catenamedia

Interim report | January - March 2017

First quarter of 2017

- Revenues totalled EUR 15.23 million (7.46), an increase of 104 percent compared with the same quarter for the previous year.
- Operating profit increased to EUR 6.64 million (3.18) corresponding to an operating margin of 44 percent (43). Adjusted operating profit excluding non-recurring IPO expenses, which during this quarter related to the listing on Nasdaq Stockholm, amounted to EUR 6.99 million (4.16), corresponding to an adjusted operating profit margin of 46 percent (56).
- EBITDA increased to EUR 7.22 million (3.34) corresponding to an EBITDA margin of 47 percent (45). Adjusted EBITDA excluding non-recurring IPO expenses, which during this quarter related to the listing on Nasdaq Stockholm, amounted to EUR 7.56 million (4.32), corresponding to an adjusted EBITDA margin of 50 percent (58).
- New depositing customers (NDCs) totalled 80,421 (32,321), an increase of 149 percent compared with the same quarter for the previous year and an increase of 20 percent when compared to the previous quarter.
- Earnings per share amounted to EUR 0.083 (0.074) before dilution.
- Earnings per share amounted to EUR 0.082 (0.073) after dilution.

104%	46%	80,421
Revenue Growth	**Adjusted operating profit margin**	**NDCs**

Significant events during the first quarter

- In January Catena Media continued to strengthen the management team through recruitments to a number of key positions. Johannes Bergh was appointed recruited as Chief Operating Officer (COO) and Claes Wenthzel was recruited as the new Group Chief Financial Officer (CFO). Claes Wenthzel has extensive experience in similar roles at several mid-sized listed companies.
- In January, 440,669 new shares in Catena Media plc were issued to be utilised as part of the settlement of the first instalment due for the US asset acquisition which was finalised in the previous quarter. Revenues from the US acquisition are reflected in Catena Media's revenues and results as from 16 January 2017.
- On 10 February Catena Media acquired the assets of the Swedish focused casino affiliate, Slotsia.com. The purchase price comprised a first instalment of EUR 3.58 million. Additional earn-out payments can amount to a maximum of EUR 5 million, and are based on the revenue performance over a period of two years.
- Furthermore, Catena Media has continued with its preparations for a move from Nasdaq First North Premier to Nasdaq Stockholm's main list (Mid Cap).

- On 30 March 2017, Catena Media secured a long-term partnership with SBAT founder Gary Gillis whereby the original earn-out agreement was amended and replaced by an immediate and final payment of EUR 3.25 million as settlement for the asset acquisition. Following the amendment to the acquisition agreement, the SBAT founder entered into an employment agreement with Catena Media.

Significant events after the end of the first quarter 2017

- In May, Catena Media bought the assets of Online Media, a UK-based, fast-growing sports betting affiliate with a strong position within display marketing. The acquired assets have a running rate of sales of about EUR 300,000 per month and a pre-tax profit margin of more than 70%.

- Catena Media announced that the company was exploring the possibility of making a tap issue in an amount of EUR 50.0 million under the company's outstanding maximum EUR 100.0 million senior secured callable floating rate bonds issues due in 2019 with ISIN SE0008964720. The proceeds from the potential tap issue are intended to be used for acquisitions.

Consolidated key data and ratios

Some financial measures presented in this interim report are not defined by IFRS. These measures will provide valuable additional information to investors and management for evaluating the financial performance and position of Catena Media. These measures, as defined on page 21 and 22 of this report, will not necessarily be comparable to similarly titled measures in other companies' reports. These non-IFRS measures should not be considered as substitutes to financial reporting measures prepared in accordance with IFRS. The alternative performance measures reported in the following tables are not defined by IFRS.

Group	Jan- Mar 2017	Jan - Mar 2016	Jan - Dec 2016
Financial measures defined by IFRS:			
Operating revenues (€ '000)	**15,228**	7,459	40,049
Earnings per share before dilution (€)	**0.083**	0.074	0.319
Earnings per share after dilution (€)	**0.082**	0.073	0.313
Number of outstanding shares at period's end before dilution ('000)	**51,773**	48,088	50,611
Number of outstanding shares at period's end after dilution ('000)	**52,899**	48,822	51,564
Alternative Performance Measures:			
Operating profit (€ '000)	**6,644**	3,181	18,646
Operating profit margin (%)	**44**	43	47
Adjusted operating profit (€ '000)*	**6,987**	4,158	21,027
Adjusted operating profit margin (%)*	**46**	56	53
EBITDA (€)	**7,215**	3,342	19,683
EBIDTA margin (%)	**47**	45	49
Adjusted EBIDTA (€ '000)	**7,558**	4,319	22,064
Adjusted EBIDTA margin (%)*	**50**	58	55
Effective tax rate (%)	**6.9**	6.5	7.8
NDC	**80,421**	32,321	204,633
Average shareholders' equity	**50,853**	14,228	41,800
Return on equity, rolling 12 months (%)	**33**	76	39
Equity to asset ratio (%)	**37**	69	40
Quick ratio (%)	**180**	305	249
Net interest-bearing liabilities (NIBL) (€ '000)	**26,959**	(20,363)	5,287
NIBL/EBITDA multiple	**1.12**	(1.52)	0.26
Net debt/equity ratio multiple	**1.71**	0.45	1.53
Equity per share before dilution (€)	**1.196**	0.852	1.064
Equity per share after dilution (€)	**1.171**	0.839	1.044
Average number of employees	**209**	87	139
Employees at period's end	**228**	86	190

