Year-end report 2017

Fourth quarter of 2017 – A new record-breaking quarter

- Revenues totalled EUR 20.1m (12.3), an increase of 63 percent year-on-year and an increase of 16 percent compared with the previous quarter. Search revenues were the highest so far with organic growth of 25 percent year-on-year. The company estimates that 60 percent of revenues are generated from regulated markets.
- EBITDA amounted to EUR 10.3m (6.1) corresponding to an EBITDA margin of 52 percent (50). Adjusted EBITDA excluding non-recurring costs related to the change of listing to Nasdaq Stockholm (Mid-Cap) and reorganisation costs, amounted to EUR 11.1m (6.5) corresponding to an adjusted EBITDA margin of 55 percent (53).
- Operating profit increased to EUR 8.8m (5.7) corresponding to an operating margin of 44 percent (47). Adjusted operating profit excluding non-recurring costs related to the change of listing to Nasdaq Stockholm (Mid-Cap) and reorganisation costs, amounted to EUR 9.6m (6.2), corresponding to an adjusted operating profit margin of 48 percent (50).
- Earnings per share amounted to EUR 0.12 (0.08) before dilution and earnings per share amounted to EUR 0.11 (0.08) after dilution.
- Record in new depositing customers (NDCs) which totalled 113,258 (67,023), an increase of 69 percent year-on-year and an increase of 12 percent compared to the previous quarter.

63%	55%	113,258
Quarterly revenue growth YoY	**Adjusted EBITDA margin**	**NDCs**

Full year 2017

- Revenues totalled EUR 67.6m (40.0), an increase of 69 percent year-on-year.
- EBITDA increased to EUR 32.6m (19.7) corresponding to an EBITDA margin of 48 percent (49). Adjusted EBITDA excluding non-recurring costs related to the new bond issue, the change of listing to Nasdaq Stockholm (Mid-Cap) and reorganisation costs, amounted to EUR 36.1m (22.1), corresponding to an adjusted EBITDA margin of 53 percent (55).
- Operating profit increased to EUR 28.4m (18.6) corresponding to an operating margin of 42 percent (47). Adjusted operating profit excluding non-recurring costs related to the bond issue, the change of listing to Nasdaq Stockholm (Mid-Cap) and reorganisation costs, amounted to EUR 31.9m (21.0), corresponding to an adjusted operating profit margin of 47 percent (53).
- Earnings per share amounted to EUR 0.40 (0.32) before dilution and earnings per share amounted to EUR 0.40 (0.31) after dilution.
- NDCs totalled 385,642 (204,633), an increase of 88 percent year-on-year.
- The proposal from the Catena Media's Board of Directors to the annual general meeting is that, similar to 2016, no dividend is paid for 2017.

CEO comments from Henrik Persson Ekdahl

Catena Media is going strong in to 2018 - with a record year behind.

Continuous expansion and operational excellence

The fourth quarter of 2017 for Catena Media was no different from the rest of the year; dynamic, fast-moving and highly successful. Closing of the year with all-time high and the new organisation in place moving at full speed, pleases me greatly. For us, it is an established fact by now that growing rapidly, while at the same time improving operational quality, requires constant focus, commitment and hard work. From the outset, our company culture has been characterised by its fast pace, dedicated workforce and a drive to expand into new markets. The past quarter was no different. Alongside noticeable improvements in operations, we made a number of structural changes that we already see positive effects of. I am confident that we have never been better positioned as a company.

Fourth quarter – proving the efficiency of our business model

In December, we organised our very first Capital Markets Day in Stockholm to engage in a more transparent dialogue with our shareholders as well as increase the general awareness of the affiliate industry. The fourth quarter of 2017 was our most successful quarter to date. Our revenue reached EUR 20.1m, representing a year-on-year growth of 63 percent and a quarter-on-quarter growth of 16 percent. The organic growth in search revenues continued in a strong manner at 25 percent, when compared with the preceding year, and for the full year, we achieved an organic growth in search revenues of 28 percent. Adjusted EBITDA during the fourth quarter was the highest to date at EUR 11.1m, equalling an EBITDA margin of 55 percent.

Looking at our most important underlying KPI, which is the number of NDCs, i.e. the number of new depositing customers delivered to our partners, we reached an all-time high of in excess of 113,000 for the quarter. This represents an increase of 12 percent compared with the third quarter and an increase of 69 percent compared with the fourth quarter of the prior year. This growth in NDCs proves that our business model is robust and generating clear added value for our customers. For the 2017 full year, we delivered an impressive 386,000 NDCs to our operator partners.

Continued focus on product innovation

Innovation is one of our strategic pillars and is critical to our strategy for creating organic growth. During the fourth quarter, we significantly increased our efforts in product innovation and the plan for 2018 is to continue this focus. We are currently investing in various technologies to improve our products' performance and technical infrastructure. We are continuously exploring innovations, such as Blockchain, and how these can be utilised to strengthen our value chain and ultimately improve our deliverables.

Further gambling regulation

One of our key strategic priorities is to continue our expansion in the US. The acquisition of Pokerscout was well-timed given the roll-out of online gaming in Pennsylvania. Several states are currently proposing various forms of regulation targeting online gaming, including a recent online poker bill in New York that is likely to be passed by the state senate. Furthermore, the Supreme Court is taking up a case that could make sports betting widely available in the US. Catena Media is well-positioned to capitalise on these positive opportunities.

The trend of regulation and re-regulation within our different sectors is very much welcomed by Catena Media. Our focus for the past years has been to grow our business in regulated markets and soon to be regulated markets, and it is now paying off. Looking forward we want to further develop our strong platform as well as secure and strengthen our position as one of the top lead generators, generating quality leads and excellent end user experience.

Financial services – a new vertical

We are constantly looking to develop our business in verticals which can benefit from our expertise in lead generation gained through iGaming and other areas. Affiliation for financial services shares many characteristics with iGaming, such as revenue model and the same pattern in end-user behaviour. In addition, it is a highly profitable and fragmented market where we see significant opportunities. Hence, the financial services sector ticks many boxes and we see clear benefits and strong synergies with our existing business.

The acquisition of the German-facing assets of Beyondbits Media Limited represents our first step in entering into this vertical. The websites are geared towards foreign exchange trading, equity trading, as well as options trading.

Expectations ahead

A major part of our ambitious growth strategy is seizing current opportunities in the market, thus we have contracted Danske Bank and Carnegie to examine the possibility of issuing a new bond. The proposed new financing through a bond will replace the existing bond.

2018 will be a great year for sports, with major events such as the World Cup and the Olympic Games on the agenda. Both of these happenings provide us with extraordinary opportunities in 2018. To further strengthen the company´s sports offering, the UK focused sports news site Squawka.com was acquired in December 2017. Other recent significant acquisitions were the both German-focused assets; Baybets, the largest acquisition of Catena Media to date, and Dreamworxs. With these acquisitions, we made a mark in the industry and put Catena Media in the driver seat for further expansion of the sports vertical.

I believe 2018 will be a strong year for Catena Media, both in terms of financial performance, operational excellence and new opportunities.

