



Interim report | January–June 2019 | Evolution Gaming Group AB (publ)

## Second quarter of 2019 (Q2 2018)

- Operating revenues increased by 45% to EUR 85.7 million (59.3)
- EBITDA increased by 63% to EUR 42.7 million (26.2), corresponding to a margin of 49.8% (44.2)
- Profit for the period amounted to EUR 34.5 million (20.1)
- Earnings per share amounted to EUR 0.19 (0.11)

## January-June 2019 (1H 2018)

- Operating revenues increased by 49% to EUR 165.0 million (110.8)
- EBITDA increased by 63% to EUR 78.6 million (48.1), corresponding to a margin of 47.7% (43.4)
- Profit for the period amounted to EUR 63.1 million (36.7)
- Earnings per share amounted to EUR 0.35 (0.20)

## Events during the second quarter of 2019

- Positive reception for new games
- Live Casino Supplier of the Year for the tenth consecutive year
- Margin development supported by high efficiency in all studios – full-year EBITDA margin expected to be in the range of 47-49 percent

## Summary of the second quarter and first six months of 2019

Group (EUR thousands)	Apr-Jun 2019	Apr-Jun 2018	%	Jan-Jun 2019	Jan-Jun 2018	%	Jul 2018-Jun 2019	Jan-Dec 2018	%
Operating revenues	85,728	59,252	45%	165,025	110,846	49%	299,597	245,418	22%
EBITDA	42,730	26,168	63%	78,648	48,121	63%	138,208	107,681	28%
EBITDA margin	49.8%	44.2%	-	47.7%	43.4%	-	46.1%	43.9%	-
Operating profit	36,614	21,688	69%	66,803	39,525	69%	116,762	89,484	30%
Operating margin	42.7%	36.6%	-	40.5%	35.7%	-	39.0%	36.5%	-
Profit for the period	34,529	20,076	72%	63,105	36,683	72%	109,882	83,460	32%
Profit margin	40.3%	33.9%	-	38.2%	33.1%	-	36.7%	34.0%	-
Earnings per share (EUR)	0.19	0.11	72%	0.35	0.20	72%	0.61	0.46	32%
Equity per share (EUR)	1.01	0.64	59%	1.01	0.64	59%	1.01	0.90	12%
OCF per share (EUR)	0.20	0.14	36%	0.44	0.23	94%	0.77	0.56	38%
Average number of FTEs	4,845	3,425	41%	4,656	3,343	39%	4,263	3,529	21%

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## CEO's comments

Evolution's strong development continues, and we can report continued high growth and further improved margin in the second quarter. 2019 is a year of product and innovation, and during the period, we have launched all this year's new games. The response has been instant, and we are overwhelmed by the positive reception among both players and operators. Our aim in the development has been to create games that attract new player types and to expand the Live vertical into new segments, and so far, we are very happy with the outcome. All games, from the new titles within the Game Show category to the dice games, find their audiences and we see a significant increase in the number of players. The new games are not as staff intensive as the traditional table games, which in combination with a generally high efficiency in all studios contribute to the margin development. The extended portfolio also contributes to the revenue growth, but it is important to note that most of our revenues continue to derive from our core games and that the new games are still in an early stage post-launch. However, all new titles contribute to a generally higher interest in Live Casino and we believe that the Live vertical will continue to grow its share of the total online casino market. When the Live vertical grows, we take market shares – as do our customers with access to the new games.

Revenues amounted to EUR 85.7 million, which is 45 percent higher than the corresponding quarter last year. EBITDA amounted to EUR 42.7 million with a margin of 49.8 percent, which is the highest margin recorded so far in a single quarter. In the first half of the year, the margin was 47.7 percent, and we expect to be able to sustain this level in the second half as well which is why we increase our expected margin range to 47-49 percent for the 2019 full year.

The positive market development continues. The Nordics are growing, however at a somewhat slower pace as the Swedish market now is normalising following the intense start to the year as a result of the new gaming legislation. The UK continues to stabilise and is growing compared to the corresponding quarter last year. Both Rest of Europe and Rest of World also exhibit favourable growth.