**Adjusted for non-recurring IPO costs of EUR 0.34 million in Q1 2017 and EUR 0.98 million in Q1 2016. No costs related to the bond issue were incurred in Q1 2017 (nil). Total IPO and bond costs for the year ended 31 December 2016 amounted to EUR 2.38 million.*

Comment from Robert Andersson, CEO

Continued strong growth

Catena Media continued its strong growth in the first quarter of 2017 and revenues amounting to record breaking EUR 15.23 million, up 104% when compared to the same quarter of the previous year. NDC numbers were also at an all-time high reaching 80,241 for the quarter, an increase of 149% compared to the same quarter of the previous year. The operating profit was up 109% in the first quarter of 2016, corresponding to EUR 6.64 million.

The first quarter of the year is seasonally strong and we are pleased to note stable growth numbers in our existing assets. AskGamblers is a great example of assets which we acquired early last year and which have trended very positively since.

Overall, the first quarter was primarily characterised by the successful integration of our US operation, several ongoing negotiations in multiple markets and the acquisition of the casino affiliate Slotsia.com. We were also pleased to reach a new agreement with the founder of SBAT that replaced the former earn-out agreement with an immediate and final payment as settlement for the asset acquisition. The fast pace of growth has also given us a delicate problem of outgrowing our office space in London, Malta and Serbia. We have therefore moved our offices in London and Serbia during the first quarter and will move in Malta during the third quarter. We have also expanded our efforts in Budapest where we have our outsourced technology teams.

As a consequence of our current M&A pipeline in combination with strategic initiatives, the Board of Directors has decided that the move to the Nasdaq Stockholm main market would be best suited to H2 2017. The decision enables us to keep a clear focus on the business and our growth strategy, while we make sure to utilise the opportunities ahead. The company has made most of the necessary preparations already and is well prepared for the move.

Focusing on revenue share for Paid media

During the quarter, we took a strategic decision to shift Paid media revenue toward a revenue share model which will increase the life-time revenues from customers, as opposed to upfront payments typical of the Paid media approach. Moreover, revenue share models are more profitable over time and contribute to building strategic value. Therefore, we have taken a decision to accelerate the shift in Paid media towards revenue share at a faster pace than originally planned. This had a negative impact on the operating margin in the first quarter and is also expected to impact the second quarter.

In recent years, we have made several acquisitions that have impacted our intangible assets, this has resulted in increased depreciation compared to the previous quarters. This resulted in an increase in the ratio between EBITDA and EBIT. The company therefore intends to place more emphasis on operating income before depreciation, as it gives a more accurate picture of the company's development.

Catena Media will continue its solid growth

After the start of May 2017, we acquired Online Media in the UK. The transaction strengthens our offering in sports betting and broadens the existing media offering to customers through the addition of alternative display marketing.

Consolidation in the affiliate market has increased during the last quarters; Catena Media wants to capture a leading role and is predominantly focussing on larger assets since we are well positioned to capitalise on the growing market. With our dedicated team, we will continue to build Catena Media’s solid growth story. Based on the company’s acquisition agenda, the Board has decided to investigate the possibility of utilising the remaining bond volume within the existing bond framework.

Financial performance during the first quarter of 2017

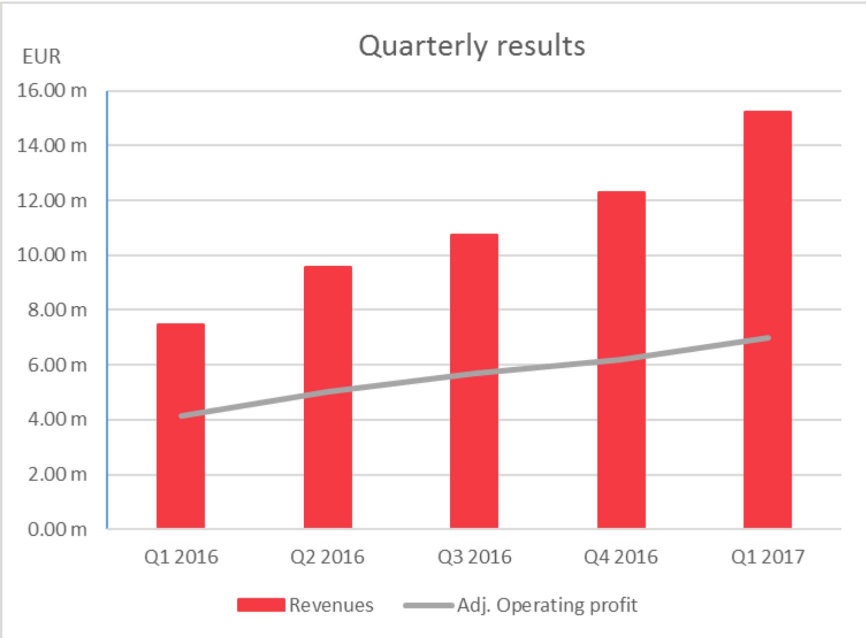
REVENUES

The Group's revenues totalled EUR 15.23 million (7.46) in the first quarter, corresponding to an increase of 104 percent compared with the same period in 2016.