Henrik Persson Ekdahl, Acting CEO

Consolidated key data and ratios

Some financial measures presented in this year-end 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 pages 28 to 29 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	**Oct -Dec 2017**	Oct -Dec 2016	**Jan - Dec 2017**	Jan - Dec 2016
Financial measures defined by IFRS:				
Operating revenues (€ '000)	20,062	12,286	67,650	40,049
Earnings per share before dilution (€)	0.12	0.08	0.40	0.32
Earnings per share after dilution (€)	0.11	0.08	0.40	0.31
Weighted average number of outstanding shares at periods end before dilution (€ '000)	52,435	51,445	52,024	50,611
Weighted average number of outstanding shares at periods end after dilution (€ '000)	53,527	52,462	53,171	51,564
Alternative Performance Measures:				
Operating profit (€ '000)	8,822	5,747	28,418	18,646
Operating profit margin (%)	44	47	42	47
Adjusted operating profit (€ '000)*	9,615	6,176	31,920	21,027
Adjusted operating profit margin (%)*	48	50	47	53
EBITDA (€ '000)	10,338	6,096	32,637	19,683
EBITDA margin (%)	52	50	48	49
Adjusted EBITDA (€ '000)	11,131	6,525	36,139	22,064
Adjusted EBITDA margin (%)*	55	53	53	55
Effective tax rate (%)	7	9	8	8
NDC ('000)	113	67	386	205
Average shareholders' equity, last 12 months (€ '000)	69,568	41,800	69,568	41,800
Return on equity, rolling 12 months (%)	30	39	30	39
Equity to asset ratio (%)	36	39	36	39
Quick ratio (%)	67	249	67	249
Net interest-bearing liabilities (NIBL) (€ '000)	87,654	5,287	87,654	5,287
NIBL/EBITDA multiple	2.69	0.27	2.69	0.27
NIBL/ Adjusted EBITDA multiple*	2.43	0.24	2.43	0.24
Net debt/equity ratio multiple	1.81	1.55	1.81	1.55
Equity per share before dilution (€)	1.85	1.05	1.86	1.06
Equity per share after dilution (€)	1.81	1.03	1.82	1.04
Average number of employees	271	183	243	139
Employees at period's end	282	190	282	190
Productivity Ratio (€ '000)	74	67	278	288

**Adjusted for non-recurring costs of EUR 0.8m (0.4) in Q4 2017 of which EUR 0.2m relate to the change of listing on Nasdaq Stockholm and EUR 0.6m related to reorganisation costs. Total IPO and bond costs for the year ended 31 December 2017 amounted to EUR 2.5m (2.4) and reorganisation costs amounted to EUR 1.0m (nil).*

Significant events during the fourth quarter

- On 3 October 2017, the Board of Catena Media plc appointed Henrik Persson Ekdahl as Acting CEO after Robert Andersson's departure. The Board of Directors initiated the CEO changeover in order to further develop the company's strategy with a focus on profitable growth and to maximise shareholder value. Henrik Persson Ekdahl is a member of the Board of Directors of Catena Media plc and is also a partner in Optimizer Invest Limited, the largest shareholder of Catena Media.
- On 19 October 2017, Catena Media announced further expansion into new markets and the development of existing products. JohnSlots.com has been launched in Germany and the UK, and AskGamblers launched in Germany and Italy. The offering of Newcasinos.com, which was acquired earlier in 2017 and specialises in reviews and ratings of new online casinos, has been enhanced, thereby enabling faster rating of online casinos.
- On 2 November 2017, the acquisition of Pokerscout.com was announced. Pokerscout is the undisputed leader for tracking activity across the online poker industry. As one of the most iconic brands in the online poker industry, Pokerscout will contribute significantly to Catena Media's brand-first strategy in the US and global markets. Catena Media's resources will lend critical support to the usability and visibility of Pokerscout as the site continues to grow. The consideration paid was USD 0.35m in cash.
- On the 9 November, Catena Media expanded its offering by entering a regulated vertical for affiliate marketing focused on financial services through the acquisition of all affiliate-related assets in the Malta-based company Beyondbits Media Ltd, including Aktiendepot.com and Qomparo.de, among other sites. The acquired assets are expected to generate quarterly sales of approximately EUR 0.8m, with an operating margin of around 70 percent. The consideration for these assets amounted to EUR 9.3m, EUR 2.8m of which has been settled with new shares issued in the Parent Company. Moreover, the consideration includes a maximum earn-out of EUR 5.0m based on revenue performance over a period of 12 months.
- On 16 November, the company communicated new financial goals that include EBITDA of EUR 100.0m in 2020, with a net debt to EBITDA range of 1.5-2.5. No dividend is planned until 2020.
- On 24 November, the company appointed Pia-Lena Olofsson as Group CFO. She will replace the current CFO, Claes Wenthzel, who has resigned and will relocate to Sweden due to family reasons.
- On 28 November 117,805 new shares in the Parent Company were issued as part settlement of the earn-out payment for the US asset acquisition. On the same date, it was announced that 350,885 new shares in the Parent Company were issued as part settlement of the upfront consideration for the Beyondbits Media Limited asset acquisition.
- On 4 December, the company acquired all affiliate related assets in Baybets Limited, one of Europe's leading affiliate marketing players in the sports betting segment, with a total of 50 websites, primarily focused on the German market. The acquisition is expected to generate quarterly sales of approximately EUR 2.3m with an operating margin of approximately 70 percent. The purchase price amounts to an upfront payment of EUR 26.5m together with earn-out payments in the maximum amount of EUR 63.5m, based on the performance of the acquired assets over a period of 2 years.
- On 14 December, the company acquired Squawka.com and related assets from Squawka Limited. Squawka.com is a high-volume traffic, global, football news site with a Daily Fantasy Sports (DFS) section in beta version. The main site currently attracts around 4m users and has around 800,000 followers on Twitter. The purchase price amounted to a one-time, upfront payment of GBP 1.1m settled in cash. The acquisition is expected to generate annual sales of approximately EUR 2.0m with an estimated margin of 60 percent.
- On 18 December, 1,557,759 ordinary shares in the Parent Company were issued to be utilised as part settlement of the consideration for the Baybets Limited asset acquisition.

Significant events during the first nine months

- In January, Catena Media continued to strengthen the management team through recruitment in a number of key positions. Johannes Bergh was appointed as Chief Operating Officer (COO) whilst Claes Wenthzel was recruited as the new Group Chief Financial Officer (CFO). During the fourth quarter, Claes Wenthzel resigned from this position.

- In January, 440,669 new shares in the Parent Company were issued to be utilised as part settlement of the upfront payment for the US asset acquisition, where revenue and expenses are reflected from January 16, 2017.

- In February, Catena Media acquired the assets of the Swedish focused casino affiliate, Slotsia.com. The purchase price comprised of a first instalment of EUR 3.6m. Additional earn-out payments can amount to a maximum of EUR 5.0m and are based on revenue performance over a period of 2 years.

- In March, Catena Media secured a long-term partnership with SBAT founder Gary Gillis whereby the earn-out arrangement under his original acquisition agreement was amended and replaced by an immediate and final payment of EUR 3.3m as settlement for the asset acquisition. Following the amendment to the acquisition agreement, the SBAT founder entered into an employment agreement with Catena Media.

- In May, Catena Media acquired 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 approximately EUR 0.3m per month and a pre-tax profit margin of more than 70 percent. The consideration for the assets amounted to GBP 11.7m with a maximum earn-out of GBP 5.8m based on revenue performance over a period of 12 months.

- Also in May, Catena Media acquired Newcasinos.com and its related affiliate assets. Newcasinos.com specialises in reviewing and rating new online casinos, the main markets being the UK, Sweden and Norway. The acquired assets are expected to generate quarterly sales of approximately EUR 0.6m and a pre-tax profit margin of about 80 percent. The consideration for these assets amounted to EUR 7.7m with a maximum earn-out of EUR 4.3m based on revenue performance over a period of 12 months.

