EUR (6.9m) for the full year 2018
- Net cash flow from operating activities amounted to EUR 16.9m, a decrease of 9% compared to the full year 2018 (EUR 18.5m)
- In 2019 we acquired the following companies in the advertising space – AdPulse (Belgium, Portugal, Spain), Semilo B.V. and HiMedia Germany GmbH, the content space – Spil Games B.V., Wooworld Inc. and Zoom.in Group B.V. and we entered into a joint venture with Talpa: Talpa Azerion Gaming B.V.
- ARPDAU for Governor of Poker increased to EUR 0.58 as at Q4 2019, an increase of 71% vs the same period in 2018

350m

Unique monthly users

Financial highlights

Income statement (EURm)	FY19	FY19 IFRS	FY18
Net revenue	182.1	182.1	126.9
<i>yoy net sales growth</i>	<i>43%</i>	<i>43%</i>	<i>450%</i>
Adjusted EBITDA	17.1	17.1	7.5
<i>Adjusted EBITDA margin</i>	<i>9%</i>	<i>9%</i>	<i>6%</i>
EBIT	4.9	6.8	(5.2)
<i>EBIT margin</i>	<i>3%</i>	<i>4%</i>	<i>(4%)</i>
Net profit	(5.7)	(3.8)	(6.9)
Net cash flow from operations	16.9	16.9	18.5

Message from our CEO's



“The year 2019 was a year of building our Ecosystem and delivering on the output. The net revenue increased with 44%, from EUR 126.9m to EUR 182.1m and our adjusted EBITDA doubled from EUR 7.5m to EUR 17.1m. This corresponds to an adjusted EBITDA margin growth from 6% towards a solid 9%.

The increase of the net revenue is driven by strong organic and acquisitional growth. Building on the ecosystem, with a balanced business case between content (gaming and video), advertisement technology and ad sales has delivered strong, organic growth. 28.9% of the growth originated from organic growth, which is very encouraging to see as it implies the Ecosystem is delivering results. 14.6% of the growth comes from acquisitions. The Ecosystem of Azerion has a strong focus on content, gaming and video, with a strong delivery model to B2B.

The Content segment grew from EUR 38.3m to EUR 55.6m, which corresponds to a growth of 45%. The adjusted EBITDA increased from EUR 1.7m to EUR 15.2m, which corresponds to an ~800% growth. The acquisitions of Spil Games (mobile and portal gaming business) and Woozworld enhanced the gaming portfolio. The acquisition of ZoomIn created the extra opportunity of delivering video to the market.

The advertisement technology leg of the Ecosystem has overperformed also on the net revenue and the adjusted EBITDA. On net revenue level, there was an increase of 10%, a growth to EUR 81.0m from EUR 73.6m. On the adjusted EBITDA level there was an increase to EUR 4.1m from EUR 0.2m. This success on our adjusted EBITDA is a direct result of a successful integration of Improve Digital within Azerion in 2019, after the clean-up of 2018.

The sales leg of the Ecosystem was the part with the most acquisitions in 2019. The acquisitions of Semilo (NL), HiMedia (DE) and AdPulse (BE, ES, PT) increased the revenue in the segment to EUR 45.5m from EUR 21.1m. The adjusted EBITDA decreased to EUR (2.3m) from EUR 1.1m, due to post-integration actions to have healthy countries. Q4 2019 was already a positive quarter.

The full year 2019 we see as a very positive year in the sense of business integration and delivery of the Ecosystem. This success we were also able to reflect in the financials with a very healthy growth of our net revenue, and a year over year 44% between 2018 and 2019.”

Atilla Aytekin and Umut Akpınar

CEO's and Founders of Azerion

Financial overview full year 2019

Net revenue

EUR 182m

Net revenue 2019

The Group's consolidated net revenue for the period amounted to EUR 182.1m, an increase of 44% compared to the full year 2018. Net revenue increased by EUR 55.3m and this is mainly on account of 2018 acquisitions annualisation, business growth driven primarily by increasing numbers of users in our Content segment (primarily Governor of Poker, Hotel Hideaway and Habbo Hotel) and further M&A expansion in 2019.