Search revenue represented EUR 10.94 million (5.49) of the total revenue. The increase in Search revenue was driven in part by organic growth and in part through the acquisitions made.

Paid revenue amounted to EUR 3.69 million (1.97). This revenue is principally related to pay-per-click (PPC) traffic. Revenues relating to the SBAT asset acquisition, which was finalised in October 2016, were also included in Paid revenue.

During the quarter, other operating income of EUR 0.60 million (nil) related to a one-off compensation for loss of revenue received from a partner in relation to PPC traffic.



EXPENSES

Operating expenses amounted to EUR 8.58 million (4.28). Direct costs related to Paid revenue represented the more significant expense component and amounted to EUR 2.96 million (1.28). These costs predominantly related to AdWords (Google spend) costs and similar costs related to the SBAT asset acquisition.

Personnel expenses totalled to EUR 2.84 million (1.00). The increase in personnel expenses was due to the recruitment of additional members of top and middle management and other employees across the organisation, which was driven by the strong growth being experienced by the Group. The headcount totalled 228 employees at the close of the first quarter this year compared to 86 employees at the close of the same quarter last year. This also gave rise to the significant increase in other operating expenses as a result of an increase in staff-related support costs, such as increased office expenses, additional office rent, more software user licences, recruitment agency fees and other similar costs included in other operating expenses.

Further to the above, as a result of this rapid expansion, the Group also incurred an increase in other operating expenses which included domain renewal fees for SEO efforts, external consultancy fees and server hosting fees. Other operating expenses amounted to EUR 1.87 million (0.86).

Depreciation and amortisation amounted to EUR 0.57 million (0.16). The increase in depreciation and amortisation was mainly attributable to the acquisition of competitor player databases during the current and prior periods.

Costs relating to the listing on Nasdaq Stockholm amounted to EUR 0.34 million (0.98).

EARNINGS

Operating profit for the first quarter of 2017 amounted to EUR 6.64 million (3.18), an increase of 109 percent compared to the corresponding quarter of the previous year. Operating profit included IPO costs of EUR 0.34 million (0.98). Adjusted operating profit amounted to EUR 6.99 million (4.16), corresponding to an adjusted operating profit margin of 46 percent (56). The decrease in operating margin was primarily a result of the PPC operation which generally gives rise to a lower margin than SEO traffic. The PPC traffic is generated through Catena Media UK and SBAT.

Profit before tax amounted to EUR 4.64 million (3.83), an increase of 21 percent compared to the corresponding quarter of the previous year.

Profit for the period amounted to EUR 4.41 million (3.56). Earnings per share amounted to EUR 0.083 (0.074).

For the quarter ended 31 March 2017, the Group had an effective tax rate of 6.9 percent (6.5).

INVESTMENTS

Investments in intangible assets, which consist of player databases, websites and domains, amounted to EUR 52.29 million (10.35) during the quarter whilst internal development of websites and other applications amounted to EUR 0.41 million (nil).

Acquisitions of property, plant and equipment amounted to EUR 0.20 million (0.14).

CASH AND CASH EQUIVALENTS, FINANCING AND FINANCIAL POSITION

Operating cash flow

Cash flow from operating activities before changes in working capital amounted to EUR 7.20 million for the quarter. Depreciation and amortisation charges amounted to EUR 0.57 million. Interest expense related to the bond amounted to EUR 0.85 million (nil) and the notional interest charge on contingent considerations amounted to EUR 0.44 million (nil). Net losses on financial liabilities measured at fair value through profit or loss arising on the bond amounted to EUR 0.88 million (nil). Net cash generated from operating activities, excluding the increase in short-term earn-out liabilities relating to our recent acquisitions, amounted to EUR 3.98 million (2.28).

Investing activities

Cash flows used in investing activities amounted to EUR 24.83 million (8.30) and were primarily related to acquisition of assets during the quarter. Other cash outflows during the quarter related to the acquisition of property, plant and equipment and available for sale financial assets amounting to EUR 0.28 million (0.11) and EUR 0.59 million (nil) respectively.

Financing activities

Cash flows used in financing activities amounted to EUR 0.85 million and related to interest payable on the bond. During the same quarter of the previous year, cash from financing activities, related to the issuance of share capital amounted to EUR 24.21 million.

Cash and cash equivalents at the end of the quarter amounted to EUR 23.04 million (20.36).

The Catena media shares

On 11 February 2016, Catena Media plc was listed on Nasdaq First North Premier, Stockholm, under the trading symbol 'CTM'. Further information about the listing is available in the prospectus, which is available on the company´s website at https://www.catenamedia.com/investors/prospectus.

The offering, including the over-allotment option, was subscribed for in full and comprised a total of 29,580,990 shares, of which 7,273,000 shares were newly issued shares and 22,307,990 existing shares. The subscription price for the offering was SEK 33 per share and Catena Media raised SEK 229.80 million corresponding to EUR 24.14 million in equity after issue costs. After the new share issue, the total number of issued shares amounted to 51,445,152.