- In June, Catena Media acquired the casino affiliate sites MrGamez.net and Spielekiste.de, focusing on German-language casino sites. The acquired assets are expected to generate quarterly sales of approximately EUR 0.3m and a pre-tax margin of about 80 percent. The consideration for these assets amounted to EUR 4.2m with a maximum earn-out of EUR 2.3m based on revenue performance over a period of 12 months.

- Also in June, Catena Media completed a tap issue of EUR 50.0m under the Parent Company's outstanding maximum EUR 100.0m senior secured, callable, floating-rate bond issue due in September 2019. The proceeds from the tap issue will be utilised primarily for acquisitions and future earn-out payments.

- In June, 93,275 new shares in the Parent Company were issued to be utilised as part settlement of the earn-out payment for the US asset acquisition.

- In July, Catena Media acquired the award-winning sports affiliate Bettingpro.com, thereby continuing to grow its sports betting segment. Bettingpro.com is a highly-regarded publisher of sports news, tips and betting advice with a focus on acquiring leads for regulated UK and Australian gaming operators. The acquired assets are expected to generate quarterly sales of approximately EUR 1.2m and a pre-tax margin of about 55 percent. A large majority of the revenues are derived from licensed operators in regulated markets, which is a focus area for Catena Media. The consideration for the assets amounted to GBP 13.9m, of which GBP 11.9m was settled during the third quarter at takeover, while GBP 2.0m was paid 6 months after completion, conditional on the successful handover of the assets.

Significant events during the first nine months - continued

- In September, Catena Media made the official move to Nasdaq Stockholm's main market (Mid-Cap). Previously, the stock was traded on Nasdaq First North Premier. The first day of trading for the Company's shares on Nasdaq Stockholm was on 4 September 2017 and the last day of trading on Nasdaq First North Premier was on 1 September 2017.
- On 19 September, Catena Media acquired a Japanese affiliate and its related websites and assets, thereby continuing to strengthen its position in Asia. The acquired assets are some of the highest ranked casino websites in Japan. The purchase price amounted to USD 5.5m of which USD 4.0m was paid upon transfer of the assets, and USD 1.5m will be paid six months after completion of the transaction. The acquired assets currently generate quarterly sales of approximately EUR 0.4m and a pre-tax margin of about 80 percent.
- Also in September, Catena Media has recruited Åsa Hillsten as new Head of IR & Communications. Åsa joins from Collector Bank, where she has worked for the last six years, and has extensive experience within communications and IR for growth companies. In her new role, she will be responsible for Catena Media's external and internal communication and she will be a strong addition to the Catena Media management team. Åsa took up employment in January 2018.

Significant events after the reporting period

- On 18 January Catena Media acquired the affiliate related assets in Dreamworx Online Limited, which is active in sports, casino and financial services. Dreamworx operates sports sites such as Sportwettenanbieter.com, Fussballwetten.info and financial sites such as DeutscheFXBroker.de. The purchase price amounts to an upfront payment of EUR 9.5m, of which EUR 4.0m will be paid with newly issued shares in Catena Media plc, and the remaining EUR 5.5m in cash. The acquired assets are expected to generate quarterly sales of approximately EUR 0.6m, with an operating margin of approximately 80 percent.
- In line with Catena Media's ambitious growth targets, Catena Media is continuously exploring acquisition opportunities and reviewing its financing options for such acquisitions. In this regard, a mandate has been given to Carnegie Bank and Danske Bank as advisors to explore the possibilities of an early refinancing of the company's existing bond loan, through an issuance of a new bond loan with greater financial flexibility and a larger frame. Catena Media, together with its advisors, will as from the 12 February 2018 meet with bond investors. After these planned investor meetings a new bond loan may be issued, including an opportunity for existing bond holders to participate (according to a separate press release), subject to current market conditions and a final decision by the company.

Financial performance during the fourth quarter of 2017

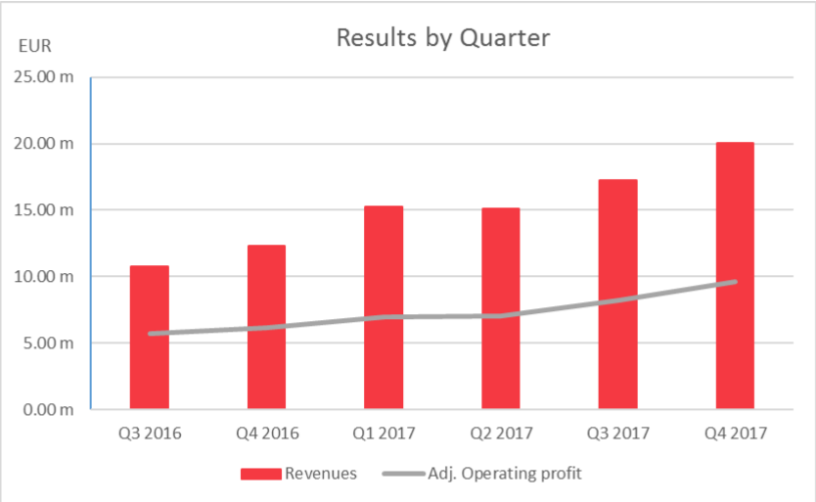
REVENUES

The Group's revenues totalled EUR 20.1m (12.3) in the fourth quarter, corresponding to a year-on-year increase of 63 percent. Revenue share as part of total revenues totalled 60 percent (55).

Search revenue represented EUR 16.9m (8.8) of total revenue. The increase in search revenue was driven in part by organic growth and in part through acquisitions made. Paid revenue amounted to EUR 3.1m (3.5). This revenue is principally related to pay-per-click (PPC) traffic.

During the quarter organic growth excluding paid revenue of 25 percent was recorded compared with the corresponding quarter in 2016.

Casino revenue represented EUR 13.2m (11.1) and 66 percent (91) of total revenue, whilst sports revenue represented EUR 5.9m (1.2) and 29 percent (9). As from the fourth quarter, as a result of the Beyondbits Media Limited asset acquisitions, finance revenues of EUR 1.0m (nil) are included in total revenue.



EXPENSES

Operating expenses amounted to EUR 11.2m (6.5). Direct costs related to paid revenue represented a significant expense component and amounted to EUR 2.0m (2.2). These costs predominantly related to AdWords (Google spend) costs and similar costs.

Personnel expenses amounted to EUR 3.6m (2.0). The increase in personnel expenses was due to the recruitment of additional members of management and other employees across the organisation, which was driven by the strong growth being experienced by the Group. The headcount totalled 282 employees at the close of the fourth quarter of this year compared to the 190 employees at the close of the same quarter in 2016. The increase in headcount gave rise to corresponding increases in operational expenses such as software charges, licenses and recruitment fees, amongst others. Another contributing factor to the increase in costs is the new head office in Malta. Other operating expenses amounted to EUR 3.3m (1.5).

Depreciation and amortisation amounted to EUR 1.5m (0.4). The increase in depreciation and amortisation was mainly attributable to the acquisition of competitor player databases during the current and prior periods and capital expenditure related to the new head office in Malta.

Non-recurring costs relating to the listing on Nasdaq Stockholm amounted to EUR 0.2m (0.4), while reorganisation costs amounted to EUR 0.6m (nil).