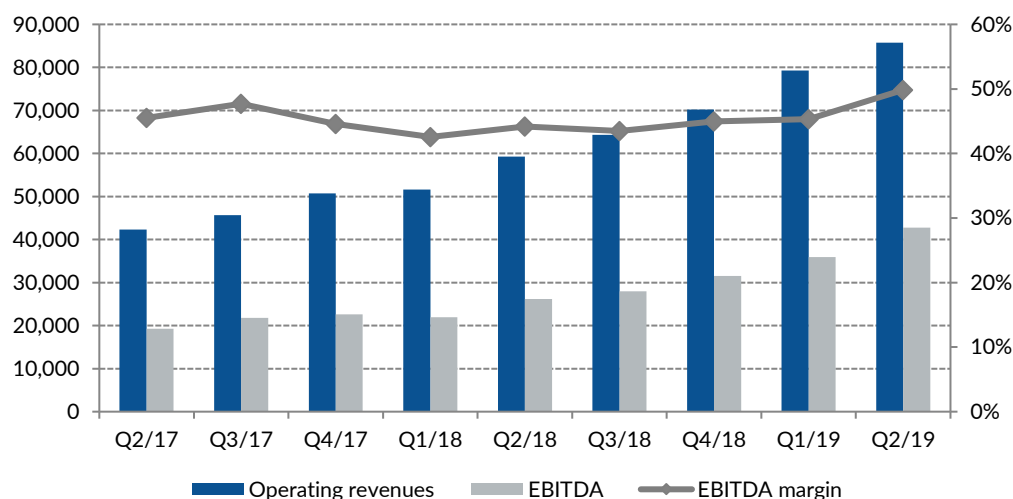
Going forward, we will continue to invest in the development of both additional game shows and other innovative product types, as well as table games to meet the overall demand for Live. We also continue to invest in our studios. During the quarter, we have transferred the first tables to the new Malta studio, while also expanding the studio in Georgia. In addition, we have initiated a doubling of the capacity in New Jersey. We will also strengthen our presence in the US further and have started the planning for the construction of a studio in Pennsylvania. All in all, investments for the 2019 full year in absolute numbers will be somewhat higher than in 2018. It is imperative for us to meet the demand for Live, to continue to enable innovation within the company and to constantly increase the gap to competition. Connected to this, it is important to remember that in a case where we must prioritise, we will always put growth before margins.

During the first half of the year, we have laid the foundation for Evolution's continued leadership in Live Casino. A proof of this was when we received the award as Live Casino Supplier of the Year for the tenth consecutive year at the EGR B2B Awards in June. The award goes straight to all our employees. I am immensely proud of everyone's achievements so far this year, and the innovation power they possess creates confidence for the future.

Since Evolution's inception, we have had a paranoid approach to our development, and given all achievements so far in 2019 I would like to conclude these comments by pointing out that we are never fully satisfied, we never sit back and each day, we fight to become a little bit better.

**Martin Carlesund, CEO**

### Quarterly results trend



## Financial performance in the second quarter of 2019

### Revenues

Revenues amounted to EUR 85.7 million (59.3) in the second quarter, corresponding to an increase of 45 percent compared with the corresponding period in 2018. 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 continues to grow, partly as a result of several successful game launches, and the number of bet spots from end users amounted to 5.6 billion (3.6). 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 49.1 million (37.6). Expenses were mainly driven by higher costs for personnel, connected to the launch of new tables in the company's studios. The expansion has also increased other operating expenses compared with preceding quarters.

### Profitability

Operating profit amounted to EUR 36.6 million (21.7), corresponding to an increase of 69 percent. The operating margin was 42.7 percent (36.6). The EBITDA margin was 49.8 percent (44.2). The EBITDA margin has to some extent been affected by the new lease standard IFRS 16, which is reported in note 4.

Net financial items only had a marginal impact on profits and related mostly to the interest expense on loans for the studio property in Riga. The Group's effective tax rate for the quarter amounted to 5.6 percent (7.2). 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 34.5 million (20.1). Earnings per share before dilution were EUR 0.19 (0.11).

### Investments

Investments in intangible assets amounted to EUR 2.0 million (2.7) 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 3.9 million (5.5) 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.