Earnings

EUR 17m

Adjusted EBITDA 2019

Adjusted EBITDA margin significantly improved to 9% (EUR 17.1m) from 6% (EUR 7.5m) in 2018, thereby meeting Azerion's target. This significant improvement in adjusted EBITDA comes on the back of lower operating expenses and realised synergies from prior acquisitions as the Ecosystem offers significant cost saving opportunities. Non-recurring items amounted to EUR 4.4m (EUR 4.1m in 2018) and mainly include acquisition expenses, restructuring costs and transition costs.

Azerion's cost base is dominated by COGS and personnel expenses, resulting in a highly variable cost structure with good flexibility to reduce costs and preserve EBITDA, should net revenue decline. At 67% of net revenue, COGS improved in 2019 compared to 2018 by 5.0 bps mainly driven by optimisations in AdTech. Opex amounted to 26% of net revenue in 2019 (2018: 26%) and reflects the limited increase in relative SG&A costs enabled by a streamlined internal sales setup.

Azerion capitalises some of its development costs, primarily relating to developers' time devoted to create games, platforms and other new features. EUR 6.4m was activated in 2019, representing 3.5% of revenues and 17.6% of personnel expenses.

EBIT amounted to EUR 4.9m (EUR (5.2m) in 2018) and included depreciation and amortisation totaling EUR 7.8m (EUR 8.6m in 2018).

Net profit for the year amounted to EUR (5.7m) (EUR (6.9m) in 2018).

Cash flow

The Group's cash flow from operating activities totalled EUR 16.9m compared to EUR 18.5m for the full year 2018. The decrease was mainly the result of the Improve Digital integration plan to reduce the aged trade payable position post-acquisition.

Cash flow from investing activities totalled EUR (41.1m) compared to EUR (8.7m) for the full year 2018. This was the result of new investments in intangible assets driven by our 2019 acquisitions: AdPulse, Semilo, HiMedia, Wooworld, Spil Games and ZoomIn. Cash flow from financing activities totalled EUR 23.7m (EUR (14.4m) in 2018) and this was mainly the result of a bond issuance in June 2019. As a result, the cash flow for 2019 was slightly negative and ended at EUR (0.5m) (EUR (4.6m) in 2018), resulting in a year-end cash and cash equivalent position of EUR 9.9m (EUR 1.4m in 2018).

Capex

Total capex for the year was EUR 42.8m (EUR 32.9m in 2018). Maintenance capex R&D, amounted to EUR 0.6m (EUR 0.3m in 2018), an increase which was mainly driven by higher activated R&D expenses. Expansion capex R&D amounted to EUR 5.8m (EUR 2.4m in 2018), an increase which was mainly driven by new game, feature and platform development. Other investments excluding acquisitions increased to EUR 8.6m from EUR 1.4m in 2018 and are mainly related to the Talpa Gaming Joint Venture.

Net interest-bearing debt

Azerion's net interest-bearing debt amounted to EUR 31.1m, as per 31-Dec-2019. Interest-bearing debt mainly comprises the Company's outstanding bond loan with a nominal value of EUR 25m, less the cash and cash equivalents position of EUR 9.9m.

Segment information

Content

The Content segment includes casual and social online games¹ as well as videos, accessible through a wide range of devices including smartphones, tablets and web browsers. The Group's 13,500 game titles attract in excess of 1.3bn content views² per month. The Content segment offers diversified revenue sources including user downloads, in-app purchases, subscriptions, users spending time on watching advertisements and third-party sales. Azerion also operates an e-commerce platform, offering sales of third-party computer game licenses.

The Content net revenue grew with 45% to EUR 55.6m in 2019, compared to EUR 38.3m for the full year 2018. The revenue increase was driven by continued increasing user numbers in our content titles, as well as partially the result of 2018 annualised acquisitions as well as 2019 acquisitions' impact.

Adjusted EBITDA amounted to EUR 15.2m, corresponding to a 27% margin, compared with EUR 1.7m, or 5% for the full year 2018. The adjusted EBITDA increase is driven by an improvement of our opex structure as well as R&D capitalization. Our absolute opex levels have remained relatively stable, indicating the operational leverage of our business.