Financial performance during the fourth quarter of 2017 - continued

EARNINGS

Operating profit for the fourth quarter of 2017 amounted to EUR 8.8m (5.7), an increase of 54 percent compared to the corresponding quarter of the previous year. Operating profit for the fourth quarter of 2017 included non-recurring costs of EUR 0.8m (0.4) relating to the change of listing on Nasdaq Stockholm and reorganisation costs. Adjusted operating profit amounted to EUR 9.6m (6.2), corresponding to an adjusted operating profit margin of 48 percent (50). The decrease in operating margin was a result of the strategy to change the revenue model by increasing revenue share arrangements.

Profit before tax amounted to EUR 6.5m (4.4), an increase of 47 percent year on year.

Profit for the period amounted to EUR 6.1m (4.1). Earnings per share amounted to EUR 0.12 (0.08).

For the quarter ended 31 December 2017, the Group had an effective tax rate of 6.9 percent (8.5).

INVESTMENTS

Investments in intangible assets, which consist of player databases, websites and domains, amounted to EUR 66.5m (19.6) during the quarter. Development of websites and other applications amounted to EUR 1.2m (0.4).

Acquisitions of property, plant and equipment amounted to EUR 0.5m (0.1).

CASH AND CASH EQUIVALENTS, FINANCING AND FINANCIAL POSITION

Operating cash flow

Cash flow from operating activities before changes in working capital amounted to EUR 10.9m (6.0) for the quarter. Depreciation and amortisation charges amounted to EUR 1.5m (0.4). Interest expense related to the bond amounted to EUR 2.3m (0.9) and the notional interest charge on contingent considerations amounted to EUR 0.6m (nil). Net losses on financial liabilities measured at fair value through profit or loss arising on the bond amounted to EUR 0.9m (0.4). Share based payments of EUR 0.3m (0.1) include the cost associated with the accelerated vesting of share options still held by individuals that are no longer employed with Catena Media. Net cash generated from operating activities, excluding the increase in short-term earn-out liabilities relating to recent acquisitions, amounted to EUR 10.9m (3.5).

Investing activities

Cash flows used in investing activities amounting to EUR 26.5m (10.3) were related to the settlement of intangible assets acquired during the quarter. Other cash outflows during the quarter related to the acquisition of property, plant and equipment amounting to EUR 0.5m (0.1), primarily relating to the new head office in Malta.

Financing activities

Cash flows used in financing activities amounted to EUR 1.7m (0.9).

Cash and cash equivalents at the end of the quarter amounted to EUR 12.3m (44.7).

Financial performance for the year ended 2017

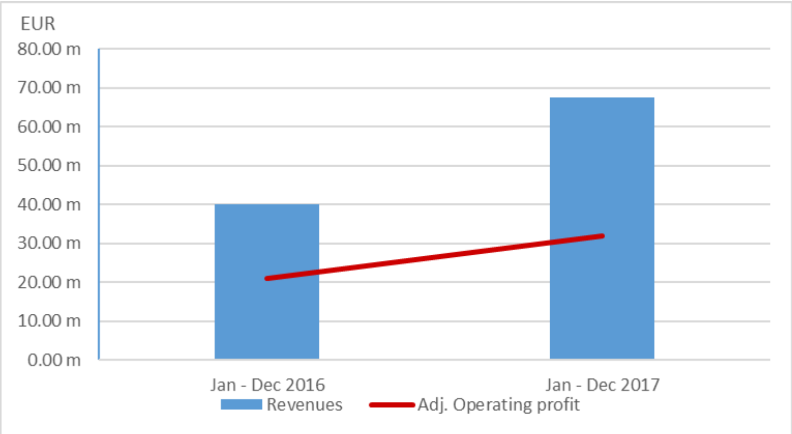
REVENUES

The Group's revenue totalled EUR 67.6m (40.0) for the year ended 31 December 2017, corresponding to a year on year increase of 69 percent.

Search revenue represented EUR 53.9m (29.4) of total revenue. The increase in search revenue was driven in part by organic growth and in part through acquisitions made. Paid revenue amounted to EUR 12.7m (10.6). This revenue is principally related to pay-per-click (PPC) traffic. Other operating income of EUR 1.1m (nil) related to one-off compensation for loss of revenue received from a partner in relation to PPC traffic during the first and second quarters of 2017.

During the current financial year organic growth excluding paid revenue of 28 percent was recorded compared with the previous financial year.

Casino revenue represented EUR 51.3m (37.9) and 76 percent (95) of total revenue, whilst sports revenue represented EUR 14.2m (2.1) and 21 percent (5). As from the fourth quarter, as a result of the Beyondbits Media Limited asset acquisitions, finance revenues of EUR 1.0m (nil) are included in total revenue.



EXPENSES

Operating expenses amounted to EUR 39.2m (21.4). Direct costs related to paid revenue represented a significant expense component and amounted to EUR 8.9m (7.2). These costs predominantly related to AdWords (Google spend) costs and similar costs.

Personnel expenses amounted to EUR 12.6m (6.1). 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 282 employees at the close of the current financial year, compared to the 190 employees at the close of the previous financial year. The increase in headcount gave rise to corresponding increases in operational expenses such as software charges, licenses and recruitment fees, amongst others. Another contributing factor to the increase in costs is the new head office in Malta. Other operating expenses amounted to EUR 10.1m (4.7).

Depreciation and amortisation amounted to EUR 4.2m (1.0). The increase in depreciation and amortisation was mainly attributable to the acquisition of competitor player databases during the current and prior periods and capital expenditure related to the new head office in Malta.

Non-recurring costs relating to the bond issue amounted to EUR 1.0m (1.2), costs relating to the listing on Nasdaq Stockholm amounted to EUR 1.5m (1.2), whilst reorganisation costs amounted to EUR 1.0m (nil).

Financial performance for the year ended 2017 - continued

EARNINGS

Operating profit for the year ended 31 December 2017 amounted to EUR 28.4m (18.6), an increase of 52 percent compared to the previous year. Operating profit included non-recurring costs related to the bond issue, the change of listing on Nasdaq Stockholm and reorganisation costs of EUR 3.5m (2.4). Adjusted operating profit amounted to EUR 31.9m (21.0), corresponding to an adjusted operating profit margin of 47 percent (53). The decrease in operating margin was a result of the strategy to change the revenue model by increasing revenue share arrangements.

Profit before tax amounted to EUR 22.9m (17.5), an increase of 31 percent year-on-year.

Profit for the year amounted to EUR 21.1m (16.1). Earnings per share amounted to EUR 0.40 (0.32).

For the period ended 31 December 2017, the Group had an effective tax rate of 7.8 percent (7.8).

INVESTMENTS

Investments in intangible assets, which consist of player databases, websites and domains, amounted to EUR 161.7m (57.3) during the year 2017, net of an adjustment to previously recognised contingent considerations of EUR 11.4m (nil) as a result of changes in estimates. Development of websites and other applications amounted to EUR 3.1m (0.4).

Acquisitions of property, plant and equipment amounted to EUR 2.8m (0.4).