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

Cash flow from operating activities amounted to EUR 35.4 million (25.9) during the quarter. Cash flow from investing activities was negative in the amount of EUR 6.0 million (negative 8.5). Cash flow from financing activities was negative in the amount of EUR 44.2 million (negative 32.4) and included dividend to shareholders of EUR 43.2 million (32.1). Cash and cash equivalents amounted to EUR 88.7 million (37.2) at the end of the quarter.

## **First half of 2019 in brief**

#### **Revenues**

For the January-June 2019 period, revenues amounted to EUR 165.0 million (110.8), corresponding to an increase of 49 percent compared with the same period in 2018. 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 98.2 million (71.3). 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 year.

#### **Profitability**

Operating profit amounted to EUR 66.8 million (39.5) with an operating margin of 40.5 percent (35.7). The EBITDA margin was 47.7 percent (43.4).

#### **Investments**

Investments in intangible assets amounted to EUR 22.2 million (5.6) for the period. Investments in property, plant and equipment amounted to EUR 7.9 million (12.0). Investments in other financial assets amounted to EUR 0.1 million (3.0).

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

Cash flow from operating activities amounted to EUR 79.4 million (41.0) over the period. The increase is primarily due to improved profit. Cash flow from investing activities was negative in the amount of EUR 30.2 million (negative 20.6). Cash flow from financing activities was negative in the amount of EUR 45.3 million (negative 32.6).

## **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	Q2/19	Q1/19	Q4/18	Q3/18	Q2/18
Nordics	8%	9%	9%	9%	9%
United Kingdom	13%	13%	14%	14%	16%
Rest of Europe	49%	49%	51%	49%	50%
Rest of World	30%	29%	26%	28%	25%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Regulated markets	35%	34%	30%	29%	31%
Mobile	70%	68%	64%	60%	58%

## Other

### Parent Company

The Parent Company is a holding company. Operating revenues for the second quarter of 2019 amounted to EUR 1.6 million (1.4) and expenses to EUR 1.5 million (1.5). Operating profit amounted to EUR 0.1 million (negative 0.1). Result for the period was negative in the amount of EUR 0.2 million (negative 0.1). The Parent Company's cash and cash equivalents amounted to EUR 1.8 million (1.0) at the end of the period and equity amounted to EUR 232.1 million (200.0). No significant investments were made in intangible or tangible assets.

### Employees

As of 30 June 2019, Evolution had 6,892 employees (4,856), corresponding to 5,120 (3,600) full-time positions. The average number of full-time equivalents for the quarter was 4,845 (3,425).

### 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 2018, which is available on the company's website.

### Share split

With the purpose to facilitate the trade in the company's shares at Nasdaq Stockholm, a division of the company's shares (share split) was carried out in the second quarter of 2019. Each existing share in Evolution has been divided into five shares (5:1). Hence, the number of shares in the company has

increased from 35,970,377 shares to 179,851,885 shares, and the quota value of the share has changed from EUR 0.015 to EUR 0.003.

**Upcoming report dates**

Interim report January-September 2019	24 October 2019
Year-end report 2019	February 2020