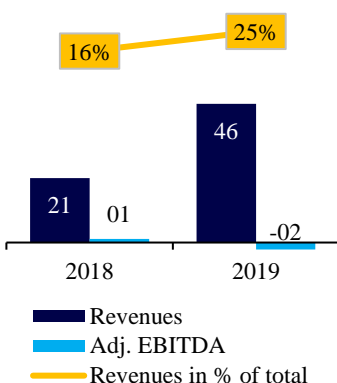
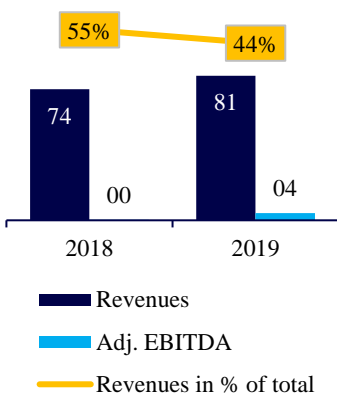
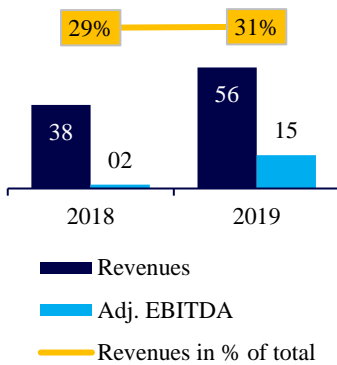
AdTech

The AdTech segment offers state of the art advertising solutions for publishers. It provides an advertising platform tailored for premium-, mid- and long-tail publishers enabling monetisation of video, display and native inventory across all digital media channels, i.e. mobile, tablet and desktop. We assist publishers with their programmatic strategies, planning and execution, utilising our comprehensive experience of programmatic advertising. In addition, it also offers state of the art advertising solutions for advertisers, including both brands as well as media agencies. A portfolio of solutions for advertisers looking for end-to-end solutions or enhancing their existing strategy, e.g. by leveraging Azerion's hyper-local targeting or mobile rich media demand technology. We focus on bringing trustworthy and real, scalable results to advertisers while supporting media agencies to build their value simultaneously. Moreover, machine learning is used to predict the best, most relevant advertisements for every unique user. Doing so, our +25,000 domains contribute with 500bn transactions per month.

The AdTech segment delivered EUR 81.0m of net revenue in 2019, an increase of 10% compared to the full year 2018 (EUR 73.6m). The increase was mainly driven by the annualisation effect of the Improve Digital integration in our ecosystem. The segment delivered adjusted EBITDA of EUR 4.1m in 2019, or 5% margin, compared to EUR 0.2m, or 0% margin, for the full year 2018. The increase is driven mainly by the full successful integration of the Improve Digital acquisition in 2018, and synergies at gross margin level and personnel expenses.

AdSales

Through its publishing network, Azerion offers advertising customers large-scale advertising solutions with a widespread reach: more than 11,000 campaigns per annum across 1,500 advertisers/agencies. Our wide-range product offering includes geo-marketing technology delivering efficient mobile and desktop media campaigns, generating point-of-scale traffic as well as leading programmatic integrated ad marketplaces, connecting leading brands, trading desks and agencies to premium media



¹ Casual games defined as infrequently played with low learning curve

² Defined as game plays plus video views

and publishers. The data available from the Content segment provides unique opportunities in customising advertising strategies in close cooperation with customers. Our 2019 acquisitions AdPulse, Semilo and HiMedia increased Azerion's reach for branding and user acquisition in Belgium, Spain, the Netherlands and Germany and contributed to higher market shares. The integration of these sales houses in the Azerion Ecosystem allowed us to offer clients in these countries a complete package of advertising solutions, with more substantial programmatic advertising and engaging games content.

AdSales' net revenue more than doubled (+115%) to EUR 45.5m in 2019 from EUR 21.1m in 2018. The increase is mainly the result of 2019 acquisitions. Adjusted EBITDA amounted to EUR (2.3m) (EUR 1.1m in 2018), which is a reflection of post-acquisition integration efforts.

Market and outlook

The relevant markets for Azerion are the digital content market and the digital media market.