CASH AND CASH EQUIVALENTS, FINANCING AND FINANCIAL POSITION

Operating cash flow

Cash flow from operating activities before changes in working capital amounted to EUR 33.0m (19.7) for the period. Depreciation and amortisation charges amounted to EUR 4.2m (1.0). Interest expense related to the bond amounted to EUR 5.3m (1.0) and the notional interest charge on contingent considerations amounted to EUR 2.2m (nil). Net losses on financial liabilities measured at fair value through profit or loss arising on the bond amounted to EUR 1.4m (0.5). Share based payments of EUR 0.8m (0.2) include the cost associated with the accelerated vesting of share options still held by individuals that are no longer employed with Catena Media. Net cash generated from operating activities, excluding the increase in short-term earn-out liabilities relating to recent acquisitions, amounted to EUR 27.9m (11.1).

Investing activities

Cash flows used in investing activities of EUR 102.0m (40.6) were related to the settlement of intangible assets during the period. Other cash outflows during the period related to the acquisition of property, plant and equipment primarily related to the new Malta head office and acquisition of other investments amounting to EUR 3.1m (0.4) and EUR 0.6m (nil) respectively.

Financing activities

Cash flows from financing activities amounted to EUR 44.9m (72.4) and comprised the proceeds received from the new bond issue of EUR 50.1m (49.1), net of interest payable on the bond of EUR 5.2m (0.9). In the comparative period, other cash flows from financing activities related to proceeds received on the issuance of share capital.

Cash and cash equivalents at the end of the period amounted to EUR 12.4m (44.7).

The Catena Media shares

On 11 February 2016, Catena Media plc was listed on Nasdaq First North Premier, Stockholm, under the trading symbol "CTM". On 4 September 2017, Catena Media plc made the official move to Nasdaq Stockholm's main market. The shares will be traded under the same ticker (CTM) and with the same ISIN code (MT0001000109) as before.

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.

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 upfront consideration for the US acquisition. On 9 June 2017, 93,275 new shares were issued with a nominal value of EUR 0.0015 per share and a share premium of EUR 10.6222 per share. These shares were issued to be utilised as part settlement of the earn-out payment for the US asset acquisition. On 28 November 2017, 350,885 new shares were issued with a nominal value of EUR 0.0015 per share and a share premium of EUR 7.8358. These shares were issued to be utilised as part settlement of the upfront consideration of the assets of Beyondbits Media Limited. On the same date, a further 117,805 new shares were issued with a nominal value of EUR 0.0015 per share and a share premium of EUR 7.6381. These were issued to be utilised as part settlement of the earn-out payment for the US asset acquisition. On 18 December 2017, 1,557,759 new shares were issued with a nominal value of EUR 0.0015 per share and a share premium of EUR 8.5043 per share to be utilised as part settlement of the upfront consideration for acquired assets in Baybets Limited.

After these new share issues, the total number of issued shares for the year ended 31 December 2017 amounted to 54,005,545.

Ownership structure

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

Shareholder	Number of shares	Share of capital and votes %
Optimizer Invest Ltd	7,274,412	13.5%
Swedbank Robur Fonder	4,832,901	8.9%
Aveny Ltd	4,524,382	8.4%
Investment AB Öresund	3,758,996	7.0%
Pixel Wizard Ltd	3,628,249	6.7%
Handelsbanken Fonder	3,024,877	5.6%
Carnegie Fonder	2,519,628	4.7%
Michael Knutsson	2,400,000	4.4%
LJFK Ltd	2,000,000	3.7%
Baybets Ltd	1,557,759	2.9%
Sub-total, 10 largest shareholders	35,521,204	65.8%
Other shares	18,484,341	34.2%
Total	**54,005,545**	**100.0%**

Other

PARENT COMPANY

The Parent Company is the ultimate holding 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.

During the fourth quarter of 2017 no dividends were received from its subsidiary. During the year ended 31 December 2017, “Investment and related income” included dividends amounting to EUR 3.6m (nil) and a refund of tax charged to non-resident shareholders upon distribution of these dividends amounting to EUR 1.1m (nil).

There were no IPO costs or transaction costs related to the bond issue in the Parent Company during the fourth quarter of 2017, whilst an amount of EUR 0.004m was reported in the fourth quarter of 2016. Bond and IPO costs for the financial year ended 31 December 2017 amounted to EUR 0.9m (0.9). Bond finance costs, classified as “Interest payable on borrowings,” amounted to EUR 1.7m (0.9) during the fourth quarter and EUR 5.3m (1.0) during the year 2017. Following a decision taken by the Board, the bond costs and interest payable on the bond have been recharged to the main operating entity, Catena Operations Limited. The fair value loss on the bond in the fourth quarter of 2017 and for the current financial year amounted to EUR 0.9m (0.4) and EUR 1.4m (0.5) respectively. The fair value movement is classified in “Other losses on financial liability at fair value through profit or loss”.

During the fourth quarter of 2017, personnel expenses amounted to EUR 0.1m (0.1), while other operating expenses amounted to EUR 0.04m (0.1). Personnel expenses for the year ended 31 December 2017 amounted to EUR 0.3m (0.1), while other operating expenses amounted to EUR 0.2m (0.1).

The profit for the fourth quarter of 2017 amounted to EUR 3.5m (loss of EUR 1.3m). Profit for the year ended 31 December 2017 amounted to EUR 1.4m (Loss of EUR 2.2m).

The Parent Company’s cash and cash equivalents amounted to EUR 2.0m (31.7) and borrowings, which are recognised at fair value through profit and loss, comprising the bond, amounted to EUR 102.9m (50.5). Equity amounted to EUR 42.6m (25.2) at the end of the year.

EMPLOYEES

The Group’s total number of employees at 31 December 2017 amounted to 282 (190), of which 98 (72) were women and 184 (118) were men. Expressed as percentages, women represented 35 percent (38) of the total number of employees whilst men represented 65 percent (62). All employees are employed on a full-time basis.

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. Furthermore, 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 condition 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 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 condition and results of operations.

In addition to the above, the Directors also 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 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.

The Board of Directors and the Chief Executive Officer certify that this year-end report provides a true and fair overview of the Group and the Parent Company's operations, performance and financial positions for the period, and describes the material risks and uncertainties facing the Group companies and the Parent Company.

Malta, 7 February 2018

KATHRYN MOORE BAKER
Chairman of the Board

HENRIK PERSSON EKDAHL
Board Member/CEO

MATS ALDERS
Board Member

ANDRE LAVOLD
Board Member

ANDERS BRANDT
Board Member

MATHIAS HERMANSSON
Board Member

This report has not been audited or reviewed by the company's auditors.

Registered office
Quantum Place,
Triq ix-Xatt
Ta' Xbiex
Gzira, Malta

Financial calendar

Annual Report	28 March 2018
AGM	26 April 2018
Q1 interim report 2018	4 May 2018
Q2 interim report 2018	10 August 2018
Q3 interim report 2018	6 November 2018

Contact details

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The Annual Report will be published on the company's website

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 7 February 2018, at 08:00 a.m. CET.