On 9 January 2017, 440,669 new shares in Catena Media plc were issued with a nominal value of EUR 0.0015 per share and a share premium of EUR 7.9994 per share. These shares were issued to be utilised as part of the settlement of the first instalment for the US acquisition.

Ownership structure

Shareholders in Catena Media plc as at 31 March 2017 (source: Euroclear)

Shareholders	Number of shares	Share of capital and votes%
Optimizer Invest Ltd.	8,217,485	15.84%
Aveny Ltd.	5,110,934	9.85%
Pixel Wizard Ltd.	4,098,624	7.90%
Swedbank Robur Fonder	3,030,303	5.84%
Investment AB Öresund	3,030,303	5.84%
Carnegie Fonder	2,675,000	5.16%
Michael Knutsson	2,400,000	4.63%
Handelsbanken Fonder	2,334,877	4.50%
LJFK Ltd	2,000,000	3.85%
Erik Selin	1,515,151	2.92%
Total top 10 shareholders	34,412,677	66.32%
Other shareholders	17,473,144	33.68%
Total	**51,885,821**	**100%**

Other

PARENT COMPANY

Catena Media plc is the ultimate holding company of the Group, (hereinafter referred to as the "Parent Company") and was incorporated in Malta on 29 May 2015 with the sole purpose of receiving dividend income from the main operating company, Catena Operations Limited.

Dividends amounting to EUR 3.62 million (nil) were received from its subsidiary and EUR 1.08 million (nil) was received relating to the refund of tax charged to non-resident shareholders upon distribution of these dividends, and were included in "Investment and related income."

IPO costs in the first quarter of 2017 amounted to EUR 0.01 million (0.02), whilst finance costs relating to the bond, amounted to EUR 0.85 million (nil). Bond finance costs are classified within "Interest payable on borrowings". The fair value movement on the bond amounted to EUR 0.88 million (nil) and is classified within "Other losses on financial liabilities measured at fair value through profit or loss".

During the first quarter of 2017, personnel expenses amounted to EUR 0.06 million (0.02), whilst other operating expenses amounted to EUR 0.05 million (0.01). Profit for the period amounted to EUR 1.51 million (0.61).

The Parent Company's cash and cash equivalents amounted to EUR 7.04 million (20.07) and borrowings, which are recognised at fair value through profit and loss, comprised the bond amounting to EUR 51.38 million (nil) and equity amounted to EUR 30.41 million (27.65) at the end of the period.

EMPLOYEES

The Group's total number of employees at the end of the quarter amounted to 228 (86), of which 88 (24) were women and 140 (62) were men. Expressed as percentages, women represented 39 percent (28) of the total number of employees whilst men represented 61 percent (72). All employees are employed on a full-time basis. Due to its rapid growth, the Group is continuing to recruit new employees.

SIGNIFICANT RISKS AND UNCERTAINTIES

Although the Group does not conduct any online gambling operations, the Group is dependent on the online gambling industry which comprises the majority of its customers. The laws and regulations surrounding the online gambling industry are complex, constantly evolving and in some cases also subject to uncertainty, and in many countries online gambling is prohibited and/or restricted. If enforcement or other regulatory actions are brought against any of the online gambling operators, which are also the Group's customers, whether current or future, the Group's revenue streams from such customers may be adversely affected. Further, the authority concerned may also claim that the same or similar actions should be brought against any third party having promoted the business of such online gambling operator, including the Group. Accordingly, any such event, including future changes to laws and regulations, could have a material adverse effect on the Group's business, financial circumstances and results of operations. To manage this risk, the Group is active in regulated and unregulated markets and Catena Media's customer base is very diverse.

Another risk faced by the Group relates to its reliance on its customers when determining the fees to be invoiced by the Group to its customers. Once a player directed by the Group has registered with one of its customers, the Group has no direct insight into the activities of such a player. Although the Group may request access to the net revenue calculations upon which the Group's fees are determined, there still remains a risk of miscalculation, including fraudulent or negligent calculations made by its customers or as a result of human error. If such miscalculations occur without being detected and subsequently remedied or retroactively adjusted, the Group could receive a lower fee than it is entitled to under its customer agreements, which in turn would result in less revenue. Accordingly, any such miscalculation could have an adverse effect on the Group's business, financial circumstances and results of operations.

In addition to the above, the Directors falso consider the following risks as being relevant to the Group.

- Credit risk - being the risk that customers do not pay for the services rendered.
- Market risk - being the risk arising from adverse movement in the foreign exchange rates and interest rates.
- Liquidity risk - being the risk of difficulties in obtaining funding to meet the Groups obligations when they fall due.
- Operational risk - being the risk that the Group loses its ability to maintain efficient SEO and PPC capabilities.

Full details on risks are published in the 2016 Annual Report.

On behalf of the Board:

KATHRYN MOORE BAKER
Chairperson

PER ANDERS HENRIK PERSSON EKDAHL
Director

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Financial calendar

Q2 interim report 2017	18 August 2017
Q3 interim report 2017	17 November 2017

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This information is information that Catena Media plc is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, on 17 May 2017, at 07:00 a.m. CET.

