



LeoVegas

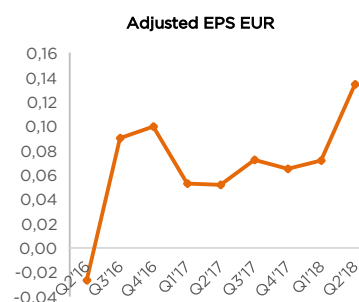
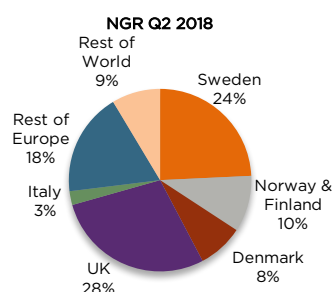
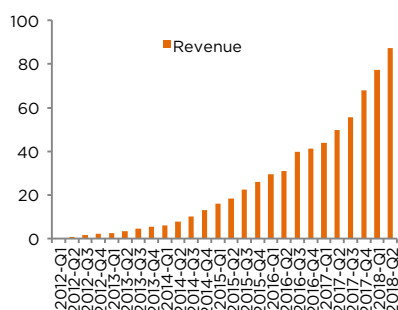
MOBILE GAMING GROUP

LeoVegas' vision is to create the ultimate mobile gaming experience and be number one in mobile gaming. The LeoVegas Mobile Gaming Group today has a leading position in mobile casino, sports betting, and live casino. The business is distinguished by award-winning innovation and strong growth. LeoVegas has attracted major international acclaim and has won numerous awards. LeoVegas' operations are based in Malta, while technology development is conducted in Sweden. The Parent Company LeoVegas AB (publ) invests in companies that offer gaming via mobile devices and computers, and companies that develop related technologies. The Group's head office is in Stockholm. LeoVegas AB is listed on Nasdaq Stockholm. *For more information about LeoVegas, visit www.leovegasgroup.com.*

Record earnings following an intense and eventful quarter

Second quarter: 1 April–30 June 2018*

- Revenue increased by 76% to EUR 87.4 m (49.7). Organic growth was 27%. Organic growth excluding markets closed in 2017 was 38%.
- Gross Gaming Revenue (GGR) from sports betting and live casino accounted for 7.5% and 15.2%, of total GGR.
- Net Gaming Revenue (NGR) from Royal Panda and Rocket X[†] accounted for 15.6% and 12.8%, of total NGR.
- NGR from regulated markets was 38.8% (25.1%) of total NGR.
- The number of depositing customers was 309,987 (173,034), an increase of 79%. The number of new depositing customers was 134,487 (73,014), an increase of 84%. The number of returning depositing customers was 175,500 (100,020), an increase of 75%.
- EBITDA was EUR 15.0 m (6.1), corresponding to an EBITDA margin of 17.2% (12.4%).
- Adjusted[‡] EBITDA was EUR 15.0 m (6.2), corresponding to an adjusted EBITDA margin of 17.2% (12.6%).
- Operating profit (EBIT) was EUR 9.3 m (5.5).
- Adjusted EBIT was EUR 13.9 m (5.6), corresponding to an adjusted EBIT margin of 15.9% (11.3%).
- Earnings per share before and after dilution were EUR 0.07 (0.05).
- Adjusted earnings per share were EUR 0.13 (0.05).



Half year period: 1 January–30 June 2018*

- Revenue increased by 76% to EUR 164.8 m (93.6).
- Operating profit (EBIT) was SEK 13.0 m (11.0). Operating profit adjusted for items affecting comparability was EUR 21.8 m (11.3), corresponding to an adjusted EBIT margin of 13.2% (12.1%).
- Earnings per share were EUR 0.08 (0.10).

Events during the quarter

- New financial targets for the full year 2020 were presented on 19 April. The goal is to achieve revenue of at least EUR 600 m and EBITDA of at least EUR 100 m.
- On 7 May it was announced that Stefan Nelson will be the new CFO, starting on 22 August 2018.
- LeoVegas took a further step in responsible gambling by registering with GAMSTOP, a central system in the British market that helps customers restrict their gambling with online gambling companies licensed in Great Britain. LeoVegas has also integrated all of the Group's brands with LeoSafePlay.
- LeoVegas launched a new front-end platform. The technology gives LeoVegas new and improved opportunities to continue offering the best, fastest and most innovative mobile gaming experience.
- Sports book 2.0 was launched on LeoVegas.com with a new design and new, improved gaming experience.
- On 7 June 2018 Swedish parliament voted in favour of new gambling legislation. The new legislation will take effect on 1 January 2019 and is in line with the previous proposal.
- The Annual General Meeting was held on 29 May 2018.