Condensed consolidated statements of comprehensive income

Group	Notes	Oct - Dec 2017	Oct - Dec 2016	Jan - Dec 2017	Jan - Dec 2016
		€ '000	€ '000	**€ '000**	€ '000
Revenue	3	**20,062**	12,286	**66,590**	40,049
Other operating income	4	**-**	-	**1,060**	-
Total revenue		**20,062**	12,286	**67,650**	40,049
Direct costs related to Paid revenue		**(1,995)**	(2,233)	**(8,851)**	(7,209)
Personnel expenses		**(3,594)**	(2,039)	**(12,555)**	(6,113)
Depreciation and amortisation		**(1,516)**	(349)	**(4,219)**	(1,037)
Non-recurring costs:	5				
IPO and bond related costs		**(188)**	(429)	**(2,461)**	(2,381)
Reorganisation costs		**(605)**	-	**(1,041)**	-
Other operating expenses		**(3,342)**	(1,489)	**(10,105)**	(4,663)
Total operating expenses		**(11,240)**	(6,539)	**(39,232)**	(21,403)
Operating profit		**8,822**	5,747	**28,418**	18,646
Interest payable on borrowings		**(1,725)**	(951)	**(5,298)**	(1,081)
Other losses on financial liability at fair value through profit or loss		**(882)**	(375)	**(1,401)**	(500)
Finance costs		**(594)**	19	**(2,196)**	-
Finance income		**911**	-	**3,330**	444
Profit before tax		**6,532**	4,440	**22,853**	17,509
Tax expense		**(453)**	(378)	**(1,785)**	(1,367)
Profit for the period / year		**6,079**	4,062	**21,068**	16,142
Other comprehensive income					
Currency translation differences		**(230)**	(36)	**(69)**	(79)
Profit for the period / year - total comprehensive income		**5,849**	4,026	**20,999**	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		**0.12**	0.08	**0.40**	0.32
From profit for the period / year		**0.12**	0.08	**0.40**	0.32
Diluted earnings per share					
From continuing operations		**0.11**	0.08	**0.40**	0.31
From profit for the period / year		**0.11**	0.08	**0.40**	0.31

The notes on pages 20 to 25 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statements of financial position

Group	Notes	31 Dec 2017	31 Dec 2016
		€ '000	€ '000
ASSETS			
Non-current assets			
Goodwill		**7,333**	7,333
Other intangible assets	6	**232,132**	71,168
Property, plant and equipment		**3,484**	766
Other investments	7	**589**	-
Total non-current assets		**243,538**	79,267
Current assets			
Trade and other receivables		**13,592**	11,765
Deferred tax assets		**2,980**	1,397
Cash and cash equivalents		**12,346**	44,713
Total current assets		**28,918**	57,875
Total assets		**272,456**	137,142
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		**81**	77
Share premium		**47,153**	25,741
Other reserves		**6,077**	5,378
Retained earnings		**43,707**	22,639
Total equity		**97,018**	53,835
Liabilities			
Non-current liabilities			
Borrowings	8	**102,882**	50,500
Amounts committed on acquisition	9	**27,655**	6,195
Deferred tax liabilities		**6,139**	2,171
Total non-current liabilities		**136,676**	58,866
Current liabilities			
Amounts committed on acquisition	9	**33,641**	20,741
Trade and other payables		**4,178**	1,739
Current tax liabilities		**943**	1,961
Total current liabilities		**38,762**	24,441
Total liabilities		**175,438**	83,307
Total equity and liabilities		**272,456**	137,142

The notes on pages 20 to 25 are an integral part of these condensed consolidated interim financial statements.

These condensed consolidated financial statements on pages 15 to 25 were authorised for issue by the Board on 7 February 2018 and were signed on its behalf by:

Kathryn Moore Baker
Chairperson

Henrik Persson Ekdahl
Director and acting CEO

Condensed consolidated statements of changes in equity

Group	Attributable to owners of the parent				
	Share capital	Share premium	Other reserves	Retained earnings	Total equity
	€ '000	€ '000	€ '000	€ '000	€ '000
Balance at 1 January 2017	77	25,741	5,378	22,639	53,835
Comprehensive income					
Profit for the year	-	-	-	21,068	21,068
Foreign currency translation movement	-	-	(69)	-	(69)
Total comprehensive income for the year	-	-	(69)	21,068	20,999
Transactions with owners					
Issue of share capital	4	21,412	-	-	21,416
Equity-settled share-based payments	-	-	768	-	768
Total transactions with owners	4	21,412	768	-	22,184
Balance at 31 December 2017	**81**	**47,153**	**6,077**	**43,707**	**97,018**

The notes on pages 20 to 25 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statements of changes in equity - continued

Group

	Attributable to owners of the parent				
	Share capital	**Share premium**	**Other reserves**	**Retained earnings**	**Total equity**
	€ '000	**€ '000**	**€ '000**	**€ '000**	**€ '000**
Balance at 1 January 2016	66	1,000	5,073	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	24,741	384	-	25,136
Balance at 31 December 2016	**77**	**25,741**	**5,378**	**22,639**	**53,835**

The notes on pages 20 to 25 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statements of cash flows

Group	Oct - Dec 2017	Oct - Dec 2016	Jan - Dec 2017	Jan - Dec 2016
	€ '000	€ '000	**€ '000**	€ '000
Cash flows from operating activities				
Profit before tax	**6,532**	4,440	**22,853**	17,509
Adjustments for:				
Depreciation and amortisation	**1,516**	349	**4,219**	1,037
Impairment of receivables	**80**	-	**80**	89
Unrealised exchange differences	**(771)**	(55)	**(3,818)**	(553)
Interest expense	**2,319**	883	**7,494**	1,015
Net losses on financial liability at fair value through profit or loss	**882**	375	**1,401**	500
Share based payments	**313**	49	**768**	148
	10,871	6,041	**32,997**	19,745
Taxation paid	**-**	-	**(1,430)**	(811)
Changes in:				
Trade and other receivables	**(146)**	(2,155)	**(2,368)**	(7,560)
Trade and other payables	**213**	(339)	**(1,354)**	(306)
Net cash generated from operating activities	**10,938**	3,547	**27,845**	11,068
Cash flows used in investing activities				
Acquisition of property, plant and equipment	**(471)**	(122)	**(3,099)**	(408)
Acquisition of intangible assets	**(26,012)**	(10,149)	**(102,041)**	(40,563)
Acquisition of other investments	**-**	-	**(589)**	-
Net cash used in investing activities	**(26,483)**	(10,271)	**(105,729)**	(40,971)
Cash flows from financing activities				
Net proceeds received on issuance of share capital	**-**	-	**-**	24,208
Net proceeds on issue of bond	**-**	-	**50,045**	49,100
Interest paid	**(1,709)**	(871)	**(5,198)**	(873)
Net cash (used in)/generated from financing activities	**(1,709)**	(871)	**44,847**	72,435
Net movement in cash and cash equivalents	**(17,254)**	(7,595)	**(33,037)**	42,532
Cash and cash equivalents at beginning of period / year	**29,508**	52,285	**44,713**	1,529
Currency translation differences	**92**	23	**670**	652
Cash and cash equivalents at end of period / year	**12,346**	44,713	**12,346**	44,713

The notes on pages 20 to 25 are an integral part of these condensed consolidated interim financial statements.

Notes to the condensed consolidated financial statements

1. GENERAL INFORMATION

The Parent Company is a limited liability company and is incorporated in Malta. The Group engages 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 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), and are also available on www.catenamedia.com. The Parent Company applies the same accounting principles as the Group.

2.1 Basis of preparation

The condensed consolidated 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 measured at fair value through profit or loss.

These condensed consolidated financial statements incorporate the results of Catena Operations Limited and its subsidiaries Molgan Limited, Catena Media UK Limited, Catena Media doo Beograd, Catena Media US Inc., Catena Media Australia PTY Limited, Catena Media K.K. and Catena Media Sverige AB.

As at 31 December 2017, the Group’s current liabilities exceeded current assets by EUR 9.8m. Trade and other payables include current contingent considerations amounting to EUR 33.6m. Since the contractual terms of related acquisitions are such that future payments depend on the achievements of target earnings, the directors consider that the liquidity risk associated with these transactions is less significant. On the basis of the foregoing future prospects and funding, the Board believes that it remains appropriate to prepare the financial statements on a going concern basis.