**Review**

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

## Condensed consolidated income statements

Group (EUR thousands)	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jul 2018- Jun 2019	Jan-Dec 2018
Revenues	85,701	59,211	164,988	110,782	299,556	245,350
Other revenues	27	41	37	64	41	68
<b>Total operating revenues</b>	<b>85,728</b>	<b>59,252</b>	<b>165,025</b>	<b>110,846</b>	<b>299,597</b>	<b>245,418</b>
Personnel expenses	-30,451	-24,244	-59,486	-45,095	-112,065	-97,674
Depreciation, amortisation and impairments	-6,116	-4,480	-11,845	-8,596	-21,446	-18,197
Other operating expenses	-12,547	-8,840	-26,891	-17,630	-49,324	-40,063
<b>Total operating expenses</b>	<b>-49,114</b>	<b>-37,564</b>	<b>-98,222</b>	<b>-71,321</b>	<b>-182,835</b>	<b>-155,934</b>
<b>Operating profit</b>	<b>36,614</b>	<b>21,688</b>	<b>66,803</b>	<b>39,525</b>	<b>116,762</b>	<b>89,484</b>
Financial items	-51	-43	-96	-86	-168	-158
<b>Profit before tax</b>	<b>36,563</b>	<b>21,645</b>	<b>66,707</b>	<b>39,439</b>	<b>116,594</b>	<b>89,326</b>
Tax on profit for the period	-2,034	-1,569	-3,602	-2,756	-6,712	-5,866
<b>Profit for the period</b>	<b>34,529</b>	<b>20,076</b>	<b>63,105</b>	<b>36,683</b>	<b>109,882</b>	<b>83,460</b>
<i>Of which attributable to:</i>						
Shareholders of the Parent Company	34,529	20,076	63,105	36,683	109,882	83,460
Average number of shares before dilution	179,851,885	179,851,885	179,851,885	179,851,885	179,851,885	179,851,885
Earnings per share before dilution (EUR)	0.19	0.11	0.35	0.20	0.61	0.46
Average number of shares after dilution	183,565,260	181,685,230	183,565,260	181,685,230	183,189,254	182,625,245
Earnings per share after dilution (EUR)	0.19	0.11	0.34	0.20	0.60	0.46
Operating margin	42.7%	36.6%	40.5%	35.7%	39.0%	36.5%
Effective tax rate	5.6%	7.2%	5.4%	7.0%	5.8%	6.6%

The income statements have been affected by the new lease standard IFRS 16, which is reported in note 4.

## Condensed comprehensive income statement

Group (EUR thousands)	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jul 2018- Jun 2019	Jan-Dec 2018
<b>Profit for the period</b>	<b>34,529</b>	<b>20,076</b>	<b>63,105</b>	<b>36,683</b>	<b>109,882</b>	<b>83,460</b>
<b>Other comprehensive income</b>						
<i>Items that may be reclassified to profit</i>						
Exchange differences arising from the translation of foreign operations	-241	48	-177	112	-294	-63
<b>Other comprehensive income, net after tax</b>	<b>-241</b>	<b>48</b>	<b>-177</b>	<b>112</b>	<b>-294</b>	<b>-63</b>
<b>Total comprehensive income for the period</b>	<b>34,288</b>	<b>20,124</b>	<b>62,928</b>	<b>36,795</b>	<b>109,588</b>	<b>83,397</b>

## Consolidated balance sheets

Group (EUR thousands)	30/06/2019	30/06/2018	31/12/2018
<b>Assets</b>			
Intangible assets	23,066	17,054	21,344
Goodwill	14,809	-	-
Buildings	12,055	12,279	12,167
Right of use assets	16,652	-	-
Property, plant and equipment	30,765	25,656	27,452
Other long-term receivables	1,242	5,456	952
Deferred tax assets	15	71	180
<b>Total non-current assets</b>	<b>98,604</b>	<b>60,516</b>	<b>62,095</b>
Accounts receivable	54,426	43,678	47,622
Other receivables	48,961	20,630	42,771
Prepaid expenses and accrued income	5,544	3,103	3,218
Cash and cash equivalents	88,680	37,163	84,951
<b>Total current assets</b>	<b>197,611</b>	<b>104,574</b>	<b>178,562</b>
<b>TOTAL ASSETS</b>	<b>296,215</b>	<b>165,089</b>	<b>240,657</b>
<b>Equity and liabilities</b>			
Share capital	540	540	540
Other capital contributed	5,715	4,698	5,867
Reserves	-238	26	-108
Retained earnings including profit for the period	176,101	109,231	155,971
<b>Total equity</b>	<b>182,118</b>	<b>114,495</b>	<b>162,270</b>
Deferred tax liability	144	574	-
Non-current lease liabilities	13,372	-	-
Long-term debt to credit institutions	5,143	6,229	5,619
<b>Total long-term liabilities</b>	<b>18,659</b>	<b>6,803</b>	<b>5,619</b>
Accounts payable	3,038	2,355	3,190
Short-term debt to credit institutions	950	950	950
Current tax liabilities	54,622	24,339	49,939
Other current liabilities	22,563	9,528	11,521
Current lease liabilities	3,281	-	-
Accrued expenses and prepaid income	10,984	6,619	7,168
<b>Total current liabilities</b>	<b>95,438</b>	<b>43,791</b>	<b>72,768</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>296,215</b>	<b>165,089</b>	<b>240,657</b>

Intangible assets comprise Game software EUR 14,431 thousand (16,449 as of 30/6/2018 and 15,590 as of 31/12/2018), Licenses and patents EUR 5,765 thousand (605; 5,754), Customer agreements EUR 2,635 thousand (0; 0) and Trademark EUR 236 thousand (0; 0).

