

Governance at Novamedia

Safeguarding social relevance for the future

In view of the overwhelming success of the charity lotteries that use Novamedia formats in Europe, and the major social relevance resulting from this, we have safeguarded the social role of Novamedia for the future.

It would not be wise for Novamedia shares to be able to fall into the hands of third parties such as foreign investors or commercial gambling companies. Novamedia's vision and mission (the world benefits from strong social organisations; we raise funds for these organisations and raise awareness of their work) might then be lost.

In 2008, that insight led to the decision that it would not be desirable to let Novamedia shares remain in private hands after the death or retirement of the shareholders and founders. It would be better if Novamedia, and the lotteries, ended up in the hands of a General Interest (Algemeen Belang) foundation. This became the Novamedia Foundation Trust.

Novamedia wants to contribute to a better world through charity lotteries. Novamedia firmly believes that the world benefits from strong social organisations. It is our mission to set up and operate charity lotteries all over the world to raise funds for social organisations worldwide and increase awareness of their work.

As the owner and creator of, and investor in charity lottery formats, Novamedia receives licence-revenues from these charity lotteries. This income is used for the (continued) development of its formats and for further investments in setting up new charity lotteries and other activities with the sole objective to enable and support charitable and social initiatives. Our work needs to be protected through Novamedia's governance.

Novamedia's governance

In December 2017 Novamedia implemented a new governance structure. The basic principles are relevant to realising the mission and guaranteeing Novamedia's continuity. Various safeguards have been designed to assure this continuity. We created a structure – consisting of different decision-making bodies – that facilitates the achievement of our goals.

At the same time, it maintains our entrepreneurial spirit and protects against misuse both internally and externally. It protects the sale of shares in Novamedia and the intellectual property rights related to the Postcode Lottery format.

Neither can be sold without prior approval from six boards: the Board of Directors of Novamedia, the Supervisory Board of Novamedia, the Board and the Appointment Board of Stichting de Novamedia Fundatie (The Novamedia Foundation), the Board of Cella Media

(which holds 19% of voting rights due to a right of usufruct on Novamedia Holding's shares) and the Board of Stichting Continuïteit (the Continuity Foundation).

The continuity of Novamedia's mission is the main objective for The Novamedia Foundation. The foundation has been incorporated with the core function of perpetually holding all the shares in Novamedia Holding. The Board of the Novamedia Foundation consists of three members (Pieter van Geel, Boudewijn Poelmann and Peter Prein). The foundation will never transfer shares in Novamedia Holding to another party and Novamedia Holding will never transfer shares in Novamedia BV.

To further ensure the continuity of Novamedia and its mission, the objective of the Continuity Foundation is to safeguard the objectives and continuity of Novamedia. The Board of the Continuity Foundation consists of three members (Ben Knapen (chair), Ruud Esser and Jan-Piet van Harseler). In case a request is brought before the Supervisory Board or the Board of the Novamedia Foundation to change the articles of association, the following will happen: the Continuity Foundation obtains a (deciding) share in Novamedia Holding and in Novamedia BV. Apart from this exceptional case, the Continuity Foundation does not have any control over Novamedia.

In the meantime, there is more than 4.5 years of experience with the new organisational structure, our governance, and the standards of good governance in general have been further developed. During those years, Novamedia has continued its success. As in the past 30 years, an enterprising spirit, thinking from opportunities and a willingness to take risks, has led to further growth and international expansion. Novamedia's activities outside the Netherlands are now larger than those in the Netherlands.

In a context of increasing competition and internationalisation of the market, we see opportunities for further growth so that we can raise even more money for good causes each year. To be able to decisively respond to the developments and to continue to grow, large investments are necessary. Especially in the countries where the target of at least 20% of households playing the Postcode Lottery has not yet been reached.

In practice, the number of committees that must agree unanimously on operational matters means that the current governance structure is hampering decisiveness. Therefore, an adjustment of the governance is necessary at this point, with which the aforementioned starting points (maintaining our entrepreneurial spirit and protecting against misuse both internally and externally) are better balanced in practice, by reserving the far-reaching unanimity requirements to the decisions that are related to the social mission and continuity of Novamedia.

APPENDIX

Transitional phase: all Novamedia shares to the Novamedia Foundation

In order to make the Novamedia Foundation the sole shareholder, a transitional phase has taken place in which all shares have been transferred to the Novamedia Foundation. In 2008, all of the shareholders concerned established the basic price at which the Novamedia Foundation could purchase the shares during this transitional phase. This basic price was far below what is usual in share transactions in general.