This year-end report has not been audited or reviewed.

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

A number of new standards, interpretations and changes to published standards will come into force for fiscal years beginning after January 1, 2018 and have not been applied in the preparation of this financial report. The Group has not early adopted these revisions to the requirements of 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 2014. Amongst others, it replaces the guidance in IAS 39 that relates to the classification and measurement of financial assets and liabilities, impairment and hedge accounting.

2. ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

For financial assets, IFRS 9 retains but simplifies the mixed measurement model in IAS 39 and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI (FVOCI) and fair value through P&L (FVTPL). Notwithstanding this change, the directors expect that trade and other receivables which are measured at amortised cost under IAS 39, will also continue to be measured at amortised cost. Investments in equity instruments, which for the Group comprise a strategic investment currently classified as an available-for-sale financial asset, are required to be measured at FVTPL unless the entity makes an irrevocable option at inception to present changes in fair value in OCI instead of the income statement.

IFRS 9 also introduces a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. This amendment impacts the Group only to the extent of trade and other receivables, and the directors have concluded that there will not be a significant impact on the Group as a result of this amendment. The hedge accounting provisions in IFRS 9 will not impact the Group.

For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income for liabilities designated at fair value through profit or loss. This may impact the recognition of fair value movements in the company's bond measured at FVTPL, although the directors do not expect the impact to be material.

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.

Catena Media earns commission-based fees that are either revenue share contracts, CPA contracts or a hybrid of these two models. In Catena Media's revenue model, potential players are referred to iGaming operators, and commissions are earned when, and if, the referred players effect deposits or as the case may be, place wagers.

Management has carried out an analysis of Catena Media's customer contracts within the context of IFRS 15 to identify performance obligations present within those contracts. A key component of revenue recognition under IFRS 15 is that in terms of the standard, consideration based on uncertain future outcome is deemed to be variable consideration. The standard requires that variable considerations be estimated, and that estimate is recognised in the statement of comprehensive income as the performance obligation is satisfied. However, the standard also introduces a limitation on the recognition of variable consideration, such that its recognition (based on estimates) is only allowed if it is highly probable that a change in the estimate will not result in a significant reversal of the revenue recognised. The consideration that Catena Media is entitled to is not determinable when a contract is entered into, since it is commissions-based fee income dependent upon volumes of referred players who successfully deposit and/or place wagers; the exact amount of revenue per month is however determinable at each month end.

Notes to the condensed consolidated financial statements - continued

2. ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

The Catena Media revenue model lends itself to a narrow exception on variable consideration that is applicable in certain instances where revenue generation is outside of the entity's control. IFRS 15 sets out that variable consideration generated from sales- or usage-based royalties on licences of intellectual property the amount of which is dependent on the licensee's sales or usage efforts and therefore unknown until the licensee uses the intellectual property – is only recognised as revenue when there is no longer any variability, i.e. when the sales or usage occur. Under IFRS 15, Catena Media will therefore recognise income from revenue share contracts and CPA contracts at the end of each month, when there is no longer any variability on the consideration. On the basis of the above assessment, the directors have concluded that the effects of the introduction of IFRS 15 will not result in any changes to Catena Media's revenue recognition model and will not have a material effect on the Group's financial statements.

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. An assessment of the impact of the standard is currently under way and the preliminary conclusion is that the long-term office leases entered into by subsidiaries of the Group will fall within the remits of this standard.

As at the reporting date, the Group has non-cancellable operating lease commitments in respect of long-term office leases amounting to EUR 8.8m. However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

3. REVENUE

The revenue of the Group for the fourth quarter of 2017 and for the year ended 31 December 2017 is further analysed as follows:

Group	**Oct - Dec 2017**	Oct - Dec 2016	**Jan - Dec 2017**	Jan - Dec 2016
	€ '000	€ '000	**€ '000**	€ '000
Search revenue	**16,938**	8,779	**53,880**	29,423
Paid revenue	**3,124**	3,507	**12,710**	10,626
Total revenue	**20,062**	12,286	**66,590**	40,049

Notes to the condensed consolidated financial statements - continued

3. REVENUE (CONTINUED)

Group	Oct - Dec 2017	Oct - Dec 2016	Jan - Dec 2017	Jan - Dec 2016
	€ '000	€ '000	**€ '000**	€ '000
Casino revenue	**13,159**	11,122	**51,332**	37,903
Sports revenue	**5,854**	1,164	**14,209**	2,146
Finance revenue	**1,049**	-	**1,049**	-
Total revenue	**20,062**	12,286	**66,590**	40,049

4. OTHER OPERATING INCOME

Other operating income amounted to EUR 1.1m (nil) relating to a one-off compensation for loss of revenue received from a partner in relation to PPC traffic. No other operating income was generated during the fourth quarter.

5. NON-RECURRING COSTS

Non-recurring costs relate to costs which are not deemed to be in the ordinary course of the Catena Media business, including IPO, bond and reorganisation costs. During the fourth quarter, IPO costs relating to the listing on Nasdaq Stockholm (Mid-Cap) amounted to EUR 0.2m. The comparative figure for the corresponding quarter of the previous year, which included costs relating to the listing on First North Premier and the bond issue amounted to EUR 0.4m. IPO and bond related costs for 2017 amount to EUR 2.5m (2.4). Reorganisation costs, which comprise termination benefits and the share option cost subject to an accelerated vesting upon termination of employment amount to EUR 0.6m (nil) and EUR 1.0m (nil) for the fourth quarter and full year respectively.

6. OTHER INTANGIBLE ASSETS

The Group acquired a number of websites, domains and player databases. Additions during the fourth quarter of 2017 amounted to EUR 66.5m (19.6), while additions during 2017 amounted to EUR 161.7 (57.3). The additions mainly comprised the affiliate assets of Beyondbits, Baybets, Squawka.com and Pokerscout.com during the fourth quarter and JP Casino Online, Slotsia.com, Online Media, NewCasinos.com and Bettingpro.com during the previous quarters of 2017. During the second quarter, an adjustment to previously recognised contingent considerations of EUR 11.4m (nil) was reflected as a result of changes in estimates of the likely outcome of a contingent event. No such adjustments were reflected in the fourth quarter. Further, development of websites and other applications amounted to EUR 1.2m (0.4) and EUR 3.1m (0.4) for the fourth quarter and full year respectively.

7. OTHER INVESTMENTS

Other investments include available-for-sale financial assets. The fair value of the available-for-sale financial assets, which at reporting date amounted to EUR 0.6m (nil), was determined by reference to the cost of acquiring the shares. The directors considered that there were no significant changes in the fair value of the shares in the intervening period between the acquisition date and the reporting date. The fair value has been categorised within the IFRS 13 fair value hierarchy as Level 3.

8. BORROWINGS

Borrowings as at the end of the reporting period comprise a three-year secured bond loan amounting to EUR 100.0m (50.0), which matures in September 2019. This balance is comprised of an amount of EUR 50.0m which was issued on 16 September 2016 and a tap issue of EUR 50.0m issued on 14 June 2017. The bond was listed on Nasdaq Stockholm on 2 November 2016 at a nominal value of EUR 100 000.