The balance sheets have been affected by the new lease standard IFRS 16, as reflected by the items Right of use assets, Non-current lease liabilities and Current lease liabilities above.



## Consolidated changes in equity

Group, 2018 (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	-	-	-	-32,373	-32,373
Warrants	-	1,169	-	195	1,364
Total comprehensive income for Jan-Mar	-	-	64	16,522	16,586
Total comprehensive income for Apr-Jun	-	-	-38	20,161	20,123
Total comprehensive income for Jul-Sep	-	-	-65	21,242	21,177
Total comprehensive income for Oct-Dec	-	-	-24	25,535	25,511
<b>Closing equity 31/12/2018</b>	<b>540</b>	<b>5,867</b>	<b>-108</b>	<b>155,971</b>	<b>162,270</b>

Group, 2019 (EUR thousands)	Share Capital	Other capital contributed	Reserves	Retained earnings	Total equity
Opening equity 01/01/2019	540	5,867	-108	155,971	162,270
Dividend payout 08/05/2019	-	-	-	-43,164	-43,164
Warrants	-	-152	-	178	26
Total comprehensive income for Jan-Mar	-	-	122	28,576	28,698
Total comprehensive income for Apr-Jun	-	-	-241	34,529	34,288
<b>Closing equity 30/6/2019</b>	<b>540</b>	<b>5,715</b>	<b>-227</b>	<b>176,090</b>	<b>182,118</b>

## Consolidated statement of cash flows

Group (EUR thousands)	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jan-Dec 2018
Operating profit	36,614	21,688	66,803	39,525	89,484
<i>Adjustment for items not included in cash flows:</i>					
Depreciation, amortisation and impairments	6,116	4,480	11,845	8,596	18,197
Other	68	19	178	39	561
Interest received	0	0	0	0	13
Interest paid	-51	-43	-96	-86	-171
Tax paid	-230	-646	-3,702	-2,224	-2,912
<b>Cash flows from operating activities before changes in working capital</b>	<b>42,518</b>	<b>25,498</b>	<b>75,028</b>	<b>45,850</b>	<b>105,172</b>
Increase / Decrease in Accounts receivables	-6,509	362	-6,803	-4,186	-8,129
Increase / Decrease in Accounts payables	-473	-996	-152	-1,596	-761
Increase / Decrease in other working capital	-175	1,054	11,281	913	3,754
<b>Cash flows from operating activities</b>	<b>35,361</b>	<b>25,919</b>	<b>79,354</b>	<b>40,982</b>	<b>100,036</b>
Acquisition of intangible assets	-2,035	-2,680	-22,199	-5,568	-15,262
Acquisition of property, plant and equipment	-3,860	-5,482	-7,913	-11,987	-17,868
Increase / Decrease in other financial assets	-56	-348	-134	-3,017	1,480
<b>Cash flows from investing activities</b>	<b>-5,951</b>	<b>-8,510</b>	<b>-30,246</b>	<b>-20,572</b>	<b>-31,650</b>
Repayment of debt to credit institutions	-238	-237	-475	-464	-1,074
Repayment of lease liability	-809	-	-1,466	-	-
Warrant premiums	-12	-	-152	-	803
Dividend	-43,164	-32,135	-43,164	-32,135	-32,373
<b>Cash flows from financing activities</b>	<b>-44,223</b>	<b>-32,372</b>	<b>-45,257</b>	<b>-32,599</b>	<b>-32,644</b>
<b>Cash flow for the period</b>	<b>-14,813</b>	<b>-14,963</b>	<b>3,851</b>	<b>-12,189</b>	<b>35,742</b>
Cash and cash equivalents at start of period	103,734	52,076	84,951	49,272	49,272
Cash flow for the period	-14,813	-14,963	3,851	-12,189	35,742
Exchange rate differences	-241	49	0	79	-63
<b>Cash and cash equivalents at end of period</b>	<b>88,680</b>	<b>37,163</b>	<b>88,802</b>	<b>37,163</b>	<b>84,951</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 (EUR thousands)	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jul 2018- Jun 2019	Jan-Dec 2018
Operating revenues (IFRS)	85,728	59,252	165,025	110,846	299,597	245,418
EBITDA margin	49.8%	44.2%	47.7%	43.4%	46.1%	43.9%
Operating margin	42.7%	36.6%	40.5%	35.7%	39.0%	36.5%
Profit margin	40.3%	33.9%	38.2%	33.1%	36.7%	34.0%
Equity/assets ratio	61.5%	69.4%	61.5%	69.4%	61.5%	67.4%
Cash and cash equivalents	88,680	37,163	88,680	37,163	88,680	84,951
Average number of full-time employees	4,845	3,425	4,656	3,343	4,263	3,529
Full-time employees at end of period	5,120	3,600	5,120	3,600	5,120	4,319
Earnings per share (EUR) (IFRS)	0.19	0.11	0.35	0.20	0.61	0.46
Equity per share (EUR)	1.01	0.64	1.01	0.64	1.01	0.90
Operating cash flow per share (EUR)	0.20	0.14	0.44	0.23	0.77	0.56
Average number of outstanding shares	179,851,885	179,851,885	179,851,885	179,851,885	179,851,885	179,851,885
Number of outstanding shares	179,851,885	179,851,885	179,851,885	179,851,885	179,851,885	179,851,885