The first key driver of the content market is internet access. This, in turn, is driven by increasing penetration of high-speed internet access in emerging markets, implying a growing global gamer base and significant growth opportunities ahead and by global mobile internet uptake among consumers, with over 85% of internet users accessing the web via handheld devices. A second major theme is mobile penetration. Increasing mobile penetration resulting from global urbanisation trends implies a growing global gamer base, whereas a growing number of smartphones implies a growing share of mobile gamers. Third, broadening consumer engagement results in a multi-dimensional and fragmented gaming market, further enhanced by a shift in demand from not only playing games but also watching game video content and esports. Last, a technology shift is changing the market as we observe a standardisation towards HTML5, implying more high-quality games and a fade-out of Flash.

The digital media market is driven in large part by advertising spending. Advertiser spending is increasingly moving away from traditional channels such as TV and newspapers towards digital formats. Global digital ad spend growth rates remain strong, with digital media ad spend projected to reach USD 458bn by 2022 from USD 327bn in 2019. Secondly, programmatic advertising as a percentage of the digital advertising spending is continuously increasing. Programmatic transactions will represent more than two thirds of digital global ad spend in the coming years, implying an addressable market of USD 85bn. A complete display market is projected in the medium-term. Third, the market is characterised by continuous creation of new monetisation models such as location-based and native advertising. Publishers are seeking to generate higher quality impressions, which is facilitated by digital media solutions. Finally, an ongoing consolidation is shaping the market, with large players gaining market shares. Volume is increasingly a key success factor in the market, suggesting continued consolidation going forward.

Azerion is well-positioned to benefit from these attractive market fundamentals. With integrated activities across media, entertainment and technology, diversified revenue streams and increasing scale, we are confident these market drivers will increase demand for our products and services.

Consolidated financial statements

Azerion's consolidated financial statements have been prepared applying Dutch GAAP reporting standards. To meet bond requirements, a comprehensive analysis was conducted of the differences between Dutch GAAP and IFRS, quantified and adjusted in the financial figures beneath.

The adjustment arising from this assessment is in goodwill, intangible assets. In order to translate the goodwill valuation to comply with IFRS standards, we reversed the 2019 depreciation on goodwill and performed an impairment test on the goodwill entities. Below is a detail of the total translation adjustment:

	Impact (EUR)
Goodwill (reversed depreciation)	+ 2.4m
Impairment on goodwill	<u>- 0.5m</u>
Total translation adjustment	+ 1.9m

The goodwill impairment was determined on an entity by entity basis applying a DCF method and comparing the results with the recorded goodwill balances for those entities as of Dec 31, 2019.

We assumed a materiality of EUR 100,000 in the translation assessment.

Consolidated balance sheet (unaudited)

Balance sheet (EURm)	Notes	FY19	IFRS translation adjustment	FY19 IFRS Basis	FY18
ASSETS					
Fixed assets					
Development costs		4.8	-	4.8	17.1
Concessions permits & IPR		0.5	-	0.5	0.6
Goodwill		34.4	1.9	36.3	16.6
Games		21.0	-	21.0	1.4
Website		5.5	-	5.5	1.9
Intangible fixed assets	(1)	66.2	1.9	68.1	37.6
Renovations		0.4	-	0.4	0.4
Office equipment		2.6	-	2.6	0.5
Transportation		0.1	-	0.1	-
Tangible fixed assets	(2)	3.1	-	3.1	0.9
Other participating interests		1.0	-	1.0	2.6
Other receivables		1.3	-	1.3	0.7
Financial fixed assets	(3)	2.3	-	2.3	3.3
Current assets					
Trade receivables	(3)	32.7	-	32.7	11.7
Receivables from other related parties		-	-	-	0.1
Taxes and social securities		1.1	-	1.1	0.9
Other receivables, deferred assets		34.7	-	34.7	21.2
Receivables, prepayments and accrued income		68.5	-	68.5	33.9
Cash and cash equivalents		9.9	-	9.9	1.4
TOTAL		150.0	1.9	151.9	77.1

