



Azerion publishes interim Q2 and H1 2023 results

Platform growth and integrations leading to increased revenue and improved margins

Highlights of Q2 2023

- Increased earnings driven by revenue growth and ongoing cost savings
- Net revenue of approximately €122 million for Q2 2023, up from €104 million in Q2 2022. Adjusted EBITDA of almost €19 million, up by approximately 58% compared to Q2 2022.
- Upgraded expected annualized cost savings to at least €20 million from at least €15 million, excluding any effects from foreign exchange. The expected savings are compared to the January 2023 baseline. Total operating expenses Q2 2023 of €38.1 million (including restructuring costs) only €1.9 million higher than Q2 2022 notwithstanding 8 acquisitions in H2 2022.
- Sale of social card games portfolio completed 28 August 2023 for an initial cash consideration of €81.3 million, subject to customary adjustments, with an earnout based on the performance of the acquired business that could take the total consideration up to a maximum of €150 million.
- At completion Azerion received close to €67 million before income tax and approximately 15 months after the completion date Azerion will receive the remaining proceeds subject to the terms of the asset purchase agreement. Gain on sale estimated at approximately €70 million before income tax.
- Launch of Azerion Smart Bidding, Azerion's improved AI-integrated bidding system to further enhance Azerion's pricing in open market auctions.
- Launched Azerion Smart Content, integrating Vlyby technology with Zoomin content, providing publishers with additional contextual content for monetisation
- Launch of Habbo X: Alpha 2, a play to earn metaverse environment which integrates blockchain technology, allowing brands such as EMA, Miffy and Cool Cats to collaborate with audiences and create lifetime engageable collectables, minted as an NFT
- Updated guidance for full year 2023 confirms Adjusted EBITDA still expected to be at least €75 million

Highlights of H1 2023

- Net revenue of approximately €235 million for H1 2023, up from €198 million in H1 2022.
- Adjusted EBITDA of approximately €27 million, up by approximately 55% compared to H1 2022.

Selected KPIs

Financial results - Azerion Group N.V. - Q2

in millions of €

	Q2 2023			Q2 2022				
	Net revenue	Operating profit / (loss)	Adjusted EBITDA	Net revenue	Operating profit / (loss)	Adjusted EBITDA	Net revenue growth	Adjusted EBITDA growth
Group	122.0	(2.9)	18.5	103.9	(3.1)	11.7	17.4%	58.1%
Platform	99.6	(3.2)	13.3	82.1	(3.0)	7.9	21.3%	68.4%
Premium Games	22.4	0.3	5.2	21.8	0.1	3.8	2.8%	36.8%
Other		-	-		(0.2)	-		

Financial results - Azerion Group N.V. - H1

in millions of €

	YTD 2023			YTD 2022				
	Net revenue	Operating profit / (loss)	Adjusted EBITDA	Net revenue	Operating profit / (loss)	Adjusted EBITDA	Net revenue growth	Adjusted EBITDA growth
Group	234.7	(10.6)	27.2	198.3	(148.0)	17.6	18.4%	54.5%
Platform	188.9	(11.6)	16.9	154.6	(14.4)	9.9	22.2%	70.7%
Premium Games	45.8	1.0	10.3	43.7	(0.6)	7.7	4.8%	33.8%
Other		-	-		(133.0)	-		

Message from the CEO

"The Company has continued to grow in Q2 and H1 2023 and made significant progress in integrating and consolidating previous acquisitions. We are pleased with the progress made in simplifying and optimising our operations and are seeing the benefits of that work

reflected in improved margins and profitability. We have also successfully completed the divestment of our social card games portfolio and remain focused on delivering synergies across the platform and premium games segments.

In light of the achievements made in delivering our strategy, I am pleased to be able to confirm that for full year 2023, after excluding the social card games portfolio from completion of the sale, we still expect Adjusted EBITDA to be at least € 75 million."

- Umut Akpinar

Financial overview

Net revenue

Net revenue for the quarter amounted to € 122.0 million an increase of approximately 17%, compared to Q2 2022, mainly due to growth in the Platform segment.

Net revenue for H1 2023 amounted to € 234.7 million an increase of approximately 18%, compared to H1 2022, mainly due to growth in the Platform segment.

Earnings

Adjusted EBITDA was € 18.5 million for the quarter compared to € 11.7 million in Q2 2022, an increase of approximately 58%, due to increased revenue from Platform business at higher margins due to efficiencies from integrations and consolidations.

Adjusted EBITDA was € 27.2 million for H1 2023 compared to € 17.6 million in H1 2022, an increase of approximately 54%, due to increased revenue from Platform business at higher margins due to efficiencies from integrations and consolidations.

The operating loss for the quarter amounted to € (2.9) million, compared to a loss of € (3.1) million in Q2 2022 mainly explained by higher gross profit offset by higher amortization and restructuring costs in Q2 2023.

The operating loss for H1 2023 amounted to € (10.6) million, compared to a loss of € (148.0) million in H1 2022 mainly explained by € 144.7 million of De-SPAC related expenses incurred in H1 2022.

Cash flow

Cash flow from operating activities in Q2 2023 was an inflow of € 7.5 million. Cash flow from investing activities was an outflow of € (12.7) million, mainly due to earnouts paid related to acquired companies. Cash flow from financing activities totalled an outflow of € (2.9) million.

Cash flow from operating activities in H1 2023 was an inflow of € 34.7 million. Cash flow from investing activities was an outflow of € (37.6) million, mainly due to earnouts paid related to acquired companies. Cash flow from financing activities totalled an outflow of € (6.0) million.

Capex

Azerion capitalizes development costs related to internal development of assets, a core activity to support innovation in its platform. These costs primarily relate to developers' time devoted to the development of games, platforms, and other new features. In Q2 2023 Azerion capitalized € 5.6 million, equivalent to 20.4% of gross personnel costs. In H1 2023 Azerion capitalized € 10.2 million, equivalent to 16.2% of gross personnel costs.

Financial position and financing

Net interest bearing debt^{*)} amounted to € 182.5 million as of 30 June 2023, mainly comprising outstanding bond loan with a nominal value of € 200 million (part of a total € 300 million framework), which became a current borrowing at April 2023 and lease liabilities with a balance of € 17.8 million less the cash and cash equivalents position of € 42.2 million.

Applying the information above at 30 June 2023 and the full year 2023 guidance of expected Adjusted EBITDA of at least € 75 million, implies an illustrative Net interest bearing debt / Adjusted EBITDA ratio of approximately 2.4.

^{*)} As defined in section 1.1 of the Terms & Conditions of the Senior Secured Callable Fixed Rate Bonds ISIN: SE0015837794. Please also refer to the Definitions section and the notes of this Interim Report for more information.

Segment Platform

Our Platform segment includes our digital advertising activities and e-Commerce, which are fully integrated through our technology. It generates Net revenue mainly by displaying digital advertisements in both game and non-game content, as well as selling and distributing AAA games through our e-commerce channels. Platform is also integrated with parts of our Premium Games segment, leveraging inter-segment synergies.

Platform – Selected Financial KPIs

Financial results - Platform

in millions of €

	Q2	Q2	YTD	YTD
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	2023	2022	2023	2022
Net revenue	99.6	82.1	188.9	154.6
Gross profit	35.1	30.7	65.1	53.1
Operating profit / (loss)	(3.2)	(3.0)	(11.6)	(14.4)
Adjusted EBITDA	13.3	7.9	16.9	9.9
Net revenue growth %	21.3%		22.2%	
Gross profit margin %	35.2%	37.4%	34.5%	34.3%
Adjusted EBITDA growth %	68.4%		70.7%	
Adjusted EBITDA margin %	13.4%	9.6%	8.9%	6.4%

Platform Net revenue of € 99.6 million in Q2 2023, an increase of 21.3% compared to Q2 2022, driven by integration of past acquisitions and global sales teams, combined with the roll out of new ad formats on the platform. **Platform** Net revenue of € 188.9 million in H1 2023, an increase of 22.2% compared to H1 2022, driven by integration and consolidation of previously acquired businesses.

