



EGR LIVE CASINO SUPPLIER OF THE YEAR  
NINE TIME WINNER 2010-2018

EGR MULTI-CHANNEL SUPPLIER  
OF THE YEAR 2018

Interim report | January–September 2018 | Evolution Gaming Group AB (publ)

### Third quarter of 2018 (Q3 2017)

- Operating revenues increased by 41% to EUR 64.3 million (45.7)
- EBITDA increased by 28% to EUR 28.0 million (21.8), corresponding to a margin of 43.5% (47.7)
- Profit for the period amounted to EUR 21.2 million (16.8)
- Earnings per share amounted to EUR 0.59 (0.47)

### January–September 2018 (9m 2017)

- Operating revenues increased by 37% to EUR 175.2 million (127.7)
- EBITDA increased by 31% to EUR 76.1 million (58.0), corresponding to a margin of 43.4% (45.5)
- Profit for the period amounted to EUR 57.9 million (44.1)
- Earnings per share amounted to EUR 1.61 (1.23)

### Events during the third quarter of 2018

- Higher than expected growth in number of tables
- Launch of new studio in New Jersey
- Expansion in Malta during 2019

### Summary of the third quarter and the first nine months of 2018

| Group<br>(EUR thousands) | Jul-Sep<br>2018 | Jul-Sep<br>2017 | %   | Jan-Sep<br>2018 | Jan-Sep<br>2017 | %   | Oct 2017-<br>Sep 2018 | Jan-Dec<br>2017 |
|--------------------------|-----------------|-----------------|-----|-----------------|-----------------|-----|-----------------------|-----------------|
| Operating revenues       | 64,346          | 45,690          | 41% | 175,192         | 127,668         | 37% | 225,910               | 178,385         |
| EBITDA                   | 27,992          | 21,803          | 28% | 76,113          | 58,037          | 31% | 98,712                | 80,636          |
| EBITDA margin            | 43.5%           | 47.7%           | -   | 43.4%           | 45.5%           | -   | 43.7%                 | 45.2%           |
| Operating profit         | 23,225          | 18,226          | 27% | 62,750          | 48,075          | 31% | 81,556                | 66,882          |
| Operating margin         | 36.1%           | 39.9%           | -   | 35.8%           | 37.7%           | -   | 36.1%                 | 37.5%           |
| Profit for the period    | 21,242          | 16,777          | 27% | 57,925          | 44,096          | 31% | 75,959                | 62,129          |
| Profit margin            | 33.0%           | 36.7%           | -   | 33.1%           | 34.5%           | -   | 33.6%                 | 34.8%           |
| Earnings per share (EUR) | 0.59            | 0.47            | 27% | 1.61            | 1.23            | 35% | 2.11                  | 1.73            |
| Equity per share (EUR)   | 3.80            | 2.55            | 49% | 3.80            | 2.55            | 49% | 3.80                  | 3.05            |
| OCF per share (EUR)      | 0.90            | 0.47            | 89% | 2.03            | 1.24            | 65% | 2.54                  | 1.74            |
| Average number of FTEs   | 3,692           | 2,701           | 37% | 3,383           | 2,544           | 33% | 3,274                 | 2,639           |

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## CEO's comments

The third quarter of the year exhibited continued high demand and good growth. Revenue amounted to EUR 64.3 million, corresponding to an increase of 41 percent compared with the third quarter of 2017. EBITDA amounted to EUR 28.0 million with a margin of 43.5 percent. The margin was impacted by a faster-than-expected growth in the number of tables. We had approximately 500 tables live at the end of the quarter and we expect continued high expansion going forward. We further expect the margin to improve somewhat in the fourth quarter, while the full year number will be in the lower end of our earlier expectations.

The main milestone of the quarter was without doubt the launch of our state-of-the-art studio in Atlantic City, New Jersey; our tenth studio globally. Already from start, the studio serves several strong brands in the market with a broad portfolio of games and services. The response has been positive throughout, and the development of the offering has exceeded our expectations during the initial phase, which provides confidence for the future. However, the US market remains a long-term project, where New Jersey marks the start of a longer journey. The timetable for regulation in additional states is hard to predict; according to reports, Pennsylvania is next during 2019. Regardless of the timing, Evolution is now very well positioned to grasp the opportunities that will open up.

For our newly-opened studio in Georgia, we continue to see positive development with fast growth and a good pace in recruitment. Just as in New Jersey, we are only in the starting blocks and a lot remains to be accomplished. All in all, we can conclude that we have a year of high investment pace behind us, manifested by the said studios as well as our new studio in Canada. When we look upon 2019, we turn our focus to Malta where we evaluate the possibilities for further expansion, potentially via a new studio. All our international teams are located in Malta, and we see that demand for native-language services is increasing as more markets become regulated. In absolute numbers, the investment levels in 2019 will remain approximately on par with this year.

Looking at our markets in the quarter, we note that the Nordics and Rest of Europe continue to grow at the same pace as before. At the same time, the UK has developed slower as a consequence of operators still being in the process of adapting themselves to the latest regulatory requirements. Rest of World continues to exhibit high growth, and we believe it is very positive that our products appeal to players across the globe.