Balance sheet (EURm)	Notes	FY19	IFRS translation adjustment	FY19 IFRS Basis	FY18
LIABILITIES					
Equity	(4)				
Group equity		(7.7)	1.9	(5.8)	(6.1)
Third party share in group equity		(0.1)	-	(0.1)	1.4
Total group capital		(7.8)	1.9	(5.9)	(4.7)
Subordinated loans	(5)	8.3	-	8.3	-
Total Protective Capital Resources		0.5	1.9	2.4	(4.7)
Provisions					
Provisions		5.7	-	5.7	2.3
Deferred tax liability		1.6	-	1.6	0.8
Total provisions	(6)	7.3	-	7.3	3.1
Non-current liabilities					
Convertible loans		3.5	-	3.5	4.1
Bond		25.1	-	25.1	4.7
Finance company debt		0.2	-	0.2	0.2
Debt to participating interests and companies		8.5	-	8.5	11.4
Total non-current liabilities	(7)	37.3	-	37.3	20.4
Current liabilities					
Finance company debt		13.1	-	13.1	4.1
Repayment obligation long-term debt		3.7	-	3.7	1.4
Difference Sellbranch equity		(1.9)	-	(1.9)	-
Trade creditors	(8)	57.4	-	57.4	31.9
Payables to other related parties		0.3	-	0.3	0.1
Taxes and social securities		4.7	-	4.7	1.6
Other liabilities, accrual and deferred income		27.6	-	27.6	19.2
Total current liabilities		104.9	-	104.9	58.3
TOTAL		150.0	1.9	151.9	77.1

Consolidated income statement (unaudited)

Income statement (EURm)	Notes	FY19	IFRS translation adjustment	FY19 IFRS basis	FY18
Net Revenue		182.1	-	182.1	126.9
COGS		(122.1)	-	(122.1)	(91.0)
Other operating income		-	-	-	0.3
Gross margin		60.0	-	60.0	36.2
Personnel expenses	(9)	(36.3)	-	(36.3)	(19.5)
Other operating expenses	(10)	(11.0)	-	(11.0)	(13.3)
EBITDA		12.7	-	12.7	3.4
D&A	(11, 12)	(7.8)	1.9	(5.9)	(8.6)
EBIT		4.9	1.9	6.8	(5.2)
Financial results	(13)	(9.4)	-	(9.4)	(1.7)
EBT		(4.5)	1.9	(2.6)	(6.9)
Income taxes		(1.6)	-	(1.6)	(0.1)
Results on participation	(14)	0.9	-	0.9	(0.7)
Result from operations after tax		(5.2)	1.9	(3.3)	(7.7)
Third party share		(0.5)	-	(0.5)	0.8
Result after tax (incl. minorities)		(5.7)	1.9	(3.8)	(6.9)
EBITDA		12.7	-	12.7	3.4
Non-recurring items		4.4	-	4.4	4.1
Adjusted EBITDA		17.1	-	17.1	7.5

Consolidated cash flow statement (unaudited)

Cash flow statement (EURm)	Notes	FY19	FY18
<u>Cash flow from operating activities</u>			
Operating result		4.9	(5.2)
<i>Adjustments for:</i>			
Amortisation and depreciation		12.0	7.6
Movement of provisions		4.1	2.1
<i>Movement of working capital:</i>			
Movement of accounts receivable		(34.5)	(29.1)
Movement of short-term liabilities (excluding finance company debt)		-	44.5
		37.1	-
Cash flow from operating activities		23.6	19.9
Other cash flows		(6.7)	(1.4)
Net cash flow from operating activities		16.9	18.5
<u>Cash flow from investing activities</u>			
Acquisition of Adux		2.5	-
Investments in intangible fixed assets		(33.7)	(6.3)
Investments in tangible fixed assets		(0.4)	(0.2)
Investments in other related parties		(1.0)	(3.5)
Divestments in other related parties		0.1	-
Disposal of intangible fixed assets		-	1.2
Disposal of tangible fixed assets		-	0.1
Movement (in) tangible fixed assets to new consolidations		(8.6)	-
Cash flow from investing activities		(41.1)	(8.7)
<u>Cash flow from financing activities</u>			
Movement in group equity due to new consolidations		2.9	-
Investments fixed assets through consolidation		-	(26.4)
In-/decrease other receivables		-	(0.6)
Movement reserves and minority interest		-	1.3
Proceeds from convertible loans		-	1.0
Borrowing		27.6	5.4
Withdrawal debt to finance companies		-	0.3
Movement of intercompany debt		-	-
Movement of loans to shareholders		-	4.4
Repayment loans		(4.3)	0.5
Movement of other receivables		(0.6)	-
Difference Sellbranch		(1.9)	-
Repayment of finance company debt		-	(0.3)
Cash flow from financing activities		23.7	(14.4)
Total cash flow		(0.5)	(4.6)
<u>Compilation cash</u>			
Opening cash		1.4	2.0
Movement of cash and equivalents		8.5	(0.6)
Closing cash		9.9	1.4