Condensed consolidated interim statement of comprehensive income

Group	Notes	Jan- Mar 2017	Jan - Mar 2016	Jan - Dec 2016
		€ '000	€ '000	€ '000
Revenue	3	**14,628**	7,459	40,049
Other operating income	4	**600**	-	-
Total revenue		**15,228**	7,459	40,049
Direct costs related to Paid revenue		**(2,959)**	(1,280)	(7,209)
Personnel expenses		**(2,838)**	(1,000)	(6,113)
Depreciation and amortisation		**(571)**	(161)	(1,037)
IPO related costs		**(343)**	(977)	(2,381)
Other operating expenses		**(1,873)**	(860)	(4,663)
Total operating expenses		**(8,584)**	(4,278)	(21,403)
Operating profit		**6,644**	3,181	18,646
Interest payable on borrowings		**(850)**	-	(1,081)
Other losses on financial liability at fair value through profit or loss		**(875)**	-	(500)
Other finance costs		**(278)**	(11)	-
Finance income		**-**	656	444
Profit before tax		**4,641**	3,826	17,509
Tax expense		**(318)**	(248)	(1,367)
Profit for the period / year		**4,323**	3,578	16,142
Other comprehensive income				
Currency translation differences		**85**	(19)	(79)
Profit for the period / year - total comprehensive income		**4,408**	3,559	16,063
Earnings per share attributable to the equity holders of the parent during the period / year (expressed in Euro per share):				
Basic earnings per share				
From continuing operations		**0.083**	0.074	0.319
From profit for the period / year		**0.083**	0.074	0.319
Diluted earnings per share				
From continuing operations		**0.082**	0.073	0.313
From profit for the period / year		**0.082**	0.073	0.313

The notes on pages 16 to 18 are an integral part of these condensed consolidated interim financial statements.

This information is information that Catena Media plc is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, on 17 May 2017, at 07:00 a.m. CET.

Condensed consolidated interim balance sheet

Group	Notes	31-Mar 2017	31-Mar 2016	31-Dec 2016
		€ '000	€ '000	€ '000
ASSETS				
Non-current assets				
Goodwill		**7,333**	7,333	7,333
Other intangible assets	5	**121,095**	24,561	71,168
Property, plant and equipment		**1,024**	541	766
Available-for-sale financial assets		**589**	-	-
Total non-current assets		**130,041**	32,435	79,267
Current assets				
Trade and other receivables		**12,379**	5,497	11,765
Taxation recoverable		**1,685**	-	-
Deferred tax assets		**518**	1,314	1,397
Cash and cash equivalents		**23,041**	20,363	44,713
Total current assets		**37,623**	27,174	57,875
Total assets		**167,664**	59,609	137,142
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital		**78**	77	77
Share premium		**29,267**	25,741	25,741
Other reserves		**5,624**	5,089	5,378
Retained earnings		**26,962**	10,075	22,639
Total equity		**61,931**	40,982	53,835
Liabilities				
Non-current liabilities				
Borrowings	6	**51,375**	-	50,500
Trade and other payables	7	**30,308**	6,349	6,195
Deferred tax liabilities		**2,581**	1,122	2,171
Total non-current liabilities		**84,264**	7,471	58,866
Current liabilities				
Trade and other payables	7	**19,396**	8,485	22,480
Current tax liabilities		**2,073**	2,671	1,961
Total current liabilities		**21,469**	11,156	24,441
Total liabilities		**105,733**	18,627	83,307
Total equity and liabilities		**167,664**	59,609	137,142

The notes on pages 16 to 18 are an integral part of these condensed consolidated interim financial statements.

These condensed consolidated interim financial statements on pages 10 to 18 were authorised for issue by the Board on 17 May 2017 and were signed on its behalf by:

Kathryn Moore Baker
Chairperson

Per Anders Henrik Persson Ekdahl
Director

Condensed consolidated interim statements of changes in equity

Group	Share capital € '000	Other reserves € '000	Share premium € '000	Retained earnings € '000	Total equity € '000
	Attributable to owners of the parent				
Balance at 1 January 2017	77	5,378	25,741	22,639	53,835
Comprehensive income					
Profit for the period	-	-	-	4,323	4,323
Foreign currency translation movement	-	85	-	-	85
Total comprehensive income for the period	-	85	-	4,323	4,408
Transactions with owners					
Issue of share capital	1	-	3,526	-	3,527
Equity-settled share-based payments	-	161	-	-	161
Total transactions with owners	1	161	3,526	-	3,688
Balance at 31 March 2017	**78**	**5,624**	**29,267**	**26,962**	**61,931**

The notes on pages 16 to 18 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statements of changes in equity

Group	Attributable to owners of the parent				
	Share capital € '000	Other reserves € '000	Share premium € '000	Retained earnings € '000	Total equity € '000
Balance at 1 January 2016	66	5,073	1,000	6,497	12,636
Comprehensive income					
Profit for the period	-	-	-	3,578	3,578
Foreign currency translation movement	-	(19)	-	-	(19)
Total comprehensive income for the period	-	(19)	-	3,578	3,559
Transactions with owners					
Issue of share capital	11	-	24,741	-	24,752
Equity-settled share-based payments	-	35	-	-	35
Total transactions with owners	11	35	24,741	-	24,787
Balance at 31 March 2016	77	5,089	25,741	10,075	40,982