Events after the end of the quarter

- Net Gaming Revenue (NGR) in July amounted to EUR 26.4 m (18.3), representing growth of 45%.
- LeoVegas made changes in its Group Management to optimise work with the strategic agenda in sustainability and the continued journey of growth, entailing stronger focus on responsible gaming and LeoSafePlay.
- In Italy the government has proposed a ban on advertising for gambling, which would take effect in June 2019. At present the situation is unclear, and it is expected that the situation may change further by June 2019.

* Throughout this report, figures in parentheses pertain to the same period a year earlier.

[†] Rocket X is consolidated as from 1 March 2018, and Royal Panda is consolidated as from 1 November 2017.

[‡] Adjusted items are stripped of items affecting comparability related to acquisitions, the listings, sales of assets and non-cash items related to acquisitions. For a complete definition, see the section "Definitions of APMS".

CEO's comments

"A quarter with record earnings and new initiatives in sustainability and technology lays the foundation for continued strong growth"



A quarter with focus on sustainability and technology

The second quarter was one of LeoVegas' most intense quarters ever. We not only launched a new sports book and design in time for the FIFA World Cup – we also adapted to the GDPR, stricter demands for compliance, and the forthcoming regulation in Sweden. These are just a few examples of projects that we have been working intensively with. On top of this, we have worked hard and completed a number of initiatives that will be important over the long term for the Company's continued growth, for sustainability, and for a new technical platform.

Development during the quarter

Revenue totalled EUR 87.4 m (49.7) during the second quarter, an increase of 76%. Organic growth was 27%. Organic growth excluding markets that were closed in 2017 was 38%. EBITDA totalled EUR 15.0 m (6.1), corresponding to an EBITDA margin of 17.2% (12.4%).

Royal Panda and Rocket X are developing according to plan, with a strong EBITDA margin of 30.0% for Royal Panda and 21.8% for Rocket X.

We generated a record profit during the quarter, and the main explanation is lower marketing costs. Our data-driven marketing model works in such a way that we invest only if we see a sufficiently high return in our marketing channels. During the FIFA World Cup, many gaming companies that work primarily with sports betting significantly increased their advertising budgets, and as a result the long-term customer value of our marketing was deemed to be uncertain. Our models indicated not to advertise in certain channels, and accordingly we quite simply refrained. This in turn resulted in slightly lower growth but at the same time significantly higher EBITDA. I am very happy about the strong earnings in the quarter.

In addition, owing to the launch of our new front-end platform, certain links to our marketing partners needed to be redone. The same thing happened when we upgraded our back-end platform three years ago. This was a known risk and affected our customer inflow for a limited period.

This – together with the enactment of the GDPR and a generally stronger focus on compliance, where we

stopped working with a large number of affiliates in the British market – affected our customer inflow and growth during the quarter. As we now enter the third quarter, we are well prepared. Our new platform has been launched, we have made good progress with our compliance efforts, and the World Cup is over. The third quarter will thereby be a quarter with focus on growth and on further driving our business forward.

During the second quarter we also won three prestigious awards at the EGR M&I Awards: "Brand of the Year", "Affiliate Marketing of the Year" and "Innovation in Mobile & Tablet". We are proud and thrilled about all three of these distinctions – most notably "Brand of the Year", which recognises our determination and drive to work with innovation and development of our brand.

Sustainability

The LeoVegas Mobile Gaming Group conducts responsible and sustainable business. Part of this involves increasing transparency surrounding the routines and regulations that we and other actors in the business work according to. Our vision entails changing the mindset in the gaming business. Going forward we have an ambition to work together with others in the business to initiate a long-term, joint effort to change the perception of the industry's operations. Responsible business will contribute to sustainable growth, and this is the clear goal for the LeoVegas Mobile Gaming Group.

Compliance

The online gaming business in Europe is currently undergoing a fundamental change. A growing number of markets are choosing to embrace local regulation. The compliance requirements for operators are both growing and becoming more complex. This elevated focus on compliance is having a short-term effect on growth. In long term, however, we see this as an opportunity – since only professional and responsible operators will be able to work in this environment.

For some time LeoVegas has been engaged in talks with the UK Gambling Commission (UKGC) on improvements that LeoVegas can make in compliance. It is a productive discussion on how we will improve with respect to compliance in certain areas.

GDPR

The EU General Data Protection Regulation (GDPR) took effect on 25 May, and the greatest impact for us was in our retention work. As a result of the GDPR, some customers have opted out of accepting offers from us. The fact that we cannot communicate as broadly with our customers is a new reality that we must adapt to. In this regard we are convinced that our award-winning product and investments in our brand give us a good position for continued growth.