The Novamedia Foundation financed the purchase of Novamedia shares between 2008 and 2013 by means of a bank loan and a loan from its 'own' Novamedia Holding B.V. The bank loan (€42 million) could be paid off in 4 years because the remaining shareholders renounced their claim to a dividend since 2009 and the Novamedia Foundation had the disposal of it.

The loan from Novamedia Holding B.V. has not yet been paid back entirely. In 2016, Cella Media B.V., of which Boudewijn Poelmann and Annemiek Hoogenboom are the owners, donated the remaining 18.97% of the shares to the Novamedia Foundation, on the condition that the usufruct remains with Cella Media, which proceeds will be donated annually to a charity fund. This now makes the Novamedia Foundation 100% owner of Novamedia shares, thus safeguarding continuity.

The transitional phase has been fully completed. Of the four founders of the Dutch Postcode Lottery, Boudewijn Poelmann is the only one who is still involved in Novamedia.

Novamedia Foundation Trust

During the transitional phase, constantly growing shares percentage came into the possession of the Novamedia Foundation:

2008: 48.54%

2009: 48.54%

2010: 56.73%

2011: 61.73%

2012: 66.73%

2013: 81.03%

2016: 100%

Details of the transition phase

At the beginning of 2001, Chios Investments BV purchased a share package of 29.57% in Novamedia for €27 Million in order to finance the investments in Sweden. In 2008, the Novamedia Foundation Trust purchased the shares of Chios Investments BV for €37 Million: the original investment plus remuneration based on Euribor on the capital invested. Chios Investments BV made no claim to the considerable increase in value of these shares over these years.

The investment by Chios Investments BV enabled Novamedia to set up the Swedish Postcode Lottery. This involved an investment of €28 Million.

Financing the purchase of shares

The Novamedia Foundation Trust financed the purchasing of shares through a loan from the bank and a loan from its 'own' Novamedia Holding B.V. The loan from the bank (€42 Million) could be paid off in 4 years (2009-2012) because the remaining shareholders renounced their claim to a dividend from 2009 onwards and donated this in full to the Novamedia Foundation Trust, allowing the Novamedia Foundation Trust to repay the bank loan.

1990-2008 dividend and remuneration

From 1990 to 2000 inclusive, Novamedia paid a total dividend of €3,175,000 to the two shareholders who held all Novamedia shares up to 2001: Cella Media BV and Media Avenir BV.

In the same period of 1990-2000, remuneration was also paid to the companies of the other two founders/directors. This remuneration was based on the income from the licence fees that the Dutch Postcode Lottery paid to Novamedia in this period. From 1990 to 2000 inclusive, this was a total of €40,386,663 (plus VAT).

As a basis for calculating a payment to the other two founders who were not Novamedia shareholders - Plein 2000 (Jelsma) and Leeman Holding – the founders agreed that each of these two founders could charge Novamedia 20% of the licence fee via their personal holding company. This payment also covered the cost of personnel carrying out activities for Novamedia.

Also in return, they would have to commit themselves full-time to the day-to-day leadership and further expansion of the activities of Novamedia and the lotteries using its formats (there were no other claims for costs or remuneration).

The 60% of the licence fee remaining with Novamedia was devoted entirely to covering the costs incurred by Novamedia (including the salaries of founders/directors Herman de Jong and Boudewijn Poelmann). No payments were made to their companies (Media Avenir BV and Cella Media BV). This changed in 2001 when Chios Investments BV became a shareholder (see above).

From 2001 to 2008 inclusive, the five shareholders at that time received a total of €12.4 Million in dividends. This includes the dividend paid to shareholder Chios Investments BV (€3.6 Million for the period 2001-2008).

Transaction with (former) shareholders:

2008:	Media Avenir B.V.	18,97%	€10 million
	Chios Investments B.V. return of investment plus interest	29,57%	€ 37 million
2010:	Cella Media B.V.	2,06%	€ 2.6 million
	Frank Leeman Holding B.V.	1,85%	€ 2.3 million
	Plein 2000 Holding B.V.	4,29%	€ 2.2 million +
		8,19%	€ 7,1 million
2011	Plein 2000 Holding B.V.	5%	€ 2,6 million
2012	Plein 2000 Holding B.V.	5%	€ 2,6 million
2013-2015	Frank Leeman Holding B.V.		€ 4,7 million
			€ 4,2 million
			€ 4,1 million +
		14,29%	€ 13,0 million
2016	Cella Media B.V.	18,97%	DONATED

Prices mentioned above can also be consulted in the Novamedia annual reports