The notes on pages 16 to 18 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statements of changes in equity

Group	Share capital € '000	Other reserves € '000	Share premium € '000	Retained earnings € '000	Total equity € '000
	Attributable to owners of the parent				
Balance at 1 January 2016	66	5,073	1,000	6,497	12,636
Comprehensive income					
Profit for the year	-	-	-	16,142	16,142
Foreign currency translation movement	-	(79)	-	-	(79)
Total comprehensive income for the year	-	(79)	-	16,142	16,063
Transactions with owners					
Issue of share capital	11	-	24,741	-	24,752
Equity-settled share-based payments	-	148	-	-	148
Capital contribution	-	236	-	-	236
Total transactions with owners	11	384	24,741	-	25,136
Balance at 31 December 2016	77	5,378	25,741	22,639	53,835

The notes on pages 16 to 18 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statements of cash flows

Group	Jan - Mar 2017	Jan - Mar 2016	Jan - Dec 2016
	€ '000	€ '000	€ '000
Cash flows from operating activities			
Profit before tax	**4,641**	3,826	17,509
Adjustments for:			
Depreciation and amortisation	**571**	161	1,037
Impairment of receivables	**-**	89	89
Unrealised exchange differences	**(260)**	(656)	(553)
Interest expense	**1,289**	-	1,015
Net losses on financial liability at fair value	**875**		
through profit or loss		-	500
Share based payments	**83**	-	148
	7,199	3,420	19,745
Changes in:			
Trade and other receivables	**(2,515)**	(1,291)	(7,560)
Trade and other payables	**(709)**	155	(306)
Cash from operating activities	**3,975**	2,284	11,879
Taxation paid	**-**	-	(811)
Net cash generated from operating activities	**3,975**	2,284	11,068
Cash flows used in investing activities			
Acquisition of property, plant and equipment	**(284)**	(105)	(408)
Acquisition of intangible assets	**(23,956)**	(8,191)	(40,563)
Acquisition of available-for-sale financial assets	**(589)**	-	-
Net cash used in investing activities	**(24,829)**	(8,296)	(40,971)
Cash flows from financing activities			
Net proceeds received on issuance of share capital	**-**	24,208	24,208
Net proceeds on issue of bond	**-**	-	49,100
Interest paid	**(851)**	-	(873)
Net cash (used in)/from financing activities	**(851)**	24,208	72,435
Net movement in cash and cash equivalents	**(21,705)**	18,196	42,532
Cash and cash equivalents at beginning of period/year	**44,713**	1,529	1,529
Currency translation differences	**33**	638	652
Cash and cash equivalents at end of period/year	**23,041**	20,363	44,713

The notes on pages 16 to 18 are an integral part of these condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements

1. GENERAL INFORMATION

Catena Media plc is a limited liability company and is incorporated in Malta. The Parent Company and its subsidiaries (together the "Group", also referred to as Catena Media) engage in online and affiliate marketing.

The Group attracts users through online marketing techniques and subsequently seeks to channel high value "traffic" (i.e. users) to online and mobile businesses who, in turn, convert such traffic into paying customers. In return, the Group receives either: (i) a share of the revenue generated by such users, (ii) a fee generated per user acquired, (iii) other fixed fees or (iv) a hybrid of any of these three models (refer to Note 3).

2. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Group's condensed consolidated interim financial statements are consistent with those presented in the Annual Report for the year ended 31 December 2016. Detailed information about the Group's accounting policies can be found in the Annual Report for 2016 (Note 2), which is available on www.catenamedia.com.

2.1 Basis of preparation

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 "Interim financial reporting". They have been prepared under the historical cost convention, as modified by the fair valuation of financial liabilities measure at fair value through profit or loss.

This quarterly report has not been audited or reviewed.

These condensed consolidated interim financial statements incorporate the results of Catena Operations Limited and its subsidiaries Molgan Limited, Catena Media UK Limited, Catena Media doo Beograd and Catena Media US INC.

Standards, interpretations and amendments to published standards that are not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the period ended 31 March 2017, and have not been applied in preparing these condensed consolidated interim financial statements.

The Group has not early adopted these revisions to the requirements of the IFRSs as adopted by the EU and the Group's directors are of the opinion that, with the possible exception of IFRS 9, IFRS 15 and IFRS 16, there are no requirements that will have a possible significant impact on the Group's financial statements in the period of initial application.

IFRS 9, '*Financial instruments'*, addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2015. Amongst others, it replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. There is a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. The Group has decided not to adopt IFRS 9 until it becomes mandatory. The Group is considering the implications of the standard and its impact on the Group's financial results and position, together with the timing of its adoption.

IFRS 15, '*Revenue from contracts with customers'* deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. This standard replaces IAS 18 *'Revenue'* which covers revenue arising from the sale of goods and the rendering of services, IAS 11 '*Construction contracts'* and related interpretations. The standard permits either a full retrospective or a modified retrospective approach for the adoption. It is effective for first interim periods with annual reporting periods beginning on or after 1 January 2018. The Group is assessing the impact of IFRS 15.

2. ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

Standards, interpretations and amendments to published standards that are not yet effective (continued)

Under IFRS 16, *'Leases'*, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts; an optional exemption is available for certain short-term leases and leases of low-value assets. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted, subject to endorsement by the EU, and subject to the Group also adopting IFRS 15. The Group is assessing the impact of IFRS 16.

3. REVENUE

The revenue of the Group for the first quarter of 2017 is further analysed as follows:

Group	**Jan- Mar 2017**	Jan - Mar 2016	Jan - Dec 2016
	€ '000	€ '000	€ '000
Search revenue	**10,937**	5,488	29,423
Paid revenue	**3,691**	1,971	10,626
Total revenue	**14,628**	7,459	40,049

4. OTHER OPERATING INCOME

Other operating income of EUR 0.60 million (nil) relates to a one-off compensation for loss of revenue received from a partner in relation to PPC traffic.

5. OTHER INTANGIBLE ASSETS

The Group acquired a number of websites, domains and player databases. Additions during the period ended 31 March 2017 amounted to EUR 52.29 million (10.35), a portion of which has been allocated to player databases and is being amortised over three years.

6. BORROWINGS

Borrowings comprise a three-year secured bond loan amounting to EUR 50 million, which matures in September 2019. The bond loan is secured by the shares of the Parent Company in its material operating subsidiaries and any other material subsidiaries that may be owned directly or indirectly from time to time by the Parent Company. The debt securities bear a floating rate coupon of Euribor 3m + 6.75 percent. Euribor 3m is subject to a floor of 0 percent; additionally, the bond contains an early redemption option with the redemption price set in accordance with a mechanism as set out in the prospectus. These embedded derivatives may significantly modify the resulting cashflows.

The bond was issued on 16 September 2016 and was subsequently listed on Nasdaq Stockholm on 2 November 2016 at a nominal value of €100. The fair value of the bond, which at the reporting date amounted to EUR 51.38 million, was determined by reference to the price quoted on Nasdaq Stockholm´s website. Accordingly, the bond's fair value which had been previously categorised within the IFRS 13 fair value hierarchy as Level 2 was transferred to Level 1 as at 31 December 2016.

7. TRADE AND OTHER PAYABLES

As at 31 March 2017, current liabilities included an amount of EUR 16.83 million (6.41) which related to commitments made upon acquisition of assets. Non-current trade and other payables relate entirely to amounts committed on acquisitions.

Amounts committed on acquisitions consist of contractual obligations upon purchase of intangible assets from third parties. Some of the obligations have a predetermined value, whilst others include future payments whose value depends on target earnings. These contingent considerations are measured at fair value and are included in Level 3 of the fair value hierarchy. The fair value is determined on the date of purchase and subsequently, at each reporting date, by calculating the expected cash outflow on each purchase agreement. The expected cash flows are discounted to present value by utilising a discount rate of 6.75%, the company's borrowing rate. The notional interest charge on the contingent considerations is included in 'Other finance costs', net of foreign exchange differences.

Expectations of cash outflows are made by the directors for each asset acquisition based on their knowledge of the industry and how the economic environment is likely to impact it. Trade and other payables include an amount of EUR 43.61 million (12.76) relating to contingent considerations, of which EUR 13.30 million (6.41) is due within twelve months from the end of the quarter. The maximum potential undiscounted amount that the Group may be required to make under such contingent consideration arrangements is EUR 60.28 million.

8. RELATED PARTY TRANSACTIONS

In view of its shareholding structure, the Group has no ultimate controlling party. All companies forming part of the Group and other entities under common control are considered by the directors to be related parties.

The following transactions were carried out with related parties:

a) Other related party transactions

	Jan - Mar 2017	Jan - Mar 2016	Jan - Dec 2016
	€ '000	€ '000	€ '000
Purchases of services:			
Entities with significant shareholding *	**680**	239	1,369

* *Purchases of services from entities with significant shareholding comprise consultancy, advisory and success fees payable to Optimizer Invest Limited. Fees relating to acquisitions reflect the amount paid during the periods and not the maximum amount that could be due in terms of contractual agreements in place which are dependent on the achievement of target earnings.*

Condensed Parent Company interim statements of income and other comprehensive income

	Jan - Mar 2017	Jan - Mar 2016	Jan - Dec 2016
	€ '000	€ '000	€ '000
Investment and related income	**4,746**	-	-
Personnel expenses	**(56)**	(23)	(147)
IPO related costs	**(7)**	(18)	(922)
Other operating expenses	**(52)**	(4)	(127)
Total operating expenses	**(115)**	(45)	(1,196)
Operating profit/(loss)	**4,631**	(45)	(1,196)
Interest payable on borrowings	**(850)**	-	(1,015)
Other losses on financial liability at fair value through profit or loss	**(875)**	-	(500)
Finance costs	**(128)**	-	-
Finance income	**-**	658	539
Profit/(loss) before tax	**2,778**	613	(2,172)
Tax expense	**(1,266)**	-	-
Profit/(loss) for the period/year - total comprehensive income	**1,512**	613	(2,172)