## Consolidated key ratios by quarter

Group (EUR thousands)	Q2/19	Q1/19	Q4/18	Q3/18	Q2/18	Q1/18	Q4/17	Q3/17
Operating revenues (IFRS)	85,728	79,297	70,226	64,346	59,252	51,594	50,718	45,690
EBITDA	42,730	35,918	31,568	27,992	26,168	21,959	22,599	21,803
EBITDA margin	49.8%	45.3%	45.0%	43.5%	44.2%	42.6%	44.6%	47.7%
Operating profit	36,614	30,189	26,734	23,225	21,688	17,842	18,806	18,226
Operating margin	42.7%	38.1%	38.1%	36.1%	36.6%	34.6%	37.1%	39.9%
Revenue growth vs prior year	44.7%	53.7%	38.5%	40.8%	40.1%	30.0%	47.8%	56.4%
Revenue growth vs prior quarter	8.1%	12.9%	9.1%	8.6%	14.8%	1.7%	11.0%	8.0%
Cash and cash equivalents	88,680	103,734	84,951	63,548	37,163	52,076	49,272	38,798

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

Group (EUR thousands)	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jul 2018- Jun 2019	Jan-Dec 2018
<b>Operating margin</b>						
Profit before tax	36,563	21,645	66,707	39,439	116,594	89,326
Excluding net financial items	51	43	96	86	168	158
<b>Operating profit (EBIT)</b>	<b>36,614</b>	<b>21,688</b>	<b>66,803</b>	<b>39,525</b>	116,762	<b>89,484</b>
Divided by Total operating revenues	85,728	59,252	165,025	110,846	299,597	245,418
<b>Operating (EBIT) margin</b>	<b>42.7%</b>	<b>36.6%</b>	<b>40.5%</b>	<b>35.7%</b>	<b>39.0%</b>	<b>36.5%</b>
<b>EBITDA and EBITDA margin</b>						
Profit before tax	36,563	21,645	66,707	39,439	116,594	89,326
Net financial items	51	43	96	86	168	158
Depreciation/amortisation	6,116	4,480	11,845	8,596	21,446	18,197
<b>EBITDA</b>	<b>42,730</b>	<b>26,168</b>	<b>78,649</b>	<b>48,121</b>	138,208	<b>107,681</b>
Divided by Total operating revenues	85,728	59,252	165,025	110,846	299,597	245,418
<b>EBITDA margin</b>	<b>49.8%</b>	<b>44.2%</b>	<b>47.7%</b>	<b>43.4%</b>	<b>46.1%</b>	<b>43.9%</b>
<b>Profit margin</b>						
<b>Profit for the period</b>	34,529	20,076	63,105	36,683	109,882	83,460
Divided by Total operating revenues	85,728	59,252	165,025	110,846	299,597	245,418
<b>Profit margin</b>	<b>40.3%</b>	<b>33.9%</b>	<b>38.2%</b>	<b>33.1%</b>	<b>36.7%</b>	<b>34.0%</b>
<b>Equity/Assets ratio</b>						
<b>Total equity</b>	<b>182,118</b>	<b>114,495</b>	<b>182,118</b>	<b>114,495</b>	<b>182,118</b>	<b>162,270</b>
Divided by Total assets	296,215	165,089	296,215	165,089	296,215	240,657
<b>Equity/Assets ratio</b>	<b>61.5%</b>	<b>69.4%</b>	<b>61.5%</b>	<b>69.4%</b>	<b>61.5%</b>	<b>67.4%</b>