Notes to the financial statements

1. Intangible fixed assets

	Games	Development costs	Concessions permits and intellectual property rights	Website	Goodwill	Other	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
<i>Carrying amount as at 1-1-2019</i>							
Purchase price	28,453,349	4,412,953	1,201,709	7,998,403	20,486,749	-	62,553,163
Cumulative depreciation and impairment	(15,618,848)	(1,990,315)	(739,855)	(2,751,150)	(3,908,831)	-	(25,008,999)
	12,834,501	2,422,638	461,854	5,247,253	16,577,918	-	37,544,164
<i>Movement</i>							
Investments incl. Acquisitions	13,192,567	3,374,471	180,724	2,429,535	20,577,968	4,150	39,759,415
Disposals	259	(75)	-	-	-	-	184
Depreciation disposal	(308)	-	-	(1,897)	-	-	(2,205)
Amortisation	(5,048,019)	(1,014,071)	(141,461)	(2,105,999)	(2,802,747)	(2,120)	(11,114,417)
	8,144,499	2,360,325	39,263	321,639	17,775,221	2,030	28,642,977
<i>Carrying amount as at 31-12-2019</i>							
Purchase price	41,646,175	7,787,349	1,382,433	10,427,938	41,064,717	4,150	102,312,762
Cumulative depreciation and impairment	(20,667,175)	(3,004,386)	(881,316)	(4,859,046)	(6,711,578)	(2,120)	(36,125,621)
	20,979,000	4,782,963	501,117	5,568,892	34,353,139	2,030	66,187,141

2. Tangible fixed assets

	Renovations	Office equipment	Transportation	Total
	EUR	EUR	EUR	EUR
<i>Carrying amount as at 1-1-2019</i>				
Purchase price	482,752	889,286	55,668	1,427,706
Cumulative depreciation and impairment	(75,855)	(379,629)	(22,248)	(477,732)
	406,897	509,657	33,420	949,974
<i>Movement</i>				
Investments incl. Acquisitions	49,886	2,874,034	78,207	3,002,127
Depreciation disposal	-	(35,166)	(55,668)	(90,834)
Cumulative depreciation and impairment	-	22,156	30,589	52,745
Depreciation disposal	(50,596)	(774,067)	(14,073)	(838,736)
	(710)	2,086,957	39,055	2,125,302
<i>Carrying amount as at 31-12-2019</i>				
Purchase price	532,638.0	3,728,154.0	78,207.0	4,338,999
Cumulative depreciation and impairment	(126,451.0)	(1,131,540.0)	(5,732.0)	(1,263,723)
Carrying amount as at 31-12-2019	406,187	2,596,614	72,475	3,075,276

3. Financial fixed assets

	31-Dec-19	31-Dec-18
	EUR	EUR
<u>Other participating interests</u>		
ADUX at France (25.6%)	-	2,495,285
Other participating interests in Network GmbH	2	2
Other participating interests in Mforma Ltd	-	1
Other participating interests in Sulake Corp	-	72,372
Talpa Azerion Gaming BV	1	-
Spil Games BV	1,000,000	-
Other participating interests in Adux France	46,220	-
	1,046,223	2,567,660
<u>Other receivables</u>		
Loan Collin	-	3,792
Crowdfund		
Deferred tax assets	898,314	647,277
Loans, security & other receivables	327,188	-
Other financial assets (non-current)	36,939	-
	1,262,441	651,069

CURRENT ASSETS

<u>Trade receivables</u>		
Debtors	37,182,965	11,979,410
Doubtful debtor provision	(4,448,552)	(253,310)
	32,734,413	11,726,100

A provision is made for doubtful debtors

4. Group equity

Equity position in December 2019 has been adjusted EUR 8.3m subordinated shareholder loans now accounted as part of the Total subordinated capital. Following this adjustment, Total subordinated capital improved from EUR (4.7m) in 2018 to EUR 0.5m in 2019.