Adjusted EBITDA was € 13.3 million in Q2 2023, increasing by 68.4% compared to Q2 2022 due to growth in higher margin direct sales teams performance, lower personnel costs due to efficiency efforts as well as developments of platform technology resulting in lower operating costs. Adjusted EBITDA was € 16.9 million in H1 2023, increasing by 70.7% compared to H1 2022, as a result of platform development and efficiency efforts.

A legal dispute related settlement resulted in a cash outflow of € 0.4 million, of which € 0.2 million was paid in Q2 2023 with an expected € 0.2 million due in Q3 2023 and net release of provision gain of about € 0.6 million.

Initiatives in Q2 and H1 2023 include:

- Launch of Azerion Smart Bidding, Azerion's improved AI-integrated bidding system to further enhance Azerion's pricing in open market auctions.
- Improved our Full Monetization Services, or FMS solution with Performance by Azerion for semantic segmentation allowing for better audience targeting.
- Launched Smart Content, integrating Vlyby technology with Zoomin content, providing publishers with additional contextual content for monetisation.
- Developed an internal campaign management solution for Azerion ad ops teams, Azerion Marketplace, improving ad campaign coordination efficiencies and margin contribution.
- Accelerated the production of puzzle and word web games by Azerion Studio's for news and media publishers resulting in increased revenues at higher margins due to lower licensing fees.
- Successfully rolled out new Fanzone platform technology across current clients in the Netherlands, Belgium and Turkey, allowing sport clubs to manage fan engagement, communication and monetisation through advertisement.

Results also benefited from increased user engagement levels, with users spending more time playing casual games, as well as strong performance in e-Commerce. In addition, we have grown our casual games distribution portfolio during Q2 2023, adding approximately 472 new games and 61 new publisher partners.

Advertising - Selected Operational KPIs

Advertising - Operational KPIs

	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023
Avg. Digital Ads Sold per Month (bn)	9.5	9.6	10.7	12.2	13.0
Advertising auction platform (bn)	4.3	4.3	5.4	5.1	6.1
Publisher monetisation services (bn)	5.2	5.3	5.3	7.1	6.9
Avg. Gross Revenue per Million Processed Ad Requests from advertising auction platform (€)	22.7	23.9	32.8	30.0	36.3
Previous reported figures (€)	9.1	11.2	16.7	11.2	15.6
Additional formats (€)	13.6	12.7	16.1	18.8	20.8

The **Average Digital Ads sold per Month (bn)** increased to 13.0 billion from 9.5 billion in Q2 2022, reflecting the growth of the platform business through the integration of previous acquisitions and increased ad format offering. As of Q1 2023 the reported number of average digital ads sold per month include the following previous acquisitions: Adplay, Adverline, Monolith, Hybrid Theory, MMedia, Takerate, Targetsport and Vlyby.

The **Average gross revenue per million processed ad requests** was € 36.3 in Q2 2023, compared to € 22.7 in Q2 2022, demonstrating our ability to grow and manage the advertising auction platform efficiently and profitably whilst providing an attractive proposition for advertisers and publishers. New ad formats integrated into the platform have also contributed to higher margins.

Previously reported figures of Avg. Gross Revenue per Million Processed Ad Requests (€) were of advertising auction platform Improve Digital. Additional ad formats: Headerlift, Pubgalaxy, Sublime, Inskin, Strossle, Keymobile, Delta Projects, Admoove and Quantum have been included from Q1 2022, Infinia was included in figures as of Q2 2022 and Madvertise as of Q3 2022. Additional new ad formats have been included as of Q1 2023, these include: Adplay, Adverline, Monolith, Hybrid Theory, MMedia, Takerate, Targetsport and Vlyby. In Q4 2022, Average gross revenue per million ad requests was revised to exclude ad requests that are rejected before entering our advertising auction platform. As a result this KPI was renamed as Average gross revenue per million processed ad requests.

Segment Premium Games

Our Premium Games segment includes social card and casino games and metaverse, comprising nine premium game titles. The segment generates revenue mainly by offering users the ability to make in-game purchases for extra features and virtual goods to enhance their gameplay experience. The aim of this segment is to stimulate social interaction among players and build communities, offering an extended value proposition to advertisers and generating cross-selling opportunities with the Platform segment.

Premium Games – Selected Financial KPIs

Financial results - Premium Games

in millions of €

	Q2	Q2	YTD	YTD
	2023	2022	2023	2022
Net revenue	22.4	21.8	45.8	43.7
Gross profit	10.9	11.2	22.9	21.7
Operating profit / (loss)	0.3	0.1	1.0	(0.6)
Adjusted EBITDA	5.2	3.8	10.3	7.7
Net revenue growth %	2.8%		4.8%	
Gross profit margin %	48.7%	51.4%	50.0%	49.7%
Adjusted EBITDA growth %	36.8%		33.8%	
Adjusted EBITDA margin %	23.2%	17.4%	22.5%	17.6%

Premium Games Net revenue was € 22.4 million in Q2 2023, an increase of 2.8% compared to Q2 2022. **Premium Games** Net revenue was € 45.8 million in H1 2023, an increase of 4.8% compared to H1 2022, with both Q2 and H1 2023 results reflecting growth in social card and social casino games, offset in part by metaverse.

Adjusted EBITDA was € 5.2 million in Q2 2023, an increase of 36.8% compared to Q2 2022, due to higher top line performance combined with efficiency programmes reducing costs. Adjusted EBITDA was € 10.3 million in H1 2023, an increase of 33.8% compared to H1 2022, due to higher top line performance combined with lower costs due to efficiency programmes.

On August 1 2023, we announced that we entered into a definitive agreement with Playtika for the sale of our social card games portfolio. This transaction was completed on August 28 2023, further information can be found in the section Sale of social card games portfolio.

Premium Games – Selected Operational KPIs

Premium Games - Operational KPIs

	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023
Avg. Time in Game per Day (min)	80	80	79	84	84
Avg. DAUs (thousands)	569	556	559	601	558
Avg. ARPDAU (€)	0.40	0.42	0.45	0.42	0.42

- The **Average time in game per day** increased in Q2 2023 by 5% compared to Q2 2022 due to the development of new features to stimulate user generated content in social games.
- The **Average daily active users (DAUs)** remained relatively stable in Q2 2023 compared to the previous year, this was due to increased DAUs in social card games offset by decreasing number of users in metaverse title as a result of reduced user acquisition spend.
- The **Average revenue per daily active user (ARPDAU)** increased by almost 5% compared to Q2 2022, due to stable loyal user base spending in game.

Segment Other

Reporting Segment Other contained in H1 2023 an operating loss of € - million (H1 2022: € (133.0) million). The variance is mainly explained by the H1 2022 incurred De-SPAC related expenses of € 133 million. Segment Other reported an Adjusted EBITDA loss in H1 2023 of € - million (H1 2022: € - million).