Responsible gaming and LeoSafePlay

Responsible gaming is one of LeoVegas' most important focus areas, and we have now laid the foundation for creating the next generation's system for responsible gaming. Our data-driven approach is

the foundation of our way of working, and the system is based on machine learning. This makes it possible in the most effective way to identify players who have or are showing signs of unsound gaming behaviour.

New financial targets for 2020

During the quarter we presented new financial targets that underscore our continued focus on strong growth combined with a sound view of profitability. The goal is to achieve revenue of at least EUR 600 m and EBITDA of at least EUR 100 m.

Technology

During the second quarter we launched our new front-end platform. The advantages of the new platform are many and show that LeoVegas is the leading GameTech company. Among other things, the technology improves our ability to continue to offer the best, fastest and most innovative mobile gaming experience. It will also enable us to be more effective in our product development due to the faster speed at which we can put new functions into production.

The new platform is also improving LeoVegas' work with search engine optimisation (SEO). The value of improved SEO is that customers are routed directly to Leovegas.com via search engines instead of via third parties. LeoVegas expects to gradually increase its organic traffic and thereby become less dependent on affiliates for customer acquisition via search engines.

Sports book 2.0 and new design for LeoVegas.com

Our new sports book is our largest release in the sport vertical since we launched sports betting in spring 2016. We have taken technical ownership of large parts of the sport client and have introduced an entirely new design that is more intuitive and more attractive. With effective filtering and a strong focus on relevance, our customers get the right offering presented in a simple way.

Our new product design is a modern rendition of our brand and highlights all verticals.

In parallel with the launch of sports betting for LeoVegas.com, Rocket X will also launch sports betting under its Bet UK brand. Rocket X has chosen SB Tech as its provider. The Group will thereby be working with three different providers in sports betting: Kambi, Betconstruct, and SB Tech. This gives us great flexibility to be able to offer the best experience and adapt our offering to local preferences. Over time we see that it will be fully possible to use more providers for the same brand and thereby achieve the best possible sports betting experience for our customers.

Changes in Group Management

To optimise our work on driving the Company's strategy with responsible gaming and growth, we have made changes to our Group Management team.

As previously communicated, LeoVegas' CFO, Viktor Fritzen, will take on a new role as Senior Advisor. Viktor will focus his work on strategic matters surrounding growth and value creation. Our new CFO will be Stefan Nelson, who joins us from a director role at SEB Corporate Finance and will take office on 22 August. Stefan has a solid background with 20 years of experience, including as an equities analyst for the

gaming sector. This, combined with a breadth of experience in M&A, will make Stefan a key team member for our future endeavours.

Louise Nylén has taken on a newly created role as Deputy CEO. She has previously served as Chief Marketing Officer for LeoVegas. Richard Woodbridge has been hired as our new Chief Operating Officer and will have overarching responsibility for operations at LeoVegas' offices in Malta. Our current COO, Marcus Nylén, will stay on in that role until Richard takes office and when Richard starts, will leave Group Management in order to focus on LeoVegas' expansion. Richard Ljungman is leaving his role as Chief Commercial Officer and will leave Group Management to be able to focus entirely on responsible gaming and LeoSafePlay.

Markets

NGR from locally regulated markets was 39 percent of total and is the highest we've ever had. We are very pleased that the share of regulated markets is growing and is in line with our expansion strategy.

Sweden

On 7 June the decision was finally made to introduce a licence system in Sweden. The new legislation will take effect on 1 January 2019 and is something we highly welcome.

Italy

Italy is one of Europe's largest gambling markets. More than 3 million people in Italy play online every month, and it is a growth market that we believe strongly in. During the quarter we migrated the Italian operation to LeoVegas' technical platform, Rhino, which gives our Italian customers the real LeoVegas experience! Italy's government has now proposed a ban of all gambling advertising. We firmly believe that such a ban would benefit unlicensed actors, and a debate has now ensued about this, where LeoVegas is engaged and is trying to educate politicians about what we as licensed operators are doing in the areas of sustainability and responsible gaming. The outcome of the proposal is highly uncertain at present, and we are monitoring developments closely.

Comments on the third quarter

July has started out with Net Gaming Revenue (NGR) of EUR 26.4 m (18.3), representing growth of 45%, which is lower than what we expected considering that the customer base has developed quite well.

During the third quarter we expect marketing in relation to revenue to be at roughly the same level as during the second quarter.

Our work during the second quarter has given us a stable foundation to continue to improve. This gives us a boost in the third quarter and good opportunities to create long-term growth and work towards our financial targets.