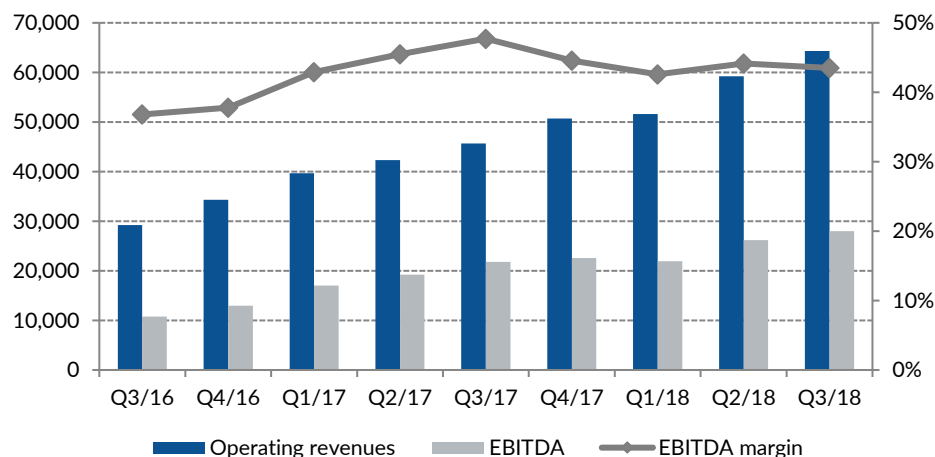
On the product side during the quarter, we have prepared for two new launches that will take place before year-end; a revised RNG suite and Infinite Blackjack, which is a Blackjack game with an unlimited number of players. To expand our portfolio and create new games that go beyond the expected remains a priority, and an important key to continue expanding our leadership in the market. After the end of the quarter, we gained additional proof of our products being in the absolute forefront, as our newly launched and very popular Lightning Roulette was awarded Product Innovation of the Year at the G2E exhibition in Las Vegas. It feels particularly good that the award targeted the best innovation in both the online and land-based categories.

With little more than 2 months of 2018 remaining, we can soon look back at a year that in many ways will be historic for Evolution; not least thanks to our expansion outside Europe. This year, we have also passed the 5,000-employee mark in the group, which is a great achievement. To find the right talents requires time and resources, and I am very proud of all the efforts that are being made in this area.

With all the above being said, Evolution continues on its course to strengthen its leadership in the market by providing the very best products and services that one may find. I, together with all our employees, look forward to our continued progress with confidence.

**Martin Carlesund, CEO**

### Quarterly results trend



## Financial performance in the third quarter of 2018

### Revenues

Revenues amounted to EUR 64.3 million (45.7) in the third quarter, corresponding to an increase of 41% compared with the corresponding period in 2017. The positive revenue development mainly derives from increased commission income from existing customers and, to a certain extent, from new customers. Demand for Live Casino games was generally high over the quarter and the number of bet spots from end users amounted to 3.9 billion (2.4). Revenues from dedicated tables and environments also contributed to the increase as a result of additional customers launching or extending their customised Live Casino environments.

### Expenses

Operating expenses amounted to EUR 41.1 million (27.5). Expenses were mainly driven by higher costs for personnel, connected to the launch of new tables in the company's studios. At the end of the quarter, the number of employees amounted to 5,247 (3,827), corresponding to 3,970 (2,740) full-time positions. The strong expansion has also increased other operating expenses compared with preceding quarters.

### Profitability

Operating profit amounted to EUR 23.2 million (18.2), corresponding to an increase of 27 percent. The operating margin was 36.1 percent (39.9). The EBITDA margin was 43.5 percent (47.7).

Net financial items only had a marginal impact on profits and related to the interest expense on loans for the studio property in Riga. The Group's effective tax rate for the quarter amounted to 8.4 percent (7.7). The tax rate is influenced by the countries in which earnings are generated, which may vary between reported periods. Profit for the period amounted to EUR 21.2 million (16.8). Earnings per share before dilution were EUR 0.59 (0.47).

### Investments

Investments in intangible assets amounted to EUR 3.1 million (2.5) during the quarter and were mainly attributable to development of new games and technical improvements of the platform, such as new functionality.

Investments in property, plant and equipment amounted to EUR 2.7 million (3.6) and comprised new studio space, new gaming tables, servers and other computer equipment to meet new technical requirements and maintain capacity and performance in connection with new platform launches. In the quarter, the investments were primarily attributable to the construction of new studios in Tbilisi, Georgia and New Jersey, USA.

#### **Cash and cash equivalents, financing and financial position**

Cash flow from operating activities amounted to EUR 32.2 million (17.1) during the quarter. Cash flow from investing activities was negative in the amount of EUR 6.3 million (negative 6.4). Cash flow from financing activities amounted to EUR 0.6 million (negative 0.2). Cash and cash equivalents amounted to EUR 63.5 million (38.8) at the end of the quarter.

## **First nine months of 2018 in brief**

#### **Revenues**

For the 2018 January-September period, revenues amounted to EUR 175.2 million (127.7), corresponding to an increase of 37 percent compared with the equivalent period in 2017. The positive revenue development mainly derives from increased commission income from both new and existing customers. Revenues from dedicated tables and environments also contributed to the increase as a result of additional customers launching or extending their customised Live Casino environments.

#### **Expenses**

Operating expenses amounted to EUR 112.4 million (79.6). Expenses were mainly driven by higher costs for personnel, connected to the launch of new tables and studios. The strong expansion has also increased other operating expenses compared with the previous period.

#### **Profitability**

Operating profit amounted to EUR 62.8 million (48.1) with an operating margin of 35.8 percent (37.7). The EBITDA margin was 43.4 percent (45.5).

#### **Investments**

Investments in intangible assets amounted to EUR 8.7 million (7.4) for the period. Investments in property, plant and equipment amounted to EUR 14.7 million (6.8). Investments in other financial assets amounted to EUR 3.4 million (0.5).

#### **Cash and cash equivalents, financing and financial position**

Cash flow from operating activities amounted to EUR 73.2 million (44.5) over the year. The increase is primarily due to improved profit. Cash flow from investing activities was negative in the amount of EUR 26.8 million (negative 15.0). Cash flow from financing activities was negative in the amount of EUR 32.0 million (negative 16.9).