Outlook

Taking into account the divestment of the social card games portfolio as from 28 August 2023, the Company is sharing the following updated outlook for full year 2023:

- Adjusted EBITDA for 2023 was previously expected to be at least € 75 million. After excluding the divested social card games portfolio as from completion of the sale, Adjusted EBITDA for 2023 is still expected to be at least € 75 million.
- Annual Adjusted EBITDA margin thereafter was expected to grow and be in the range of 14% to 16% in the medium term. Azerion expects to be approaching the lower end of its guidance for full year 2023 and maintains the upper end of its range in the medium term. The expected improvement in Adjusted EBITDA margin is expected to be primarily driven by gross profit margin optimisation, cost efficiencies and overall benefits of scale as the Azerion platform grows.
- Net revenue for 2023 was previously expected to be around € 560 million. After excluding the divested social card games portfolio as from completion of the sale, Net Revenue for full year 2023 is expected to be around € 540 million. Annual Net revenue growth thereafter is expected to be around 15%.

This outlook does not include the impact of any future material acquisitions or divestments.

Sale of social card games portfolio

Playtika Holding Corp and Azerion announced on 1 August 2023 that they had entered into a definitive agreement for Playtika to acquire from Azerion its social card games portfolio.

The sale was completed on 28 August 2023, for an initial cash consideration of € 81.3 million, subject to customary adjustments, with an earnout based on the performance of the acquired business that could take the total consideration up to a maximum of € 150 million. At completion Azerion received close to € 67 million and approximately 15 months after the completion date Azerion will receive the remaining proceeds relating to the performance based earnout and other contractual terms, subject to the terms of the asset purchase agreement.

The gain on sale before income tax is estimated at approximately € 70 million.

The earnout consideration is based on the Adjusted EBITDA, as defined in the asset purchase agreement, of the social card games portfolio for the period running from 1 October 2023 until 30 September 2024 (the "Earnout Period"), and calculated by multiplying the incremental Adjusted EBITDA of the social card games portfolio above the "Baseline" (as defined below) by a multiple of between 6 and 7 (both inclusive); the specific multiple to be applied is contingent upon the revenue growth of the social card games portfolio achieved during the Earnout Period. The "Baseline" is defined as the last twelve months Adjusted EBITDA on a carve-out basis of approximately € 13.5 million.

The table below includes the Net Revenue and Adjusted EBITDA from the social card games portfolio.

Net revenue and Adjusted EBITDA of the social card games portfolio

in millions of €

	2022					2023		
	Q1	Q2	Q3	Q4	FY	Q1	Q2	YTD
Net revenue	8.8	8.8	9.3	10.2	37.1	11.3	10.3	21.6
Adjusted EBITDA	2.8	2.6	3.7	2.6	11.7	3.5	4.1	7.6

In the table above, Adjusted EBITDA includes a central cost allocation for H1 2023 of approximately € 1.5 million. These costs will be addressed as part of our ongoing cost management programme.

Other information

Interest Bearing Debt

Interest Bearing Debt

in millions of €

	30 June 2023	31 December 2022
Total non-current indebtedness	16.2	215.8
Total current indebtedness	208.5	12.8
Total financial indebtedness	224.7	228.6
Deduct Zero interest bearing loans	-	(0.1)
Interest Bearing Debt	224.7	228.5
Less: Cash and cash equivalents	(42.2)	(50.9)
Net Interest Bearing Debt (Bond terms)	182.5	177.6

References to the bond terms in the table above refer to the terms as defined in the senior secured callable fixed rate bond ISIN: SE0015837794

Reconciliation of net income to Adjusted EBITDA

Reconciliation of net income to Adjusted EBITDA - Q2

In millions of €

	Q2				2022			
	2023		2022		Azerion	Premium Games	Platform	Other
	Azerion Group	Premium Games	Platform	Other	Azerion Group	Premium Games	Platform	Other
Profit / (loss) for the period	(9.7)				(10.0)			
Income Tax expense	2.4				0.6			
Profit / (loss) before tax	(7.3)				(9.4)			
Net finance costs	4.4				6.3			
Operating profit / (loss)	(2.9)	0.3	(3.2)	-	(3.1)	0.1	(3.0)	(0.2)

Depreciation & Amortization	10.9	3.4	7.5	-	8.7	2.6	6.1	-
De-SPAC related expenses	-	-	-	-	3.1	1.0	1.9	0.2
Other	1.5	1.1	0.5	(0.1)	(0.9)	0.1	(1.0)	-
Acquisition expenses	4.9	-	4.8	0.1	2.6	-	2.6	-
Restructuring	4.1	0.4	3.7	-	1.3	-	1.3	-
Adjusted EBITDA	18.5	5.2	13.3	-	11.7	3.8	7.9	-

Reconciliation of net income to Adjusted EBITDA - H1

In millions of €

	YTD								
	2023				2022				
	Azerion Group	Premium Games	Platform	Other	Azerion Group	Premium Games	Platform	Other	
Profit / (loss) for the period	(22.1)				(144.8)				
Income Tax expense	3.3				1.3				
Profit / (loss) before tax	(18.8)				(143.5)				
Net finance costs	8.2				(4.5)				
Operating profit / (loss)	(10.6)	1.0	(11.6)	-	(148.0)	(0.6)	(14.4)	(133.0)	
Depreciation & Amortization	21.2	6.6	14.7	(0.1)	16.7	5.7	11.2	(0.2)	
De-SPAC related expenses	-	-	-	-	144.7	2.3	9.4	133.0	
Other	1.5	1.0	0.5	-	0.3	0.3	(0.2)	0.2	
Acquisition expenses	7.7	-	7.6	0.1	2.6	-	2.6	-	
Restructuring	7.4	1.7	5.7	-	1.3	-	1.3	-	
Adjusted EBITDA	27.2	10.3	16.9	-	17.6	7.7	9.9	-	

Operating expenses

Breakdown of Operating expenses - Q2

in millions of €

	Q2		
	2023		2022
	Personnel costs	(26.0)	(23.6)
Includes:			
<i>Restructuring related expenses</i>	(4.1)		(1.3)
Other expenses	(12.1)		(12.6)
Operating expenses	(38.1)		(36.2)
Of which:			
Platform	(30.8)		(27.3)
Premium Games	(7.1)		(8.5)

Breakdown of Operating expenses - H1

in millions of €

	YTD		
	2023		2022
	Personnel costs	(53.8)	(63.1)
Includes:			
<i>Restructuring related expenses</i>	(7.4)		(1.3)
<i>Azerion Founder Warrants, reported as share-based payment expense</i>	-		(9.9)
<i>De-SPAC early exercised share-based payment expense</i>	-		(10.3)
Other expenses	(23.7)		(142.1)
Includes:			
<i>De-SPAC transaction related expenses</i>			(121.4)

Operating expenses	(77.5)	(205.2)
Of which:		
Platform	(62.1)	(55.5)
Premium Games	(15.3)	(16.6)

Restructuring

In relation to ongoing consolidation and integration, restructuring charges in Q3 2023 are expected to be around € 1 million. These costs impact the reported operating profit / loss, but are removed from Adjusted EBITDA.

Bond Refinancing

On 8 April 2021, the Group issued senior secured callable fixed rate bonds for a total of € 200 million, within a total framework amount of € 300 million. The maturity date of the bonds is 28 April 2024 and the bonds carry a fixed interest rate of 7.25% per annum. The management team are fully engaged in evaluating the options available to refinance the bonds. Those options include, but are not limited to, pursuing a similar repeat bond issuance, the implementation of alternative external third-party financing solutions and/or utilisation of other internally available financial resources. The refinancing strategy and execution planning will continue and be finalised in an appropriate timeframe taking into account considerations relating to business performance, strategic and operational requirements, internal cash generation, any implied deleveraging and applicable market conditions.

In relation to the above, Azerion has also mandated Pareto Securities AB to conduct a series of fixed income investor meetings and subject to, inter alia, market conditions, a bond issue may follow (the “**New Bonds**”). The proceeds from the New Bonds are intended to be used to refinance the Company’s outstanding EUR 200 million bond (ISIN: SE0015837794) and to finance general corporate purposes.