The consolidated negative equity position is primarily driven by two subsidiaries, AdUX and Improve Digital, which had major losses 2018 and the years before Azerion's acquisition. Improve Digital, acquired in 2018, was profitable in 2019 and could improve the equity position by ca EUR 1.0m. AdUx is 100% consolidated in 2019 following Azerion acquiring additional shares, increasing its stake to more than 50%. AdUx reached break-even in Q4'19.

5. Subordinated loans

	31-Dec-19	31-Dec-18
	EUR	EUR
Subordinated loans Azerion Group BV	7,361,796	-
Subordinated loans STAK Azerion Holding BV	977,804	-
	8,339,600	-

The interest rates are between 3% and 10%

The loans are subordinated to all debts

The guarantee capital at December 31, 2019 amounts to EUR 503,516 (2018: EUR 4,721,210)

6. Provisions

	31-Dec-19	31-Dec-18
	EUR	EUR
Pension allowance obligations	538,524	-
Deferred tax liability	1,574,454	2,326,927
Other provisions	5,168,634	813,895
	7,281,612	3,140,822

7. Non-current liabilities

	31-Dec-19	31-Dec-18
	EUR	EUR
<u>Convertible loans</u>	2,500,000	2,500,000
Convertible loan Multnomah BV	-	625,000
Convertible loan Navus Ventures BV (Loan I)	1,000,000	1,000,000
Convertible loan Navus Ventures BV (Loan II)	3,500,000	4,125,000
<u>Loans</u>		
Other liabilities - non-current portion	41,159	-
Loan Kreos	-	4,681,299
Bonds (Nordic Trustee AS)	25,060,867	-
	25,102,026	4,681,299
Finance company debt		
ING Lease	-	17,099
Loan I Commerzbank	170,370	164,248
Loan II Commerzbank	-	43,093
BMW Financial Services	70,945	-
	241,315	224,440
<u>Debt to participating interests and companies</u>		
Azerion Group BV Loan I	-	1,700,000
Azerion Group BV Loan II	-	2,250,000
Azerion Group BV Loan III	-	922,000
Gamepoint Investments BV Loan I	750,000	750,000
Azerion Group BV Loan IV	-	989,795
Gamepoint Investments BV Loan II	1,375,000	1,375,000
Gamepoint Investments BV Loan III	414,406	414,406
Gamepoint Investments BV Loan IV	944,294	944,294
Gamepoint Investments BV Loan V	-	1,100,000
STAK Azerion Holding BV Loan I	-	510,204
STAK Azerion Holding BV Loan II	-	467,600
Azerion Group BV Loan VI	5,000,000	-
	8,483,700	11,423,300

The interest rates are between 3% and 10%. For the loan V from Gamepoint Investments BV is provided as security as a pledge on all current and future claims that Youda Games Holding BV has on third parties. These Loans are for the benefit of ING Bank NV subordinated. The duration is between 2 and 5 years

8. Current liabilities

	31-Dec-19	31-Dec-18
	EUR	EUR
<u>Trade creditors</u>		
Creditors	57,374,747	31,884,729
	57,374,747	31,884,729

9. Employee expenses

	31-Dec-19	31-Dec-18
	EUR	EUR
Wages and salaries	28,457,088	14,593,956
Social security	5,859,492	2,196,030
Pension costs	243,662	539,807
Other personnel costs	1,783,448	2,068,266
	36,343,690	19,398,059

10. Other operating expenses

	31-Dec-19	31-Dec-18
	EUR	EUR
Accommodation	1,882,123	1,493,519
General expenses	15,320,507	9,951,316
Capitalised development costs	(6,277,588)	(2,661,532)
Transition costs	37,560	4,490,928
	10,962,602	13,274,231