Condensed Parent Company interim balance sheet

	31-Mar 2017	31-Mar 2016	31-Dec 2016
	€ '000	€ '000	€ '000
ASSETS			
Non-current assets			
Investment in subsidiaries	**297**	102	214
Current assets			
Trade and other receivables	**74,712**	7,502	44,007
Cash and cash equivalents	**7,044**	20,066	31,648
Total current assets	**81,756**	27,568	75,655
Total assets	**82,053**	27,670	75,870
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	**78**	77	77
Share premium	**29,797**	26,271	26,271
Other reserves	**619**	110	457
(Accumulated losses)/retained earnings	**(84)**	1,189	(1,596)
Total equity	**30,410**	27,647	25,210
Liabilities			
Non-current liabilities			
Borrowings	**51,375**	-	50,500
Total non-current liabilities	**51,375**	-	50,500
Current liabilities			
Trade and other payables	**268**	23	160
Total liabilities	**51,643**	23	50,660
Total equity and liabilities	**82,053**	27,670	75,870

Definitions

Unless defined otherwise in this report, the terms below have the following meaning:

OPERATING PROFIT	Operating revenue less total operating expenses. Measures the company's operating result before interest and taxes. Commonly used by investors, analysts and management to evaluate the profitability of the company.
OPERATING PROFIT MARGIN	Operating profit divided by operating revenues. This is a measure of profitability commonly used by investors, analysts and management to evaluate the profitability of the company.
ADJUSTED OPERATING PROFIT	Operating revenue less total operating expenses excluding cost related to the non-recurring listing costs.
ADJUSTED OPERATING PROFIT MARGIN	Adjusted operating profit divided by operating revenue.
EBITDA	Operating profit excluding depreciation and amortisation. Measures the Company's operating profit excluding depreciation and amortisation. Commonly used by investors, analysts and management to evaluate the profitability of the company.
EBITDA MARGIN	Operating profit excluding depreciation and amortisation divided by operating revenue. This is a measure of profitability commonly used by investors, analysts and management to evaluate the profitability of the company.
ADJUSTED EBITDA	Operating profit excluding depreciation and amortisation excluding cost related to the non-recurring listing costs.
ADJUSTED EBITDA MARGIN	Adjusting operating profit excluding depreciation and amortisation divided by operating revenue.
EARNINGS PER SHARE BEFORE DILUTION	Profit/loss for the period in relation to the average number of shares in issue over the period, before dilution from share options and warrants.
EARNINGS PER SHARE AFTER DILUTION	Profit/loss for the period in relation to the average number of shares in issue over the period, after dilution from share options and warrants.
RETURN ON EQUITY	Period's profit/loss (rolling twelve months) in relation to average shareholder equity for the last twelve months. This is a measure of capital returns that is commonly used by investors, analysts and management to evaluate the company's ability to generate return on the capital provided by its shareholders.
AVERAGE SHAREHOLDERS' EQUITY	Equity at 1 April 2016 plus the closing balance for equity at the end of each month, divided by 13.
EQUITY/ASSETS RATIO	Equity at the end of period in relation to total assets at the end of period. This is a measure commonly used by investors, analysts and management to evaluate the capital structure of the Company and its ability to meet its short- and long-term obligations.
QUICK RATIO	Current assets in relation to current liabilities. This is a measure commonly used by investors, analysts and management to evaluate the short-term liquidity of the company.

NET INTEREST-BEARING LIABILITIES	Interest-bearing liabilities less financial assets and cash and cash equivalents; a negative figure means that the Group has a net cash position. This is a measure commonly used by investors, analysts and management to evaluate the financial position of the company.
NIBL/EBITDA (MULTIPLE)	Interest-bearing liabilities less financial assets and cash and cash equivalents, divided by EBITDA (rolling twelve months). This is a measure commonly used by financial lenders, analysts and management to evaluate the financial position of the Company and its ability to pay interest cost
NET DEBT/EQUITY RATIO (MULTIPLE)	Interest bearing liabilities less financial assets and cash and cash equivalents, divided by shareholder´s equity. This is a measure commonly used by investors, analysts and management to evaluate the financial position of the company and its ability to return cash to shareholders.
NDC	New Depositing Customers refers to new customers placing a first deposit on a client's website.
SEARCH REVENUES	Revenue from SEO related service offering
PAID REVENUE	Revenue from pay-per-click (PPC) media channels
GROUP / CATENA MEDIA	The Parent Company and its subsidiaries
COMPANY	Catena Media plc, a company registered under the laws of Malta with registration number C 70858
CATENA MEDIA UK LIMITED (PREVIOUSLY KNOWN AS RCM)	Catena Media UK Limited, a company incorporated in the UK under the laws of England and Wales with registration number 07381409
PPC 'PAY PER CLICK'	Pay-per-click is a method for marketing on the internet that entails purchasing search words for a company website from a search engine (e.g. Google). When the user searches and uses this word, the advertisers' site is listed in the search result.
SEO 'SEARCH ENGINE OPTIMISATION'	Search engine optimisation relates to the adaption of the company website with content, as well as making the website marketed in a way that results in the site being displayed amongst the top search results.