EBITDA has been affected by the new lease standard IFRS 16, which is reported in note 4.

## Condensed Parent Company income statements and other comprehensive income

Parent company (EUR thousands)	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jul 2018- Jun 2019	Jan-Dec 2018
Operating revenues	1,587	1,407	3,024	3,004	6,375	6,195
Other external expenses	-1,512	-1,517	-2,891	-3,011	-5,991	-5,996
<b>Operating profit</b>	<b>75</b>	<b>-110</b>	<b>134</b>	<b>-7</b>	<b>384</b>	<b>199</b>
Dividend from group companies	-	-	-	-	75,000	75,000
Financial items	0	0	0	-1	104	104
<b>Profit before taxes</b>	<b>75</b>	<b>-110</b>	<b>134</b>	<b>-8</b>	<b>75,488</b>	<b>75,303</b>
Tax on profit for the period	-310	0	-418	0	-825	-515
<b>Result for the period</b>	<b>-235</b>	<b>-110</b>	<b>-285</b>	<b>-8</b>	<b>74,663</b>	<b>74,788</b>

Parent company (EUR thousands)	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jul 2018- Jun 2019	Jan-Dec 2018
<b>Profit for the period</b>	<b>-235</b>	<b>-110</b>	<b>-285</b>	<b>-8</b>	<b>74,663</b>	<b>74,788</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>-235</b>	<b>-110</b>	<b>-285</b>	<b>-8</b>	<b>74,663</b>	<b>74,788</b>

## Condensed Parent Company balance sheets

Parent company (EUR thousands)	30/06/2019	30/06/2018	31/12/2018
<b>Assets</b>			
Intangible assets	667	244	438
Property, plant and equipment	28	67	40
Participating interest in Group companies	206,000	206,000	206,000
Other financial assets	32	33	33
Deferred tax receivables	-	71	-
<b>Total non-current assets</b>	<b>206,727</b>	<b>206,415</b>	<b>206,511</b>
Receivables from Group companies	24,213	-	69,539
Other current receivables	326	346	272
Prepaid expenses and accrued income	357	265	76
Cash and cash equivalents	1,785	1,038	504
<b>Total current assets</b>	<b>26,681</b>	<b>1,649</b>	<b>70,391</b>
<b>TOTAL ASSETS</b>	<b>233,408</b>	<b>208,063</b>	<b>276,902</b>
<b>Equity and liabilities</b>			
Share capital	540	540	540
Retained earnings including profit for the period	231,578	199,453	275,179
<b>Total equity</b>	<b>232,118</b>	<b>199,993</b>	<b>275,719</b>
Accounts payable	-	80	160
Liabilities to Group companies	-	7,624	-
Current tax liabilities	896	57	479
Other current liabilities	169	150	158
Accrued expenses and prepaid revenues	225	160	386
<b>Total current liabilities</b>	<b>1,290</b>	<b>8,071</b>	<b>1,183</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>233,408</b>	<b>208,063</b>	<b>276,902</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 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.