Condensed consolidated unaudited financial Results for the six-month period ended 30 June 2023

Introduction

The principal activities of Azerion Group N.V. (‘the Company’) and its group companies (jointly, the ‘Group’) are described in the Annual Report 2022. The interim financial results for the six months period ended 30 June 2023 consist of the condensed consolidated financial statements, the management report and responsibility statement by Azerion Group N.V. Management Board. The information in this interim financial report has not been audited or reviewed by Azerion Group N.V. external auditor.

Responsibility Statement

Pursuant to section 5:25d, paragraph 2(c), of the Dutch Financial Supervision Act (Wet op het financieel toezicht), the Management Board of Azerion Group N.V. hereby declares that to the best of its knowledge:

1. the condensed consolidated financial statements for the six-month period ended 30 June 2023 give a true and fair view of the assets, liabilities, financial position and profit or loss of Azerion Group N.V. and the entities included in the consolidation taken as a whole; and
2. the interim report of the Management Board for the period ended 30 June 2023 gives a fair review of the information required pursuant to article 5:25d, paragraph 8 and 9 of the Dutch Financial Supervision Act regarding Azerion Group N.V. and the entities included in the consolidation.

Schiphol-Rijk, 31 August 2023

Management Board Mr. U. Akpinar

Condensed consolidated statement of profit or loss and other comprehensive income

Condensed consolidated statement of profit or loss and other comprehensive income

in millions of €

	Note	Q22023	Q22022	YTD2023	YTD2022
Net revenue		122.0	103.9	234.7	198.3
Costs of services and materials		(76.0)	(62.0)	(146.7)	(123.6)
Gross profit		46.0	41.9	88.0	74.7
Personnel costs		(26.0)	(23.6)	(53.8)	(63.1)
Depreciation		(2.0)	(1.6)	(3.9)	(3.2)
Amortization		(8.9)	(7.1)	(17.3)	(13.5)
Other gains and losses		0.1	(0.1)	0.1	(0.8)
Other expenses		(12.1)	(12.6)	(23.7)	(142.1)
Operating profit / (loss)		(2.9)	(3.1)	(10.6)	(148.0)
Finance income		2.5	(0.5)	5.4	16.2
Finance costs		(6.9)	(5.8)	(13.6)	(11.7)
Net Finance costs		(4.4)	(6.3)	(8.2)	4.5
Profit / (loss) before tax		(7.3)	(9.4)	(18.8)	(143.5)

Income tax expense	15	(2.4)	(0.6)	(3.3)	(1.3)
Profit / (loss) for the period		(9.7)	(10.0)	(22.1)	(144.8)
Attributable to:					
Owners of the company		(10.0)	(10.1)	(22.5)	(144.7)
Non-controlling interest		0.3	0.1	0.4	(0.1)
Exchange difference on translation of foreign operations		(0.1)	(0.7)	-	(1.3)
Total other comprehensive income		(9.8)	(10.7)	(22.1)	(146.1)
Attributable to:					
Owners of the company		(13.0)	(10.9)	(25.2)	(145.3)
Non-controlling interest		3.2	0.2	3.1	(0.8)
Loss per share for losses attributable to the ordinary equity holders of the company:					
Basic profit/(loss) per share (in €)	16			(0.19)	(1.30)
Diluted profit/(loss) per share (in €)	16			(0.19)	(1.30)

Condensed consolidated statement of financial position

Condensed consolidated statement of financial position

in millions of €

	Notes	30 June 2023	31 December 2022
Assets			
Non-current assets		415.2	429.3
Goodwill	10	184.9	184.2
Intangible assets	9	172.1	186.2
Property, plant and equipment	8	18.7	20.5
Non-current financial assets		38.0	36.8
Deferred tax assets		1.4	1.5
Investment in joint ventures		0.1	0.1
Current assets		180.5	209.2
Trade and other receivables		127.9	157.3
Current tax assets		1.8	1.0
Cash and cash equivalents		42.2	50.9
Assets classified as held for sale	7	8.6	-
Total assets		595.7	638.5
Equity			
Share capital		1.2	1.2
Share premium		140.3	130.8
Treasury shares at cost		(0.8)	-
Legal reserve		28.5	25.2
Share based payment reserve		13.2	13.7
Currency translation reserve		(1.3)	(1.3)
Other equity instruments		20.7	29.0
Retained earnings		(132.9)	(104.8)
Shareholders' equity		68.9	93.8
Non-controlling interest		5.1	2.4
Total equity	11	74.0	96.2
Liabilities			
Non-current liabilities		57.3	257.7
Borrowings	14	3.3	201.5
Lease liabilities		12.9	14.3
Provisions	12	1.3	1.6
Deferred tax liabilities		27.9	25.3
Other non-current liability	13	11.9	15.0
Current liabilities		464.4	284.6
Borrowings	14	203.6	7.9

Lease liabilities		4.9	4.9
Provisions	12	4.1	0.9
Trade, other payables and accrued liabilities		226.0	221.9
Current tax liabilities		6.9	5.4
Other current liabilities	13	18.9	43.6
Total liabilities		521.7	542.3
Total equity and liabilities		595.7	638.5

Condensed consolidated statement of cash flow

Condensed consolidated statement of cash flow

in millions of €

	2023	2022	2023	2022
	Q2	Q2	YTD	YTD
Operating profit / (loss)	(2.9)	(3.1)	(10.6)	(148.0)
Adjustments for				
Depreciation and amortisation	10.9	8.7	21.2	16.8
Movements in provisions per profit and loss	3.3	1.5	6.6	1.5
Share-based payments expense	0.6	2.3	0.6	22.4
De-SPAC related expenses	-	2.0	-	14.5
De-SPAC listing expense	-	-	-	107.1
Other non-cash items	-	2.6	-	2.1
Changes in working capital items:				
(Increase)/Decrease in trade and other receivables	3.9	(11.7)	23.7	8.5
Increase (Decrease) in trade payables and other payables	0.2	13.0	7.9	(4.4)
Utilization of provisions	(3.1)	(0.7)	(5.2)	(0.7)
Interest paid	(4.8)	(4.1)	(8.9)	(9.4)
Income tax paid	(0.6)	(0.1)	(0.6)	(0.5)
Net cash provided by (used for) operating activities	7.5	10.4	34.7	9.9
Cash flows from investing activities				
Payments for property, plant and equipment	(0.1)	-	(0.6)	(0.9)
Payments for intangibles	(5.8)	(5.0)	(12.0)	(9.7)
Net cash outflow on acquisition of subsidiaries	(6.8)	(36.6)	(25.0)	(39.2)
Net cash provided by (used for) investing activities	(12.7)	(41.6)	(37.6)	(49.8)
Cash flows from financing activities				
Proceeds from external borrowings	-	(0.1)	0.1	-
Repayment of external borrowings	(1.3)	(1.3)	(2.8)	(3.2)
De-SPAC related expenses	-	(7.5)	-	(33.2)
Payment of principal portion of lease liabilities	(1.6)	(1.7)	(3.3)	(3.1)
Proceeds from De-SPAC transaction	-	-	-	404.1
Settlement of De-SPAC transaction	-	-	-	(310.9)
Net cash provided by (used for) financing activities	(2.9)	(10.6)	(6.0)	53.7
Net cash increase / (decrease) in cash and cash equivalents	(8.1)	(41.8)	(8.9)	13.8
Effect of changes in exchange rates on cash and cash equivalents	-	(0.3)	0.2	(0.3)
Cash and cash equivalents at the beginning of the period	50.3	90.9	50.9	35.3
Cash and cash equivalents at the end of the period	42.2	48.8	42.2	48.8