## **Market development**

#### **Live Casino market**

In Europe, Live Casino has grown strongly in recent years and is expected to continue to be among the fastest-growing gaming segments in the coming years. Evolution's growth target is to grow faster than the total European Live Casino market. Market growth is influenced by several underlying factors, such as technological advances with, among other things, improved hardware and increased bandwidth, increased use of mobile devices, the migration of land-based casinos to online environments and market regulations. To a large extent, growth is also driven by Live Casino having grown in importance for most gaming operators, who consequently elect to expose and market their Live offerings to customers more extensively than before.

As a B2B supplier, Evolution has customer relationships to the gaming operators, who in turn own the relationships with the end users. Generally, the gaming operators are licensed in a limited number of jurisdictions while operating in a global market and allowing play from various geographic areas. The table below shows the geographic markets from which end-users originate, and the share of mobile play, based on the operators' gross gaming revenues (GGR) via Evolution's platform.

*End user data based on generated GGR for the gaming operators via Evolution's platform*

| Group             | Q3/18       | Q2/18       | Q1/18       | Q4/17       | Q3/17       |
|-------------------|-------------|-------------|-------------|-------------|-------------|
| Nordics           | 9%          | 9%          | 9%          | 9%          | 10%         |
| United Kingdom    | 14%         | 16%         | 17%         | 18%         | 18%         |
| Rest of Europe    | 49%         | 50%         | 52%         | 53%         | 54%         |
| Rest of World     | 28%         | 25%         | 22%         | 20%         | 18%         |
| <b>Total</b>      | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> |
| Regulated markets | 29%         | 31%         | 33%         | 35%         | 33%         |
| Mobile            | 60%         | 58%         | 59%         | 56%         | 56%         |

## Other

### Parent Company

The Parent Company is a holding company. Operating revenues for the third quarter of 2018 amounted to EUR 1.7 million (1.0) and expenses to EUR 1.5 million (1.3). Operating profit amounted to EUR 0.2 million (loss 0.3). Profit for the period amounted to EUR 0.1 million (loss 0.5). The Parent Company's cash and cash equivalents amounted to EUR 0.4 million (0.9) at the end of the period and equity amounted to EUR 200.9 million (181.9). No significant investments were made in intangible or tangible assets.

### Employees

As of 30 September 2018, Evolution had 5,257 employees (3,827), corresponding to 3,970 full-time positions (2,740). The average number of full-time equivalents for the quarter was 3,692 (2,701).

### Significant risks and uncertainties

Evolution's operations are exposed to certain risks that could have a varying impact on earnings or financial position. These can be divided into industry, operational, and financial risks. When assessing the Group's future development, it is important to take into account the risk factors, alongside any opportunities for profit growth.

The development of laws and regulations relating to the supply of gaming services that Evolution provides is a central risk factor for the Group's future earnings. Since most of Evolution's licensees are active in Europe, the legal situation in the EU is of particular interest and is continuously monitored and managed by the Group. Despite this, there remains a risk that, in the event of legislation being interpreted in an unfavourable or unanticipated way, Evolution's conditions for growth, profitability, and the games that may be supplied could be changed. Likewise, a favourable interpretation could have a positive impact on the Group.

For further information about Evolution's risk exposure and handling, please see the Group's Annual Report for 2017, which is available on the company's website.

### 2019 Annual General Meeting

The Annual General Meeting will be held in Stockholm, Sweden on 26 April 2019.

**Upcoming report dates**

|                                       |                  |
|---------------------------------------|------------------|
| Year-end report 2018                  | 14 February 2019 |
| Interim report January-March 2019     | 25 April 2019    |
| Interim report January-June 2019      | 19 July 2019     |
| Interim report January-September 2018 | 24 October 2019  |
| Year-end report 2019                  | February 2020    |

## Condensed consolidated income statements

| Group<br>(EUR thousands)                   | Jul-Sep<br>2018 | Jul-Sep<br>2017 | Jan-Sep<br>2018 | Jan-Sep<br>2017 | Oct 2017-<br>Sep 2018 | Jan-Dec<br>2017 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------------|-----------------|
| Revenues                                   | 64,335          | 45,664          | 175,117         | 127,560         | 225,779               | 178,222         |
| Other revenues                             | 11              | 26              | 75              | 107             | 131                   | 163             |
| <b>Total operating revenues</b>            | <b>64,346</b>   | <b>45,690</b>   | <b>175,192</b>  | <b>127,668</b>  | <b>225,910</b>        | <b>178,385</b>  |
| Personnel expenses                         | -25,615         | -18,109         | -70,710         | -52,083         | -90,749               | -72,122         |
| Depreciation, amortisation and impairments | -4,767          | -3,577          | -13,363         | -9,962          | -17,155               | -13,754         |
| Other operating expenses                   | -10,739         | -5,779          | -28,369         | -17,547         | -36,450               | -25,628         |
| <b>Total operating expenses</b>            | <b>-41,121</b>  | <b>-27,465</b>  | <b>-112,442</b> | <b>-79,592</b>  | <b>-144,353</b>       | <b>-111,504</b> |
| <b>Operating profit</b>                    | <b>23,225</b>   | <b>18,226</b>   | <b>62,750</b>   | <b>48,075</b>   | <b>81,556</b>         | <b>66,882</b>   |
| Financial items                            | -42             | -48             | -128            | -180            | -165                  | -217            |
| <b>Profit before tax</b>                   | <b>23,183</b>   | <b>18,177</b>   | <b>62,622</b>   | <b>47,895</b>   | <b>81,391</b>         | <b>66,664</b>   |
| Tax on profit for the period               | -1,941          | -1,401          | -4,697          | -3,800          | -5,432                | -4,535          |
| <b>Profit for the period</b>               | <b>21,242</b>   | <b>16,777</b>   | <b>57,925</b>   | <b>44,096</b>   | <b>75,959</b>         | <b>62,129</b>   |
| <i>Of which attributable to:</i>           |                 |                 |                 |                 |                       |                 |
| Shareholders of the Parent Company         | 21,242          | 16,777          | 57,925          | 44,096          | 75,959                | 62,129          |
| Average number of shares before dilution   | 35,970,377      | 35,970,377      | 35,970,377      | 35,970,377      | 35,970,377            | 35,970,377      |
| Earnings per share before dilution (EUR)   | 0.59            | 0.47            | 1.61            | 1.23            | 2.11                  | 1.73            |
| Average number of shares after dilution    | 36,713,052      | 36,337,046      | 36,462,381      | 36,337,046      | 36,431,048            | 36,337,046      |
| Earnings per share after dilution (EUR)    | 0.58            | 0.46            | 1.59            | 1.21            | 2.09                  | 1.71            |
| Operating margin                           | 36.1%           | 39.9%           | 35.8%           | 37.7%           | 36.1%                 | 37.5%           |
| Effective tax rate                         | 8.4%            | 7.7%            | 7.5%            | 7.9%            | 6.7%                  | 6.8%            |