The bond loan is secured by the shares of the Parent Company's 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 fair value of the bond, which at the end of the reporting period amounted to EUR 102.9m (50.5), was determined by reference to the price quoted on Nasdaq Stockholm website. Accordingly, the bond's fair value is categorised within the IFRS 13 fair value hierarchy as Level 1.

9. AMOUNTS COMMITTED ON ACQUISITION

Amounts committed on acquisitions consist of contractual obligations resulting from the purchase of intangible assets from third parties. Some of the obligations have a predetermined value, while others include future payments whose value depends on target earnings. The latter are further referred to as contingent considerations.

Expected cash out flows relating to these contingent considerations are assessed by the Directors for each asset acquisition on the basis of their knowledge of the industry and how the economic environment is likely to impact it. Total amounts committed on acquisition as at 31 December 2017 of EUR 61.3m (26.9) include an amount of EUR 58.9m (15.0) which is contingent. The current portion of amounts committed on acquisition of EUR 33.6m includes an amount of EUR 31.2m which is contingent.

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 percent, the company's borrowing rate. The fair value adjustment to the expected cash flows is of EUR 7.5m (nil), EUR 3.0m (nil) of which is attributable to amounts committed on acquisition due within twelve months from the end of the current financial year. The corresponding adjustment impacts the value of the assets acquired as recognised in the statement of financial position.

The notional interest charge on the contingent considerations is included in 'Finance costs', net of foreign exchange differences.

During the current financial year, amounts committed on acquisition relating to contingent considerations have been adjusted by an amount of EUR 11.4m to reflect a change in estimates (refer to Note 6). No adjustments were made during the fourth quarter.

The maximum potential undiscounted amount that the Group may be required to settle under such contingent consideration arrangements is EUR 128.3m, of which EUR 66.3m (13.9), gross of fair value adjustment of EUR 7.5m (nil) resulting in EUR 58.9m net of discounting, with additional EUR 2.4m (nil) of committed but not contingent, resulting in the reported EUR 61.3m in the statement of financial position.

Notes to the condensed consolidated financial statements - continued

10. 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 service agreement with Optimizer Invest Limited expired on 9 November 2017 after a contractual termination period of three months.

The following transactions were carried out with related parties:

Other related party transactions	**Oct - Dec 2017**	Oct - Dec 2016	**Jan - Dec 2017**	Jan - Dec 2016
	€ '000	€ '000	**€ '000**	€ '000
Purchases of services:				
Entities with significant shareholding *	**269**	487	**2,352**	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 statements of income and other comprehensive income

	Oct - Dec 2017	Oct - Dec 2016	Jan - Dec 2017	Jan-Dec 2016
	€ '000	€ '000	€ '000	€ '000
Investment and related income	-	-	4,746	-
Personnel expenses	(63)	(55)	(293)	(147)
IPO and bond related costs	-	(4)	(908)	(922)
Recharge of IPO and bond related costs to subsidiary	900	-	900	-
Other operating expenses	(43)	(50)	(219)	(127)
Other operating income	20	-	59	-
Total operating income/(expenses)	814	(109)	(461)	(1,196)
Operating profit/(loss)	814	(109)	4,285	(1,196)
Interest payable on borrowings	(1,728)	(883)	(5,299)	(1,015)
Recharge of interest to subsidiary	5,278	-	5,278	-
Other losses on financial liability at fair value through profit or loss	(882)	(375)	(1,401)	(500)
Finance costs	(8)	-	(238)	-
Finance income	-	41	-	539
Profit/(loss) before tax	3,474	(1,326)	2,625	(2,172)
Tax expense	-	-	(1,266)	-
Profit/(loss) for the period/year - total comprehensive income	3,474	(1,326)	1,359	(2,172)

Condensed Parent Company balance sheet

	31 Dec 2017	31-Dec 2016
	€ '000	€ '000
ASSETS		
Non-current assets		
Investment in subsidiaries	**904**	214
Current assets		
Trade and other receivables	**149,597**	44,007
Cash and cash equivalents	**1,967**	31,648
Total current assets	**151,564**	75,655
Total assets	**152,468**	75,869
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	**81**	77
Share premium	**47,684**	26,271
Other reserves	**1,226**	457
Accumulated losses	**(237)**	(1,596)
Total equity	**48,754**	25,209
Liabilities		
Non-current liabilities		
Borrowings	**102,882**	50,500
Total non-current liabilities	**102,882**	50,500
Current liabilities		
Trade and other payables	**832**	160
Total liabilities	**103,714**	50,660
Total equity and liabilities	**152,468**	75,869

Definitions of Alternative Performance Measures

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

ATERNATIVE KEY RATIO	DESCRIPTION	SCOPE
ADJUSTED EBITDA	EBITDA adjusted for non-recurring expenses	The Group reports this key ratio because it provides a better understanding of the operating profit than non-adjusted EBITDA, which also provides a more comparable financial measure over time.
ADJUSTED EBITDA MARGIN	Adjusted EBITDA as a percentage of Revenue	The Group reports this key ratio to show the underlying EBITDA margin before non-recurring costs, which provides a better understanding of EBITDA margin than non-adjusted EBITDA margin, which also provides a more comparable financial measure over time.
ADJUSTED OPERATING MARGIN	Operating margin adjusted for non-recurring expenses	The Group reports this key ratio so that users of the interim report to monitor the underlying operating margin excluding non-recurring items, which gives a better understanding of performance than non-adjusted operating margin, and results in a more comparable profit measure over time.
ADJUSTED OPERATING PROFIT	Operating profit adjusted for non-recurring expenses	The Group reports this key ratio so that users of the interim report can monitor the underlying operating profit adjusted for non-recurring costs, which results in a more comparable profit measure over time
EBITDA	Operating profit before depreciation and amortization	The Group reports this key ratio so that users of the report can monitor operating profit and cash flow. This is also used by investors, analysts and the Group's management to evaluate the Group's operational profitability
EBITDA MARGIN	EBITDA as a percentage of revenue.	The Group reports this key ratio so that the users of the report can monitor the value creation generated by the operation. This is also used by investors, analysts and the Group's management to evaluate the Group's operational profitability
NDC (NEW DEPOSITING CUSTOMERS)	A new customer placing a first deposit on a client’s website	The Group reports these key figures since they are the driving key to measure revenues and long-term organic growth.
OPERATING PROFIT	Profit before financial items and taxes	The Group reports this key ratio so that users of the report can monitor the earnings trend of the Group
OPERATING MARGIN	Operating profit as a percentage of revenue	The Group reports these key figures so that users of the report can monitor the earnings trend for the Group
NON-RECURRING COSTS	Costs that are not part of the normal operation of the business	Non-recurring expenses are costs that do not relate to the ongoing operations of the business. Examples include bond issue costs, IPO-costs, including costs associated with the planned change in the listing on Nasdaq Stockholm, as well

as reorganisation costs

Definitions of Alternative Performance Measures - continued

ALTERNATIVE KEY RATIO	DESCRIPTION	SCOPE
ORGANIC GROWTH	Revenue growth rate adjusted for acquired portfolios and products. Organic growth includes the growth in existing and acquired portfolios and products.	The Group reports these key figures since they are the driving key to measure revenues and long-term organic growth.
REVENUE GROWTH	Increase in revenue compared to the previous accounting period as a percentage of revenue in the previous accounting period	The Group reports this key ratio so that users of the report can monitor business growth.
PRODUCTIVITY RATIO	Revenue per employee	The Group reports this key ratio to be used by management and investors to assess productivity per employee.

Other definitions can be found on Catenamedia.com