Condensed consolidated statement of changes in equity

Condensed consolidated statement of changes in equity

In millions of €

	Share capital	Share premium	Treasury shares at cost	Legal reserves	Share Based Payment Reserve	Currency translation reserve	Other equity instruments	Retained earnings	Attributable to parent	Non-controlling interest	Total equity
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Balance as of 1 January 2022	-	0.5	-	19.6	1.8	0.6	34.0	(65.1)	(8.6)	1.7	(6.9)
Profit for the year	-	-		-	-	-	-	(134.3)	(134.3)	1.2	(133.1)
Other comprehensive income / (loss)	-	-		5.6	-	(2.0)	-	(4.8)	(1.2)	(1.4)	(2.6)
Total comprehensive income / (loss)	-	-	-	5.6	-	(2.0)	-	(139.1)	(135.5)	(0.2)	(135.7)
Transactions with owners in their capacity as owners:											
Borrowings converted to equity	-	-		-	-	-	(1.9)	-	(1.9)	-	(1.9)
Settlement of share-based payments	-	13.1		-	(1.8)	-	-	-	11.3	-	11.3
Settlement of Investor share appreciation rights	-	1.9		-	-	-	(1.9)	-	-	-	-
Settlement of Acquisition related share appreciation rights	-	17.2		-	-	-	(9.5)	-	7.7	-	7.7
Withholding wage taxes related to share-based payments	-	-		-	-	-	-	(6.6)	(6.6)	-	(6.6)
Reverse acquisitions Ef1C1 BV	0.2	28.5		-	3.7	-	-	107.1	139.5	-	139.5
Issuance of Azerion Founder Warrants	-	-		-	9.9	-	-	-	9.9	-	9.9
Private placement to sponsors and co-investors	-	23.1		-	-	-	-	-	23.1	-	23.1
Other private placement	-	10.5		-	-	-	-	-	10.5	-	10.5
Capital restructuring	1.0	(1.0)		-	-	-	-	-	-	-	-
Shares issued in new acquisitions	-	35.5		-	-	-	8.3	-	43.8	-	43.8
Issuance of Call options	-	-		-	1.6	-	-	-	1.6	-	1.6
Exercise of Call options	-	1.4		-	(1.4)	-	-	-	-	-	-
Other movements	-	0.1		-	(0.1)	0.1	-	(1.1)	(1.0)	0.9	(0.1)
Total other movements	1.2	130.3	-	-	11.9	0.1	(5.0)	99.4	237.9	0.9	238.8
Balance as of 31 December 2022	1.2	130.8	-	25.2	13.7	(1.3)	29.0	(104.8)	93.8	2.4	96.2
Profit for the year	-	-	-	-	-	-	-	(22.5)	(22.5)	0.4	(22.1)
Other comprehensive income	-	-	-	3.3	-	-	-	(6.0)	(2.7)	2.7	-

Total comprehensive income / (loss)	-	-	-	3.3	-	-	(28.5)	(25.2)	3.1	(22.1)
Transactions with owners in their capacity as owners:										
Dividends paid to non-controlling interests	-	-		-	-	-	-	-	(0.4)	(0.4)
Grant of share-based payments	-	-		-	0.6	-	-	-	0.6	-
Vesting of share-based payments	-	0.6		-	(0.5)	-	-	(0.1)	-	-
Shares issued for last year's acquisitions	-	8.3		-	-	-	(8.3)	-	-	-
Exercise of Call options	-	0.6		-	(0.6)	-	-	-	0.0	-
Non-controlling interest transaction	-	-	(0.8)	-	-	-	-	0.8	-	-
Other movements	-	-	-	-	-	-	-	(0.3)	(0.3)	-
Total other movements	-	9.5	(0.8)	-	(0.5)	-	(8.3)	0.4	0.3	(0.4)
Balance as of 30 June 2023	1.2	140.3	(0.8)	28.5	13.2	(1.3)	20.7	(132.9)	68.9	5.1
										74.0

Notes to the condensed consolidated financial statements

1 General information

Azerion Group N.V. (the 'Company') is a listed public company incorporated in the Netherlands under Dutch law on 25 January 2021 and registered at Boeing Avenue 30, 1119 PE, Schiphol-Rijk, the Netherlands. The Company's number in the Trade Register at the Chamber of Commerce is 81697244. The Company is a holding company with its main operations situated in the Netherlands and the domicile of the Company is in the Netherlands.

The comparative figures in the consolidated financial statements being compared to the 6 months period ended 30 June 2023 are those of Azerion Group N.V.

These condensed consolidated financial statements comprise the Company and its subsidiaries (the 'Group' or 'Azerion').

2 Preparation basis

These condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and in accordance with Title 9, Book 2 of the Dutch Civil Code ("DCC").

The condensed consolidated interim financial statements do not present all the information required for a complete set of annual financial statements and should be read in conjunction with the consolidated financial statements of Azerion Group N.V. for the year ended 31 December 2022.

The consolidated interim financial statements have been prepared on the historical cost basis unless otherwise indicated. The going concern basis has been used in preparing the condensed consolidated interim financial statements as the Management board have a reasonable expectation that the Group will continue as a going concern for the foreseeable future.

The condensed consolidated interim financial statements have not been audited nor reviewed by the Group's external auditor. The condensed consolidated interim financial statements were authorized for issuance by the Management Board on 31 August 2023.

Functional and presentation currency

These condensed consolidated financial statements are presented in millions of euros (€), which is the Group's presentational currency and rounded to the nearest hundred thousand unless stated otherwise.

Comparative information

The following comparative figure changes have been and will be reflected in the quarterly press releases of 2023:

- Headquarter costs allocation towards the segments Platform and Premium Games have been updated to reflect Gross profit as preferred allocation methodology

- | The accounting for the Azerion Founder Warrants has been updated to reflect the Annual Report 2022 accounting treatment change towards Share based payment
- | The results of the full year 2022 income tax calculation finalised post Q4 2022 press release
- | Listing expenses and share based payment expenses have been updated to reflect the Annual Report 2022 applied reclassification from Other gains and losses towards Other expenses and Personnel costs respectively.
- | Certain statement of financial position classifications have been updated to reflect the changes applied in Annual Report 2022

Use of estimate and judgements

The preparation of these condensed consolidated interim financial statements in conformity with IFRS requires management to make estimates, judgments, and assumptions which affect the reported amounts in these condensed consolidated interim financial statements. These estimates are inherently subject to judgement and actual results could differ from those estimates. The estimates, judgements, and assumptions in applying Azerion Group N.V. accounting policies and the key sources of estimation uncertainty were the same as those described in Azerion Group N.V. consolidated annual financial statements for the year ended 31 December 2022.

3 Significant accounting policies

The accounting policies applied in the preparation of the condensed consolidated interim financial statements are consistent with those applied in the preparation of Azerion's annual consolidated financial statements for the year ended 31 December 2022 apart from the accounting policies listed below.

Assets classified as held-for-sale

Non-current assets (or disposal groups) are classified as held-for-sale if their carrying amounts are expected to be recovered principally through a sale transaction rather than through continuing use. Non-current assets (or disposal groups) classified as held-for-sale are measured at the lower of their carrying amount or the fair value less costs of disposal; except for assets such as deferred tax assets, assets arising from employee benefits, financial assets that are carried at fair value and inventory which are specifically exempt from this requirement. Depreciation or amortisation of an asset ceases when it is classified as held-for-sale.

New standards

A number of new standards are effective from 1 January 2023, these are not identified to have a material impact on the Group's condensed consolidated interim financial statements. The Group has not early-adopted any standard, interpretation, or amendment that has been issued but is not yet effective and endorsed.