## Condensed comprehensive income statement

| Group<br>(EUR thousands)  | Jul-Sep<br>2018 | Jul-Sep<br>2017 | Jan-Sep<br>2018 | Jan-Sep<br>2017 | Oct 2017-<br>Sep 2018 | Jan-Dec<br>2017 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------------|-----------------|
| <b>Profit for the period</b>  | <b>21,242</b>   | <b>16,777</b>   | <b>57,925</b>   | <b>44,096</b>   | <b>75,958</b>         | <b>62,129</b>   |
| <b>Other comprehensive income</b>                                       |                 |                 |                 |                 |                       |                 |
| <i>Items that may be reclassified to profit</i>                         |                 |                 |                 |                 |                       |                 |
| Exchange differences arising from the translation of foreign operations | -65             | 67              | -39             | -41             | -35                   | -37             |
| <b>Other comprehensive income, net after tax</b>                        | <b>-65</b>      | <b>67</b>       | <b>-39</b>      | <b>-41</b>      | <b>-35</b>            | <b>-37</b>      |
| <b>Total comprehensive income for the period</b>                        | <b>21,177</b>   | <b>16,844</b>   | <b>57,886</b>   | <b>44,055</b>   | <b>75,923</b>         | <b>62,092</b>   |

## Consolidated balance sheets

| Group (EUR thousands)                             | 30/09/2018     | 30/09/2017     | 31/12/2017     |
|---|----------------|----------------|----------------|
| <b>Assets</b>                                     |                |                |                |
| Intangible assets                                 | 17,483         | 15,668         | 16,567         |
| Buildings   | 12,078         | 12,446         | 12,390         |
| Property, plant and equipment                     | 26,557         | 14,995         | 17,073         |
| Other long-term receivables                       | 5,903          | 1,378          | 2,431          |
| Deferred tax assets                               | 34             | 209            | 78             |
| <b>Total non-current assets</b>                   | <b>62,055</b>  | <b>44,696</b>  | <b>48,540</b>  |
| Accounts receivable                               | 39,934         | 31,699         | 39,492         |
| Other receivables                                 | 20,908         | 24,792         | 27,828         |
| Prepaid expenses and accrued income               | 3,294          | 2,069          | 2,206          |
| Cash and cash equivalents                         | 63,548         | 38,798         | 49,272         |
| <b>Total current assets</b>                       | <b>127,684</b> | <b>97,358</b>  | <b>118,798</b> |
| <b>TOTAL ASSETS</b>                               | <b>189,739</b> | <b>142,053</b> | <b>167,337</b> |
| <b>Equity and liabilities</b>                     |                |                |                |
| Share capital                                     | 540            | 540            | 540            |
| Other capital contributed                         | 5,501          | 4,698          | 4,698          |
| Reserves  | -93            | -50            | -45            |
| Retained earnings including profit for the period | 130,636        | 86,675         | 104,688        |
| <b>Total equity</b>                               | <b>136,584</b> | <b>91,862</b>  | <b>109,881</b> |
| Deferred tax liability                            | 578            | 113            | 565            |
| Long-term debt to credit institutions             | 5,992          | 6,751          | 6,693          |
| <b>Total long-term liabilities</b>                | <b>6,570</b>   | <b>6,864</b>   | <b>7,259</b>   |
| Accounts payable                                  | 2,926          | 1,152          | 3,951          |
| Short-term debt to credit institutions            | 950            | 1,130          | 950            |
| Current tax liabilities                           | 26,228         | 29,029         | 31,898         |
| Other current liabilities                         | 10,108         | 6,999          | 8,094          |
| Accrued expenses and prepaid income               | 6,373          | 5,017          | 5,305          |
| <b>Total current liabilities</b>                  | <b>46,585</b>  | <b>43,327</b>  | <b>50,198</b>  |
| <b>TOTAL EQUITY AND LIABILITIES</b>               | <b>189,739</b> | <b>142,053</b> | <b>167,337</b> |