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 2018 annual report with the exception of den new lease standard IFRS 16 that has replaced IAS 17 and is applied from 1 January 2019. Evolution has chosen a simplified retrospective method upon transition to IFRS 16, which means that amounts for the comparative year 2018 have not been re-measured. The IFRS 16 effect on the balance sheets have been reported directly in the balance sheets on page 7. The effect on the income statements are reported in note 4.

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

No significant events have occurred after the end of the reporting period.

### Note 3. Incentive programmes

The company has two incentive programmes adopted by the Annual General Meetings in 2016 and 2018. Upon full exercise of the warrants within the programmes, the dilution effect will be approximately 2.0 percent. More information about the programmes are available on the company's website.

### Note 4. IFRS 16 effects in the financial reports

*Amounts recognised in the income statement*

The Income statement shows the following amounts related to leasing:

Group (EUR thousands)	Actual Jan-Jun 2019	Actual Jan-Jun 2018
<b>Operating expenses</b>		
Depreciations, right of use assets <sup>1)</sup>	-1,466	-
Other costs	1,483	-
Financial expenses in respect of right of use assets <sup>2)</sup>	-17	-
<b>Profit for the period</b>	<b>0</b>	<b>-</b>

<sup>1)</sup> Costs attributable to lease agreements moved from other costs to depreciations

<sup>2)</sup> Interest expenses included in Financial Items

### Key ratios

Group (%)	Actual Jan-Jun 2019	Actual Jan-Jun 2018
EBITDA margin including IFRS 16	49.8%	-
EBITDA margin excluding IFRS 16	48.1%	-

### Note 5. Acquisition of Ezugi

On 9 January 2019, Evolution acquired the business of live dealer gaming provider Ezugi (consisting of five legal entities) for an initial consideration of USD 12 million and possible additional consideration of a maximum of USD 6 million. The acquisition is expected to add 2-4 percent to 2019 revenues and be slightly accretive to Evolution earnings per share during 2019. The acquisition strengthens Evolution's position in

existing markets, primarily the US, and adds further studio capacity as well as resources in product development.

The acquisition is fully paid in cash. The goodwill item is not tax deductible and is expected to be attributable to expected profitability, employee know-how and expected synergy effects. The financial impact of this transaction is shown below. Acquisition analysis of fair value adjustment of product rights, short-term receivables and short-term liabilities is preliminary up to twelve months after acquisition date. The underlying currency of the Group Goodwill is USD.

<b>Group (EUR thousands)</b>	<b>Fair value reported in the group</b>
Trademark	257
Customer agreements	2,875
Tangible fixed assets	975
Other long-term receivables	75
Current receivables	1,484
Liquid funds	186
Deferred tax liability	-157
Long-term liabilities	-228
Current liabilities	-3,991
<b>Net identifiable assets and liabilities</b>	<b>1,475</b>
Group Goodwill	14,937
<b>Consolidated acquisition value/price</b>	<b>16,412</b>

Acquisition cost amounted to EUR 0.5 million, included in other operating expenses in Q4 2018 and Q1 2019.

In the second quarter 2019 and in the period January-June 2019, Ezugi has contributed to the Group's net revenues with EUR 3,077 thousand and EUR 5,424 thousand respectively, but has not had any significant impact on the Group's profit.

#### **Note 6. 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 Board of Directors and CEO affirm 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, 19 July 2019

Jens von Bahr Chairman of the Board	Joel Citron Board Member	Jonas Engwall Board Member	Cecilia Lager Board Member
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Ian Livingstone Board Member	Fredrik Österberg Board Member	Martin Carlesund CEO
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### **Presentation for investors, analysts and the media**

CEO Martin Carlesund and CFO Jacob Kaplan will present the report and answer questions on Friday, 19 July 2019 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 42 692 / +44 3333 00 9272 / +1 833 526 8396. Follow the presentation at <https://tv.streamfabriken.com/evolution-gaming-group-q2-2019>.

*This information is such that Evolution Gaming Group AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Swedish Securities Market Act. The information was submitted for publication, under the agency of the contact person set out above, on 19 July 2019, at 7.30 am CET.*

## 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.