4 Risk Management

The consolidated annual financial statements as at 31 December 2022 describe the principal material risks that could impact Azerion's business and the industries it operates in. The risk categories described therein remain valid and should be read in conjunction with the condensed consolidated interim financial statements.

5 Seasonality

Azerion is subject to the seasonal nature of gaming and advertising spending. Historically, Azerion's results of operations and cash flows have been subject to reasonably predictable seasonality. There is no assurance that these patterns will continue to be visible in future which may impact the predictability of Azerion's operating results and financial position.

Gaming activity is usually highest during the summer and end-of-year holiday periods, advertising activity is generally highest during the winter holiday season (to reflect consumer spending). The Company expects these patterns to continue over the long-term with Azerion benefitting from an increasingly scaled and diverse customer and partner base business model over time.

6 Operating segments

Products and services from which reportable segments derive their revenues

Information reported to the Group's Chief Executive Officers (Chief Operating Decision Makers) for the purposes of resource allocation and assessment of segment performance is focused on the business activities which generates certain classes of revenue and incurs certain classes of expenses. The principal business activities generate revenue through Platform and Premium Games. The Group's reportable segments in 2023 under IFRS 8 are therefore as follows:

- | Platform
- | Premium Games

Segment market revenues

The Group generates revenue from the sales generated by the Platform and Premium Games segments.

Amongst the most important categories of customers and suppliers are the global and independent advertising agencies, large and small corporate advertisers, publishers of digital content, multinational technology companies that is specialized in internet-related services and products, game creators and the gaming community.

Segment revenues

The following is an analysis of the Group's revenue by reportable segment in H1 2023:

Analysis of the Group's revenue by reportable segment

in millions of €

	Premium Games 2023	Platform 2023	Consolidated 2023
External revenue	45.7	189.0	234.7
Inter segment revenue	0.1	(0.1)	-
Total revenue	45.8	188.9	234.7

Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by country of origin:

Disaggregation of revenue from customers by country of origin

in millions of €

	2023	2022
The Netherlands	43.8	33.1
Ireland	30.1	26.2
Germany	28.5	24.1
France	16.2	13.1
Great Britain	15.5	13.7
Sweden	8.8	8.1
Other European countries	37.4	32.8
United States	28.5	24.1
Other countries	25.9	23.1
Total revenue from contracts with customers	234.7	198.3

7 Assets classified as held for sale

1 August 2023 Azerion announced the divestment of the social card games portfolio to Playtika Holding Corp. The sale was completed on 28 August 2023.

The social card games portfolio is reported as a part of segment Premium Games.

As of Q2 2023, the social card games portfolio has been classified as held for sale.

Set out below are the ending balance values of the major classes of assets of the social card games portfolio that will transfer to Playtika Holding Corp. reported as held for sale as per 30 June 2023.

Assets classified as held for sale

in millions of €

	30 June 2023
Intangible assets	8.6
Assets classified as held for sale	8.6

8 Property plant and equipment

Property, plant and equipment consists of right of use assets, equipment and leasehold improvements. At 30 June 2023, property plant and equipment amounted € 18.7 million (31 December 2022: € 20.5 million). The balance decreased by € (1.8) million, mainly due to € (3.9) million of depreciation offset by € 2.1 million of net additions to Right of use Buildings.

9 Intangible assets

Intangible assets consist of games, software, websites, client lists and trademarks. As at 30 June 2023, continued intangible assets amounted to € 172.1 million (31 December 2022: € 186.2 million). The balance decreased by € (14.1) million, which is mainly due to € (17.3) million of amortization, € (8.6) million of assets reclassified into asset held for sale and € (1.4) million due to updates in the fair value of 2022 acquisitions. This is offset by € 10.2 million of capitalized internal development costs and € 2.6 million of additions mainly related to Games and Software.

Amortization amounted to € (17.3) million for the period January - June 2023. Amortization of the respective intangible assets categories were as follow: games, software and websites amounted to € (12.5) million, client lists amounted to € (3.3) million while trademarks amounted to € (1.1) million.

10 Goodwill

Goodwill as at 30 June 2023 amounted to € 184.9 million (2022: € 184.2 million), an increase of € 0.7 million compared to 31 December 2022. This was mainly due to € 1.1 million updates in the fair value of identifiable assets related to 2022 acquisitions offset by € (0.4) million of currency translation impact, both in the Platform segment.

At 30 June 2023 allocated goodwill to be reported part of the gain on sale of the social card games portfolio amounted to € 18.2 million.

As a result of the strategic decision to sell the social card games portfolio, the Group performed a review of goodwill for impairment within the Premium Games groups of CGUs excluding the social card games portfolio. The carrying amounts of the CGUs were compared to their respective recoverable amounts with no impairment identified. The recoverable amount of the Premium Games CGU was determined through value-in-use calculations, discounting estimated future cash flows using a pre-tax discount rate. Impairment tests on assets held for sale were based on their fair value less costs of disposal.

11 Equity

Share capital

As at 30 June 2023, the authorized share capital of Azerion Group N.V. comprised 181,561,748 ordinary shares (31 December 2022: 181,561,748 ordinary shares) with a par value of € 0.01 per share and zero preference shares with no par value. As of June 2023, 120,185,493 were placed and paid up amounting to a total of € 1.2 million share capital (31 December 2022: € 1.2 million).

Share premium

As at 30 June 2023, the share premium amounted to € 140.3 million (31 December 2022: € 130.8 million). The increase in the share premium is a result of the issuance of share consideration related to 2022 acquisitions amounting to € 8.3 million, the vesting of the SARs as part of the Annual Executive Incentive Plan amounting to € 0.6 million, the exercise of call options (Davey Call Option) for € 0.6 million.

Treasury shares at cost

In February 2023, 49% of the shares in Admeen B.V. (owned at 100% as at 31 December 2022) were sold. Purchase consideration was 220,793 shares of Azerion Group N.V. with a fair value of € 0.8 million at transaction date.

Legal reserve

As at 30 June 2023, pursuant to Dutch law, certain limitations exist relating to the distribution of shareholders' equity of € 68.9 million. These limitations relate to legal reserves required by Dutch law of € 28.5 million (31 December 2022: € 25.2 million). The legal reserve movement in 2023 is comprised of € 3.3 million relating to capitalized development costs for the Group's developed technology and is not freely distributable to shareholders.

Share-Based payment reserve

In 2023, the following plans were carried forward:

- | Share Based payment granted by EFIC1 in the De-SPAC Transaction
 - | (Conditional) Special shares
 - | Option to acquire Special Shares (Davey Call option)
 - | HTP Call Option
 - | Azerion founder Warrants
- | Management Board Long-Term Incentive Plan (LTIP)
- | Annual Executive Incentive Plan

As at 30 June 2023, the share-based payment reserve amounted to € 13.2 million (31 December 2022: € 13.7 million). The movement of the period mostly relates to the exercise of € (0.6) million of call options (Davey Call Option). Further, in April 2023, € 0.6 million of share-appreciation rights related to the Annual Executive Incentive Plan were granted, of which € (0.5) million vested at grant date.

Currency translation reserve

As at 30 June 2023 the currency translation reserve amounted to € (1.3) million (31 December 2022: € (1.3) million). The translation reserve comprises foreign currency differences arising from the translation of the assets and liabilities of non-Group currency reporting foreign operations of Azerion Group N.V. (excluding amounts attributable to non-controlling interests).

Other equity instruments

As at 30 June 2023, other equity instruments amounted to € 20.7 million (31 December 2022: € 29.0 million).