## Consolidated changes in equity

| Group, 2017<br>(EUR thousands)         | Share Capital | Other capital contributed | Reserves   | Retained earnings | Total equity   |
|--|---------------|---------------------------|------------|-------------------|----------------|
| Opening equity 01/01/2017              | 540           | 4,698                     | -9         | 58,667            | 63,896         |
| Dividend payout 03/05/2017             | -             | -                         | -          | -16,187           | -16,187        |
| Warrants                               | -             | -                         | -          | 79                | 79             |
| Total comprehensive income for Jan-Mar | -             | -                         | -72        | 12,742            | 12,670         |
| Total comprehensive income for Apr-Jun | -             | -                         | -36        | 14,617            | 14,581         |
| Total comprehensive income for Jul-Sep | -             | -                         | 67         | 16,777            | 16,844         |
| Total comprehensive income for Oct-Dec | -             | -                         | -37        | 18,034            | 17,998         |
| <b>Closing equity 31/12/2017</b>       | <b>540</b>    | <b>4,698</b>              | <b>-86</b> | <b>104,729</b>    | <b>109,881</b> |

| Group, 2018<br>(EUR thousands)         | Share Capital | Other capital contributed | Reserves   | Retained earnings | Total equity   |
|--|---------------|---------------------------|------------|-------------------|----------------|
| Opening equity 01/01/2018              | 540           | 4,698                     | -45        | 104,688           | 109,881        |
| Dividend payout 02/05/2018             | -             | -                         | -          | -32,135           | -32,135        |
| Warrants                               | -             | -                         | -          | 148               | 148            |
| Total comprehensive income for Jan-Mar | -             | -                         | -31        | 16,616            | 16,585         |
| Total comprehensive income for Apr-Jun | -             | -                         | 48         | 20,076            | 20,124         |
| Total comprehensive income for Jul-Sep | -             | 803                       | -65        | 21,242            | 21,980         |
| <b>Closing equity 30/9/2018</b>        | <b>540</b>    | <b>5,501</b>              | <b>-93</b> | <b>130,636</b>    | <b>136,584</b> |



## Consolidated statement of cash flows

| Group<br>(EUR thousands)  | Jul-Sep<br>2018 | Jul-Sep<br>2017 | Jan-Sep<br>2018 | Jan-Sep<br>2017 | Jan-Dec<br>2017 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Operating profit  | 23,225          | 18,226          | 62,750          | 48,075          | 66,882          |
| <i>Adjustment for items not included in cash flows:</i>                       |                 |                 |                 |                 |                 |
| Depreciation, amortisation and impairments                                    | 4,767           | 3,577           | 13,363          | 9,962           | 13,754          |
| Other   | 109             | -20             | 148             | -59             | 79              |
| Interest received   | 0               | 0               | 0               | 0               | 6               |
| Interest paid   | -42             | -49             | -128            | -180            | -224            |
| Tax paid  | -377            | -159            | -2,601          | -1,935          | -2,974          |
| <b>Cash flows from operating activities before changes in working capital</b> | <b>27,682</b>   | <b>21,575</b>   | <b>73,532</b>   | <b>55,862</b>   | <b>77,524</b>   |
| Increase / Decrease in Accounts receivables                                   | 3,745           | -4,902          | -441            | -12,660         | -20,453         |
| Increase / Decrease in Accounts payables                                      | 572             | -424            | -1,024          | -1,017          | 1,782           |
| Increase / Decrease in other working capital                                  | 209             | 815             | 1,122           | 2,297           | 3,632           |
| <b>Cash flows from operating activities</b>                                   | <b>32,208</b>   | <b>17,065</b>   | <b>73,189</b>   | <b>44,482</b>   | <b>62,484</b>   |
| Acquisition of intangible assets  | -3,118          | -2,540          | -8,686          | -7,388          | -10,558         |
| Acquisition of property, plant and equipment                                  | -2,740          | -3,595          | -14,727         | -6,890          | -10,191         |
| Acquisition of building   | -               | -               | -               | -200            | -200            |
| Increase in other financial assets  | -410            | -266            | -3,427          | -516            | -1,438          |
| <b>Cash flows from investing activities</b>                                   | <b>-6,268</b>   | <b>-6,400</b>   | <b>-26,840</b>  | <b>-14,994</b>  | <b>-22,387</b>  |
| Repayment of debt to credit institutions                                      | -238            | -213            | -702            | -691            | -748            |
| Warrant premiums  | 803             | -               | 803             | -               | -               |
| Dividend  | -               | -               | -32,135         | -16,187         | -16,187         |
| <b>Cash flows from financing activities</b>                                   | <b>565</b>      | <b>-213</b>     | <b>-32,034</b>  | <b>-16,878</b>  | <b>-16,935</b>  |
| <b>Cash flow for the period</b>   | <b>26,505</b>   | <b>10,452</b>   | <b>14,315</b>   | <b>12,611</b>   | <b>23,163</b>   |
| Cash and cash equivalents at start of period                                  | 37,161          | 28,347          | 49,272          | 26,188          | 26,188          |
| Cash flow for the period  | 26,505          | 10,452          | 14,315          | 12,611          | 23,163          |
| Exchange rate differences   | -118            | -11             | -39             | -41             | -78             |
| <b>Cash and cash equivalents at end of period</b>                             | <b>63,548</b>   | <b>38,787</b>   | <b>63,548</b>   | <b>38,757</b>   | <b>49,272</b>   |

The company presents certain financial measures in the interim report that are not defined under IFRS. The company believes that these measures provide useful supplemental information to investors and the company's management as they permit the evaluation of the company's financial performance and position. Since not all companies calculate financial measures in the same way, these are not always comparable to the measures used by other companies. Consequently, these financial measures should not be seen as a substitute for measures defined under IFRS. The tables below include measurements that are not defined in accordance with IFRS, unless otherwise stated. For definitions and purposes, see also the last page of the report.