Transition costs are costs marked as 'one-off costs' related to the optimisation of the business' operations. These costs are expected to have a non-recurring nature and are thus separately classified under the other operating expenses

11. Amortisation and depreciation

	31-Dec-19	31-Dec-18
	EUR	EUR
Games	5,048,019	778,296.0
Development costs	1,014,071	3,033,651
Concession permits and intellectual property rights	141,461	156,709
Website	2,105,999	1,535,166
Goodwill	2,802,747	1,837,363
Other	2,120	-
	11,114,417	7,341,185
Book result	(4,191,272)	899,416
Amortisation	6,923,145	8,240,601
<u>Book result</u>		
Operating provision	920,312	-
Depreciation on receivables	(693,263)	-
Write-back operating provision	(224)	-
Write-back depreciation on receivables	(305,952)	-
Book result goodwill	(4,112,145)	899,416
	(4,191,272)	899,416

12. Depreciation of tangible fixed assets

	31-Dec-19	31-Dec-18
	EUR	EUR
Renovations	50,596	46,656
Office equipment	774,067	251,038
Transportation	14,073	11,124
Book result	(2,539)	90,604
	836,197	399,422

13. Financial income and expenses

	31-Dec-19	31-Dec-18
	EUR	EUR
Interest and similar income	(2,073,514)	138,103
Depreciation of receivables	(1,904,769)	-
Interest and similar expenses	(5,442,242)	(1,841,415)
	(9,420,525)	(1,703,312)
<u>Depreciation of receivables</u>		
Depreciation of receivables	(1,904,769)	
<u>Depreciation of receivables</u>		
Depreciation of receivables	(1,910,155)	-
Write-back depreciation of receivables (current assets)	5,386	-
	(1,904,769)	-

14. Share in result of participating interest

	31-Dec-19	31-Dec-18
	EUR	EUR
Share in result of Youda Games Holding BV	1	-
Result of sale Vooxe Technology AS	-	(474,790)
Change in fair value of Adux France	-	(908,098)
Purchase result Improve Digital BV and Sellbranch AB	-	730,357
Purchase result Tunnl BV	84,336	-
Purchase result Hi Media Espana Publicidad Online	89,333	-
Purchase result Semilo BV	122,879	-
Purchase result Zoom.in Group BV	603,801	-
	900,350	(652,531)

Other information

About Azerion

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

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

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

Significant events after the reporting period

In March 2020, Azerion issued EUR 60m of senior secured callable floating rate bonds (ISIN: SE0013774957) under a framework of up to EUR 100m. The proceeds will be used for refinancing of existing debt, finance a share repurchase program and to finance general corporate purposes including capital expenditure and acquisitions. The bond issue received strong investor interest. The interest rate amounts to EURIBOR + 8.5% per annum. The previously existing bonds with ISIN: NO0010851413, NO0010851405 and NO0010851421 in aggregate amounting to approximately EUR 25m has been fully replaced and is therefore no longer available.

In February 2020, Azerion acquired full ownership of Spil Games, following the acquisition of the mobile division of Spil Games in 2019, together with a 5% stake in the portals business. Furthermore, Azerion acquired the leading digital ad experts Collective Media Europe from TI Media.

In March 2020, the novel coronavirus causing Covid-19, started impacting economies and our business. Azerion is an online company with revenue models based on online entertainment content and online revenue streams. The situation regarding Covid-19 in general is pushing societies inside their homes and is having a very positive effect on the usage and traffic of online entertainment of our games, portals and e-commerce. The advertising market is declining and this has an impact on the average values of advertising impressions (eCPM). This is mainly impacting our Sales teams within the countries, where we subsequently started cost reduction programs. We expect to report additional detail on the impact of Covid-19 in our following interim reporting.

Risk and uncertainty factors

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

Declaration/ Management statement

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

Legal

This report has been prepared solely for informing the bond holders as per the bond terms and conditions dated 9 March 2020.

This report has not been reviewed nor audited by the company's auditor.

Financial calendar

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

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