Shareholder loans

As at 30 June 2023, Azerion Group N.V. had € 14.9 million (31 December 2022: € 14.9 million) of loans from related parties that were subordinated. These loans include an equity redemption option of outstanding loan balances, in addition to a cash redemption option. Under the modified terms, the discretion to redeem the loans in equity or cash lies with Azerion Group N.V. The loans are redeemable by issuing 2,621,513 shares in the issued share capital of Azerion Group N.V. The loans have a maturity date of 28 April 2024, the company has no obligation to pay interest.

Share consideration for acquisitions

As at 30 June 2023 € 5.8 million of share options (31 December 2022: € 14.1 million) remained outstanding. The decrease of € 8.3 million related to share consideration of 2022 acquisitions that was issued in the first half of 2023 and resulted in an increase in share premium.

The remaining € 5.8 million relates to the issuance of share options as part of the acquisition of the remaining 49% in Sulake during 2020. Based on the share purchase agreement the Company should have settled the transaction by 31 December 2022 latest. The Company had the option to settle either in cash or shares. However, the counterparty in question disputed Azerion's right to settle in shares. The

dispute is subject to arbitration in 2023.

Movements in retained earnings

As at 30 June 2023 the retained earnings amounted to €(132.9) million (31 December 2022: €(104.8) million). €(28.5) million relates to the total comprehensive income for the half year attributable to the owners of the company.

In February 2023, 49% of the shares from Admeen B.V. (owned at 100% as at 31 December 2022) were sold. Purchase consideration was 220,793 shares of Azerion Group N.V. with a total transaction date fair value of €0.8 million. The transaction resulted in Treasury share at cost decrease of (0.8) million and recognition of €2.7 million in non-controlling interests.

Further, based on the terms and conditions of the Executive Annual Incentive Plan granted in April 2023 and vested at grant date, the Company paid €(0.1) million of wage taxes related to share-based payments. This amount is deducted from equity as a net settlement of the share-based payment in accordance with IFRS2.33E-33H.

12 Provisions

As at June 2023, provisions (current and non-current) amounted to €5.4 million (31 December 2022: €2.5 million). The balance increased by €2.9 million and is mainly explained by the following:

Commercial litigation

As of June 2023, commercial litigation provisions amounted €1.5 million (31 December 2022: €0.5 million). The balance increased by €1.0 million in the period mainly explained by:

A balance sheet reclassification made in Q1 2023 related to a legal claim part of an acquired company in 2022 from Trade and other payables to Provisions of €1.1 million. The legal claim had in first half year a €0.1 utilization for legal fees incurred.

A legal claim settled in Q2 2023 for €0.4 million with a related release of €0.6 million. As at 30 June 2023, €0.2 million of the settlement has been paid. The remaining €0.2 million will be paid in Q3 2023.

All commercial litigation provisions are expected to be paid within one year.

Restructuring

As of June 2023, the restructuring provision amounted €2.7 million (2022 : €0.3 million) an increase of €2.4 million. Azerion has initiated a restructuring plan designed to continue the integration of acquired businesses, improving efficiency and focusing on key strategic opportunities. As a result, a restructuring provision in the amount of €7.4 million was recorded in the first half of 2023 (2022: €1.9 million) consisting primarily of employee contract termination costs. Total provision utilization in the first half of 2023 amounted to €(5.0) million (2022: €(1.6) million), out of which €0.3 million related to the 2022 restructuring plan and €4.7 million to restructuring plans of 2023. The balance is expected to be utilized in the second half year of 2023.

Other litigation

As of June 2023, other litigation amounted €0.3 million (2022 : €0.7 million) and relate to non-commercial litigation. The balance decreased by €(0.4) million due to settlements concluded during the period.

13 Other liabilities

As at 30 June 2023, other liabilities (current and non-current) amounted to €30.8 million (2022: €58.6 million) and mainly consisted of deferred consideration, contingent consideration, Public and Founder Warrants, postponed wage taxes and acquisition SARs.

As at 30 June 2023, deferred and contingent consideration positions amounted to €24.0 million (2022 : €45.3 million), the movement was mainly due to pay out of the deferred and contingent of acquired companies.

As at 30 June 2023, Public and Founder Warrants amounted €0.4 million (2022: €4.5 million), the movement of the period amounted to a fair value gain of €4.1 million, included in Finance Income.

The Public and Founder warrants are classified as financial liabilities and are measured at their fair value, and changes therein are recognised in profit or loss. The fair value measurement of warrants is as follows:

- | The Public Warrants are listed at the Amsterdam Stock Exchange; the listed warrant price at the end of a reporting period is applied. This is a Level 1 valuation technique. The listed warrant price moved from €0.20 at 31 December 2022 to €0.02 at 30 June 2023.
- | The terms and conditions of the Founder Warrants are closely comparable to those of the Public Warrants. The Group applies the market price of the listed Public Warrants at the end of a reporting period to measure the liability regarding the Founder Warrants. This is a Level 2 valuation technique. Besides the market price of the Public Warrants no other inputs are used.

Public and founder warrants

14 Borrowings

Borrowings as at 30 June 2023 are mainly comprised of Senior secured bonds of €200.8 million (31 December 2022: €199.8 million) and Debt to credit institutions amounting to €6.0 million (31 December 2022: €9.5 million). As at 30 June 2023, the Senior secured bonds have been reclassified from non-current to current with a maturity date within the next 12 months.

During first half of 2023, increase in senior secured bonds is related to amortisation of capitalized transaction cost. The decrease in debt to credit institutions in the same period is due to repayments in line with contractual terms.

Borrowings of the Group are carried at amortized cost using the effective interest method. The fair values of these instruments are not

materially different from their carrying values.

15 Income tax

Income tax expense is recognised at an amount determined by multiplying the profit (loss) before tax for the interim reporting period by management's best estimate of the weighted-average annual income tax rate expected for the full financial year, adjusted for the tax effect of certain items recognised in full in the interim period. As such, the effective tax rate in the interim financial statements may differ from management's estimate of the effective tax rate for the annual financial statements.

The Group's consolidated effective tax rate for the six months ended 30 June 2023 was negative 23,8 %. The main contributors to the effective tax rate deviating from the Company's tax rate is the non-recognition of available tax losses, non-deductible expenses and an identified error related to previous year resulting in a derecognition of a deferred tax asset of € 1.5 million.

The divestment of the social card games portfolio includes a € 1.3 million deferred tax liability, which materializes at the moment of completion of the transaction.

16 Earnings per share

Basic loss per share

Basic profit/(loss) per share

in €

	30 June 2023	30 June 2022
Total basic profit/(loss) per share attributable to the ordinary equity holders of the company	(0.19)	(1.30)

Profit/(loss) in calculating profit/(loss) per share

in millions of €

	30 June 2023	30 June 2022
Loss from operations as presented in the statement of profit or loss	(22.1)	(144.8)
Less: Loss from operations attributable to non-controlling interests	(0.4)	0.1
Loss attributable to the ordinary equity holders of the company used in calculating basic earnings per share:	(22.5)	(144.7)

Weighted average number of shares used as the denominator

in number of shares

	30 June 2023	30 June 2022
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	119,495,416	111,624,272

Diluted loss per share

The dilutive potential common shares are not taken into account in the periods for which there is a loss as the effect would be antidilutive.

Diluted profit per share

in €

	30 June 2023	30 June 2022
Total diluted profit/(loss) per share attributable to the ordinary equity holders of the company	(0.14)	(0.95)

Weighted average number of shares used as the denominator

in number of shares

	30 June 2023	30 June 2022
Weighted average number of ordinary shares used as the denominator in calculating diluted loss per share	160,792,284	152,697,499

17 Subsequent events

Cancellation of Treasury shares

On 23 August 2023 Azerion announced the completion of the cancellation of 58,690,961 of its ordinary shares held in treasury in line with the resolution of the company's shareholders at the Annual General Meeting held on 15 June 2023.