## Consolidated key ratios

| Group<br>(EUR thousands)              | Jul-Sep<br>2018 | Jul-Sep<br>2017 | Jan-Sep<br>2018 | Jan-Sep<br>2017 | Oct 2017-<br>Sep 2018 | Jan-Dec<br>2017 |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------------|-----------------|
| Operating revenues (IFRS)             | 64,346          | 45,690          | 175,192         | 127,668         | 225,910               | 178,385         |
| EBITDA margin                         | 43.5%           | 47.7%           | 43.4%           | 45.5%           | 43.7%                 | 45.2%           |
| Operating margin                      | 36.1%           | 39.9%           | 35.8%           | 37.7%           | 36.1%                 | 37.5%           |
| Profit margin                         | 33.0%           | 36.7%           | 33.1%           | 34.5%           | 33.6%                 | 34.8%           |
| Equity/assets ratio                   | 72.0%           | 64.7%           | 72.0%           | 64.7%           | 72.0%                 | 65.7%           |
| Cash and cash equivalents             | 63,548          | 38,798          | 63,548          | 38,798          | 63,548                | 49,272          |
| Average number of full-time employees | 3,692           | 2,701           | 3,383           | 2,544           | 3,274                 | 2,639           |
| Full-time employees at end of period  | 3,970           | 2,740           | 3,970           | 2,740           | 3,970                 | 3,085           |
| Earnings per share (EUR) (IFRS)       | 0.59            | 0.47            | 1.61            | 1.23            | 2.11                  | 1.73            |
| Equity per share (EUR)                | 3.80            | 2.55            | 3.80            | 2.55            | 3.80                  | 3.05            |
| Operating cash flow per share (EUR)   | 0.90            | 0.47            | 2.03            | 1.24            | 2.54                  | 1.74            |
| Average number of outstanding shares  | 35,970,377      | 35,970,377      | 35,970,377      | 35,970,377      | 35,970,377            | 35,970,377      |
| Number of outstanding shares          | 35,970,377      | 35,970,377      | 35,970,377      | 35,970,377      | 35,970,377            | 35,970,377      |

## Consolidated key ratios by quarter

| Group (EUR thousands)           | Q3/18  | Q2/18  | Q1/18  | Q4/17  | Q3/17  | Q2/17  | Q1/17  | Q4/16  |
|---------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Operating revenues (IFRS)       | 64,346 | 59,252 | 51,594 | 50,718 | 45,690 | 42,290 | 39,688 | 34,322 |
| EBITDA                          | 27,992 | 26,168 | 21,959 | 22,599 | 21,803 | 19,248 | 17,027 | 12,966 |
| EBITDA margin                   | 43.5%  | 44.2%  | 42.6%  | 44.6%  | 47.7%  | 45.5%  | 42.9%  | 37.8%  |
| Operating profit                | 23,225 | 21,688 | 17,842 | 18,806 | 18,226 | 15,935 | 13,955 | 10,107 |
| Operating margin                | 36.1%  | 36.6%  | 34.6%  | 37.1%  | 39.9%  | 37.7%  | 35.2%  | 29.4%  |
| Revenue growth vs prior year    | 40.8%  | 40.1%  | 30.0%  | 47.8%  | 56.4%  | 55.8%  | 60.1%  | 53.1%  |
| Revenue growth vs prior quarter | 8.6%   | 14.8%  | 1.7%   | 11.0%  | 8.0%   | 6.6%   | 15.6%  | 17.5%  |
| Cash and cash equivalents       | 63,548 | 37,163 | 52,076 | 49,272 | 38,798 | 28,347 | 34,119 | 26,188 |

## Reconciliation of selected key ratios not defined in accordance with IFRS

| Group<br>(EUR thousands)            | Jul-Sep<br>2018 | Jul-Sep<br>2017 | Jan-Sep<br>2018 | Jan-Sep<br>2017 | Oct 2017-<br>Sep 2018 | Jan-Dec<br>2017 |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------------|-----------------|
| <b>Operating margin</b>             |                 |                 |                 |                 |                       |                 |
| Profit before tax                   | 23,183          | 18,177          | 62,622          | 47,895          | 81,391                | 66,664          |
| Excluding net financial items       | 42              | 48              | 128             | 180             | 165                   | 217             |
| <b>Operating profit (EBIT)</b>      | <b>23,226</b>   | <b>18,226</b>   | <b>62,751</b>   | <b>48,075</b>   | <b>81,556</b>         | <b>66,882</b>   |
| Divided by Total operating revenues | 64,346          | 45,690          | 175,192         | 127,668         | 225,910               | 178,385         |
| <b>Operating (EBIT) margin</b>      | <b>36.1%</b>    | <b>39.9%</b>    | <b>35.8%</b>    | <b>37.7%</b>    | <b>36.1%</b>          | <b>37.5%</b>    |
| <b>EBITDA and EBITDA margin</b>     |                 |                 |                 |                 |                       |                 |
| Profit before tax                   | 23,184          | 18,177          | 62,622          | 47,895          | 81,391                | 66,664          |
| Net financial items                 | 42              | 48              | 128             | 180             | 165                   | 217             |
| Depreciation/amortisation           | 4,767           | 3,577           | 13,363          | 9,962           | 17,155                | 13,754          |
| <b>EBITDA</b>                       | <b>27,994</b>   | <b>21,803</b>   | <b>76,114</b>   | <b>58,037</b>   | <b>98,712</b>         | <b>80,636</b>   |
| Divided by Total operating revenues | 64,346          | 45,690          | 175,192         | 127,668         | 225,910               | 178,385         |
| <b>EBITDA margin</b>                | <b>43.5%</b>    | <b>47.7%</b>    | <b>43.4%</b>    | <b>45.5%</b>    | <b>43.7%</b>          | <b>45.2%</b>    |
| <b>Profit margin</b>                |                 |                 |                 |                 |                       |                 |
| <b>Profit for the period</b>        | <b>21,242</b>   | <b>16,777</b>   | <b>57,925</b>   | <b>44,096</b>   | <b>75,959</b>         | <b>62,129</b>   |
| Divided by Total operating revenues | 64,346          | 45,690          | 175,192         | 127,668         | 225,910               | 178,385         |
| <b>Profit margin</b>                | <b>33.0%</b>    | <b>36.7%</b>    | <b>33.1%</b>    | <b>34.5%</b>    | <b>33.6%</b>          | <b>34.8%</b>    |
| <b>Equity/Assets ratio</b>          |                 |                 |                 |                 |                       |                 |
| <b>Total equity</b>                 | <b>136,584</b>  | <b>91,862</b>   | <b>136,584</b>  | <b>91,862</b>   | <b>136,584</b>        | <b>109,881</b>  |
| Divided by Total assets             | 189,739         | 142,053         | 189,739         | 142,053         | 189,739               | 167,337         |
| <b>Equity/Assets ratio</b>          | <b>72.0%</b>    | <b>64.7%</b>    | <b>72.0%</b>    | <b>64.7%</b>    | <b>72.0%</b>          | <b>65.7%</b>    |