After the cancellation, a total of 2,906,088 Azerion ordinary shares will remain held in treasury for purposes including employee bonus schemes, earn outs from previous acquisitions of the Company and other general corporate purposes.

As of 25 August 2023 the number of shares listed and traded on Euronext Amsterdam equates to 122,870,787, reflecting the cancelled treasury shares.

Completion of the social card games portfolio divestment

On 28 August 2023 Azerion completed the sale of its social card games portfolio to Playtika Holding Corp.

The sale has estimated total proceeds of approximately €100 million with a potential maximum earnout up to €150 million. The gain on sale is estimated at approximately €70 million before income tax.

The initial cash consideration from the sale is €81.3 million, subject to customary adjustments. On 28 August 2023, Azerion received approximately €67 million. Subject to the terms and conditions of the asset purchase agreement, the remaining cash proceeds relating to the performance based earnout and other contractual terms will be received in approximately 15 months' time.

The earnout consideration is based on the Adjusted EBITDA, as defined in the asset purchase agreement, of the social card games portfolio for the period running from 1 October 2023 until 30 September 2024 (the "Earnout Period"), and calculated by multiplying the incremental Adjusted EBITDA of the social card games portfolio above the "Baseline" (as defined below) by a multiple of between 6 and 7 (both inclusive); the specific multiple to be applied is contingent upon the revenue growth of the social card games portfolio achieved during the Earnout Period. The "Baseline" is defined as the last twelve months Adjusted EBITDA on a carve-out basis of approximately €13.5 million.

Definitions

Adjusted EBITDA represents operating Profit / (Loss) excluding depreciation, amortization, impairment of non-current assets, restructuring and acquisition related expenses and other items at management discretion.

Adjusted EBITDA Margin represents Adjusted EBITDA as a percentage of Net revenue

Average gross revenue per million processed ad requests from the advertising auction platform is calculated by dividing gross advertising revenue by a million of advertisement requests running through advertising auction platform Improve Digital. Not all advertisement requests are processed and become eligible to be fulfilled as an advertisement sold, therefore this metric measures the efficiency and overall profitability of the digital advertising auction platform, demonstrating that the revenue generated by the advertisements that are sold also remunerate and more than cover the costs of all the advertisement requests.

Average time in game per day measures how many minutes per day, on average, the players of Premium Games spend in the games. This demonstrated their engagement with the games, which generates more opportunities to grow the ARPDAU.

Average DAUs represents average daily active users, which is the number of distinct users per day averaged across the relevant period.

Average ARPDAU represents Average Revenue per Daily Active User, which is revenue per period divided by days in the period divided by average daily active users in that period and represents average per user in-game purchases for the period.

EBITDA represents operating Profit / (Loss) excluding depreciation, amortization and impairment of non-current assets

Financial Indebtedness represents as defined in the terms and conditions of the Senior Secured Callable Fixed Rate Bonds ISIN: SE0015837794 any indebtedness in respect of:

1. monies borrowed or raised, including Market Loans;
2. the amount of any liability in respect of any Finance Leases;
3. receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
4. any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;
5. any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the mark to market value shall be taken into account, provided that if any actual amount is due as a result of a termination or a close-out, such amount shall be used instead);
6. any counter indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and
7. (without double counting) any guarantee or other assurance against financial loss in respect of a type referred to in the above paragraphs (a)-(f).

Gross Profit Margin represents Gross Profit as a percentage of Net revenue

Gross Profit represents the profit made after subtracting from Net revenue all (variable) costs that are related to manufacturing of its products or services.

Net Interest Bearing Debt as defined in the terms and conditions of the Senior Secured Callable Fixed Rate Bonds ISIN: SE0015837794 means the aggregate interest bearing Financial Indebtedness less cash and cash equivalents of Azerion Group N.V. and its subsidiaries from time to time in accordance with the Accounting Principles (for the avoidance of doubt, excluding any Bonds owned by the Issuer, guarantee, bank guarantees, Subordinated Loans, any claims subordinated pursuant to a subordination agreement on terms and conditions satisfactory to the Agent and interest-bearing Financial Indebtedness borrowed from any Azerion Group Company) as such terms are defined in the terms and conditions of the Senior Secured Callable Fixed Rate Bonds ISIN: SE0015837794

Operating expenses are defined as the aggregate of personnel costs and other expenses as reported in the statement of Other comprehensive income. More details on the cost by nature reporting can be found in the published annual financial statements of 2022.

This communication contains information that qualifies as inside information within the meaning of Article 7(1) of the EU Market Abuse Regulation.

This communication may include forward-looking statements. All statements other than statements of historical facts are, or may be deemed to be, forward-looking statements. Forward-looking statements include, among other things, statements concerning the potential exposure of Azerion to market risks and statements expressing management's expectations, beliefs, estimates, forecasts, projections and assumptions. Words and expressions such as aims, ambition, anticipates, believes, could, estimates, expects, goals, intends, may, milestones, objectives, outlook, plans, projects, risks, schedules, seeks, should, target, will or other similar words or expressions are typically used to identify forward-looking statements. Forward-looking statements are statements of future expectations that are based on management's current expectations and assumptions and involve known and unknown risks, uncertainties and other factors that are difficult to predict and that could cause the actual results, performance or events to differ materially from future results expressed or implied by such forward-looking statements contained in this communication. Readers should not place undue reliance on forward-looking statements.

Any forward-looking statements reflect Azerion's current views and assumptions based on information currently available to Azerion's management. Forward-looking statements speak only as of the date they are made and Azerion does not assume any obligation to update or revise such statements as a result of new information, future events or other information, except as required by law.

The interim financial results of Azerion Group N.V. as included in this communication are required to be disclosed pursuant to the terms and conditions of the Senior Secured Callable Fixed Rate Bonds ISIN: SE0015837794.

This report has not been reviewed or audited by Azerion's external auditor.

Certain financial data included in this communication consist of alternative performance measures ("non-IFRS financial measures"), including EBITDA and Adjusted EBITDA. The non-IFRS financial measures, along with comparable IFRS measures, are used by Azerion's management to evaluate the business performance and are useful to investors. They may not be comparable to similarly titled measures as presented by other companies, nor should they be considered as an alternative to the historical financial results or other indicators of Azerion Group N.V.'s cash flow based on IFRS. Even though the non-IFRS financial measures are used by management to assess Azerion Group N.V.'s financial position, financial results and liquidity and these types of measures are commonly used by investors, they have important limitations as analytical tools, and the recipients should not consider them in isolation or as a substitute for analysis of Azerion Group N.V.'s financial position or results of operations as reported under IFRS.

For all definitions and reconciliations of non-IFRS financial measures please also refer to www.azerion.com/investors.

This report may contain forward-looking non-IFRS financial measures. The Company is unable to provide a reconciliation of these forward-looking non-IFRS financial measures to the most comparable IFRS financial measures because certain information needed to reconcile those non-IFRS financial measures to the most comparable IFRS financial measures is dependent on future events some of which are outside the control of Azerion. Moreover, estimating such IFRS financial measures with the required precision necessary to provide a meaningful reconciliation is extremely difficult and could not be accomplished without unreasonable effort. Non-IFRS financial measures in respect of future periods which cannot be reconciled to the most comparable IFRS financial measure are calculated in a manner which is consistent with the accounting policies applied in Azerion Group N.V.'s consolidated financial statements.

This communication does not constitute an offer to sell, or a solicitation of an offer to buy, any securities or any other financial instruments.

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