## Condensed Parent Company income statements and other comprehensive income

| Parent company<br>(EUR thousands) | Jul-Sep<br>2018 | Jul-Sep<br>2017 | Jan-Sep<br>2018 | Jan-Sep<br>2017 | Oct 2017-<br>Sep 2018 | Jan-Dec<br>2017 |
|-----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------------|-----------------|
| Operating revenues                | 1,708           | 1,006           | 4,712           | 4,242           | 6,664                 | 6,194           |
| Other external expenses           | -1,540          | -1,315          | -4,551          | -4,349          | -6,279                | -6,077          |
| <b>Operating profit</b>           | <b>168</b>      | <b>-309</b>     | <b>161</b>      | <b>-107</b>     | <b>386</b>            | <b>118</b>      |
| Dividend from group companies     | -               | -               | -               | -               | 50,000                | 50,000          |
| Financial items                   | 0               | -1              | -1              | -2              | 91                    | 90              |
| <b>Profit before taxes</b>        | <b>168</b>      | <b>-310</b>     | <b>160</b>      | <b>-109</b>     | <b>50,477</b>         | <b>50,208</b>   |
| Tax on profit for the period      | -38             | -148            | -38             | -380            | -130                  | -472            |
| <b>Result for the period</b>      | <b>130</b>      | <b>-458</b>     | <b>122</b>      | <b>-489</b>     | <b>50,407</b>         | <b>49,796</b>   |

| Parent company<br>(EUR thousands)                | Jul-Sep<br>2018 | Jul-Sep<br>2017 | Jan-Sep<br>2018 | Jan-Sep<br>2017 | Oct 2017-<br>Sep 2018 | Jan-Dec<br>2017 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------------|-----------------|
| <b>Profit for the period</b>                     | <b>130</b>      | <b>-458</b>     | <b>122</b>      | <b>-489</b>     | <b>50,407</b>         | <b>49,796</b>   |
| Other comprehensive income                       | -               | -               | -               | -               | -                     | -               |
| <b>Other comprehensive income, net after tax</b> | <b>-</b>        | <b>-</b>        | <b>-</b>        | <b>-</b>        | <b>-</b>              | <b>-</b>        |
| <b>Total comprehensive income for the period</b> | <b>130</b>      | <b>-458</b>     | <b>122</b>      | <b>-489</b>     | <b>50,407</b>         | <b>49,796</b>   |

## Condensed Parent Company balance sheets

| Parent company (EUR thousands)                    | 30/09/2018     | 30/09/2017     | 31/12/2017     |
|---|----------------|----------------|----------------|
| <b>Assets</b>                                     |                |                |                |
| Intangible assets                                 | 283            | 27             | 66             |
| Property, plant and equipment                     | 55             | 101            | 90             |
| Participating interest in Group companies         | 206,000        | 206,000        | 206,000        |
| Other financial assets                            | 33             | 36             | 34             |
| Deferred tax receivables                          | 34             | 173            | 78             |
| <b>Total non-current assets</b>                   | <b>206,405</b> | <b>206,337</b> | <b>206,268</b> |
| Receivables from Group companies                  | 5,666          | 5,311          | 25,222         |
| Other current receivables                         | 124            | 75             | 272            |
| Prepaid expenses and accrued income               | 176            | 217            | 145            |
| Cash and cash equivalents                         | 401            | 865            | 951            |
| <b>Total current assets</b>                       | <b>6,367</b>   | <b>6,468</b>   | <b>26,590</b>  |
| <b>TOTAL ASSETS</b>                               | <b>212,772</b> | <b>212,806</b> | <b>232,858</b> |
| <b>Equity and liabilities</b>                     |                |                |                |
| Share capital                                     | 540            | 540            | 540            |
| Retained earnings including profit for the period | 200,385        | 181,402        | 231,595        |
| <b>Total equity</b>                               | <b>200,925</b> | <b>181,942</b> | <b>232,135</b> |
| Accounts payable                                  | 31             | 32             | 156            |
| Liabilities to Group companies                    | 11,581         | 30,632         | -              |
| Other current liabilities                         | 35             | 61             | 192            |
| Accrued expenses and prepaid revenues             | 200            | 139            | 376            |
| <b>Total current liabilities</b>                  | <b>11,847</b>  | <b>30,864</b>  | <b>724</b>     |
| <b>TOTAL EQUITY AND LIABILITIES</b>               | <b>212,772</b> | <b>212,806</b> | <b>232,858</b> |

## Notes to the financial statements

### Note 1. Accounting policies

Evolution prepares its financial statements in accordance with the International Financial Reporting Standards (IFRS) as approved by the European Union. The Group's interim report has been prepared in accordance with IAS 34, Interim Financial Reporting. The new and revised standards, IAS 1 Presentation of Financial Statements and IFRS 13 Fair Value Measurement, have not affected the financial statements other than expanded disclosure requirements. The Parent Company uses the same accounting principles as the Group, with the addition of the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities.

On 1 January 2018, new standards came into effect; IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers, governing how revenue is to be reported. In accordance with IFRS 15, revenue shall be reported when the customer gains control of the goods or services sold and is able to use and benefit from those goods or services. The standards will not impact the result of the Group.

A new standard will come into effect on 1 January 2019; IFRS 16 Leases, which will replace the current IAS 17 standard. The standard primarily comprises changes for the lessee while the accounting for the lessor largely remains unchanged. The Group is evaluating the effects of the standard.

Amounts are expressed in thousands of Euro (EUR) unless otherwise indicated. Amounts or figures in parentheses indicate comparative figures for the corresponding period last year.

The accounting policies are unchanged from the 2017 annual report.

### Note 2. Events following the balance sheet date

No events of a material nature have occurred after the balance sheet date.

### Note 3. Incentive programme

The Annual General Meeting on 20 April 2018 resolved to issue a maximum of 617,702 warrants. Each warrant entitles the holder to subscribe for one new share in the company for SEK 705.30 during the period from the day after the publication of the interim report for the second quarter of 2021 until the date that follows 30 calendar days after the publication of the interim report for the second quarter 2021 (however not later than on 30 September 2021).

The company's subsidiary, Evolution Malta Ltd. has subscribed for 617,702 warrants, and Evolution Malta Ltd has, in turn, transferred 376,006 of the warrants to a number of key individuals in the company's management and organisation. For warrants acquired at market value, the price (option premium) has been determined using the Black & Scholes valuation model, with the valuation being carried out by EY.

If all 376,006 warrants 2018/2021 are exercised for subscription of 376,006 shares, the dilution effect will be approximately 1.0 percent. Upon full exercise of these 376,006 warrants and the 366,669 warrants 2016/2019, which have been transferred to a number of key employees in the group in accordance with a resolution at the 2016 Annual General Meeting (i.e. 742,675 warrants in total), the dilution effect will be approximately 2.0 percent.

### Note 4. Seasonality

Evolution's operations are, to a certain extent, influenced by seasonal patterns in end-user activity. The Group's customers generally notice increased end-user activity and an increased volume of operations in the fourth quarter of each year, which is consistent with the Group's experience of increased Live Casino traffic and commission income earned in the fourth quarter.

## Assurance

The CEO affirms that this interim report provides an accurate overview of the operations, financial position and performance of the Parent Company and the Group, and describes the significant risks and uncertainties faced by the Parent Company and the companies in the Group.

Stockholm, 23 October 2018

Martin Carlesund  
CEO

For further information, please contact CFO Jacob Kaplan, +46 708 62 33 94, [ir@evolutiongaming.com](mailto:ir@evolutiongaming.com).

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Corporate ID number: 556994-5792

### **Presentation for investors, analysts and the media**

CEO Martin Carlesund and CFO Jacob Kaplan will present the report and answer questions on Wednesday, 24 October 2018 at 09:00 a.m. CET via a telephone conference. The presentation will be in English and can also be followed online. Number for participation by telephone: +46 8 566 19 353 / +44 203 00 89 804. Follow the presentation at <https://tv.streamfabriken.com/evolution-gaming-group-q3-2018>.

*This information is such that Evolution Gaming Group AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, under the agency of the contact person set out above, on 24 October 2018, at 7.30 am CET.*

## Auditor's report

Evolution Gaming Group AB (publ), reg. no. 556994-5792

### Introduction

We have reviewed the condensed interim financial information (interim report) of Evolution Gaming Group AB (publ) as of 30 September 2018 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm, 23 October 2018

PricewaterhouseCoopers AB

Niklas Renström

Authorized Public Accountant

## Definitions of key ratios not defined in accordance with IFRS

| Key ratios   | Definition   | Purpose  |
|--|--|--|
| Operating profit                                   | Profit before tax excluding net financial items.   | This key ratio is used by management to monitor the earnings trend in the Group.           |
| Operating margin                                   | Operating profit in relation to operating revenues.  | This key ratio is used by management to monitor the earnings trend in the Group.           |
| EBITDA   | Operating profit less depreciation.  | This key ratio is used by management to monitor the earnings trend in the Group.           |
| EBITDA margin                                      | Operating profit excluding depreciation and amortisation in relation to operating revenues.                    | This key ratio is used by management to monitor the earnings trend in the Group.           |
| Profit margin                                      | Profit for the period in relation to operating revenues.   | This key ratio is used by management to monitor the earnings trend in the Group.           |
| Equity per share                                   | Shareholders' equity divided by the number of shares outstanding at the end of the period.                     | This key ratio is used by management to monitor the earnings trend in the Group.           |
| Operational cash flow per share                    | Cash flow from operating activities in relation to the average number of shares outstanding during the period. | This key ratio is used by management to monitor the cash flow trend in the Group.          |
| Average number of shares outstanding               | The average number of shares outstanding during the period.  | Used to calculate key ratios in relation to the number of shares during the period.        |
| Number of shares outstanding                       | Number of shares outstanding at the end of the period.   | Used to calculate key ratios in relation to the number of shares at the end of the period. |
| Equity/assets ratio                                | Equity at the end of period in relation to total assets at the end of period.                                  | This key ratio indicated the Group's long-term payment capacity.                           |
| Cash and cash equivalents                          | Cash and bank assets.  | Used by management to monitor the Group's short-term payment capacity.                     |
| Revenue growth compared with the previous year     | Operating revenues for the period divided by operating revenues in the same period last year.                  | This key ratio is used by management to monitor the Group's revenue growth.                |
| Revenue growth compared with the preceding quarter | Operating revenues for the period divided by operating revenues for the preceding quarter.                     | This key ratio is used by management to monitor the Group's revenue growth.                |