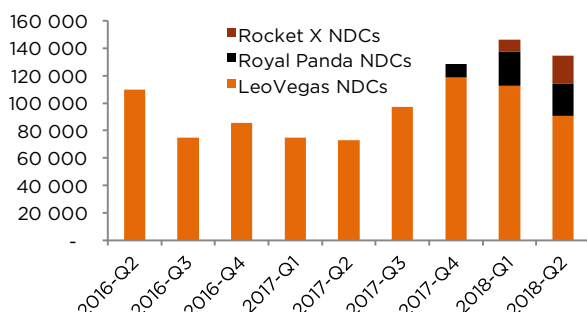


Gustaf Hagman, Group CEO and co-founder
LeoVegas AB, Stockholm, 1 August 2018

Key Performance Indicators

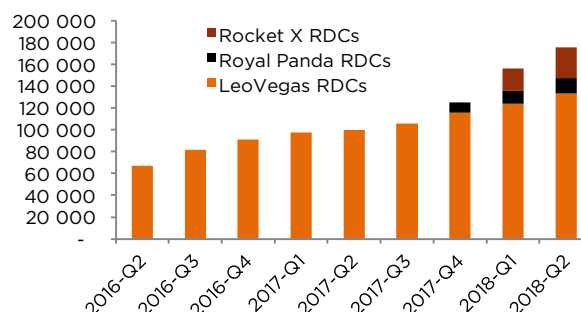
For more KPIs and comments, see the accompanying presentation on LeoVegasgroup.com. For definitions, see page 25.

New depositing customers (NDCs) per platform/brand



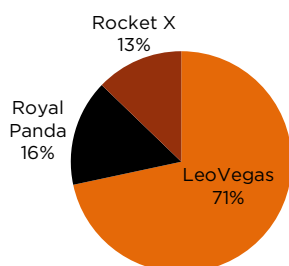
The Group's NDCs reached the second highest level ever, despite decreasing slightly compared with the preceding quarter for LeoVegas and Royal Panda, mainly owing to lower marketing.

Returning depositing customers (RDCs) per platform



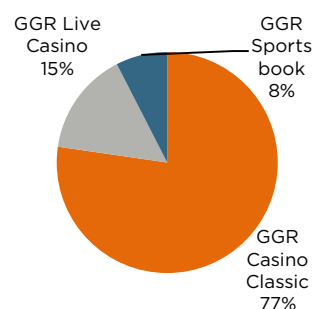
RDCs reached a new record during the quarter, with all brands reaching their highest levels ever. LeoVegas had one of its strongest quarters ever, with 7% growth in RDCs compared with the preceding quarter.

Net Gaming Revenue (NGR) per platform/brand Q2 2018



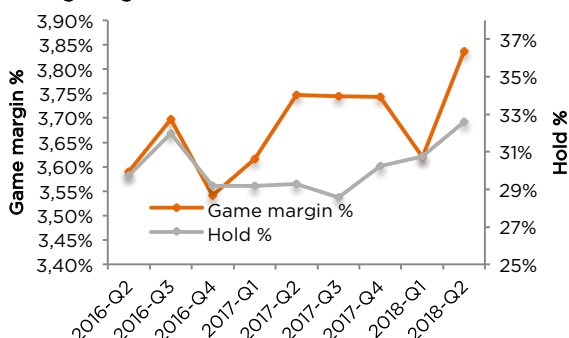
The LeoVegas brand accounted for 71% of the Group's NGR during the quarter. After full consolidation of Royal Panda and Rocket X, these account for roughly equally shares of total NGR for the Group.

Gross Gaming Revenue (GGR) per product Q2 2018



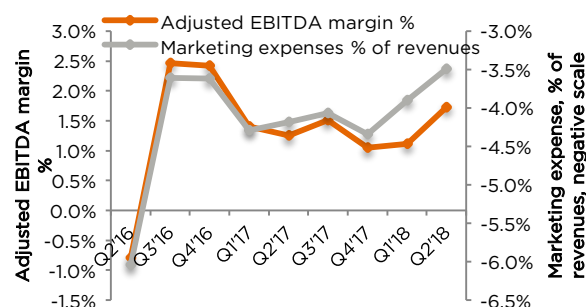
The sports book contributed 8% to GGR, and Live Casino contributed 15%. Live Casino is offered in all brands in the Group. The sports book is not offered by Rocket X.

Gaming margin and hold



The relation between NGR and deposits (hold) increased during the quarter to 32.6%. The consolidation of Royal Panda and Rocket X contributed 3.2 percentage points to the increase, as hold for the LeoVegas brand was 29.4%, which is close to - but slightly lower than - LeoVegas' average. One factor that has historically had a strong bearing on hold is the gaming margin. The gaming margin during the second quarter was 3.84%, which is close to the average. The margin for the sports book during the FIFA World Cup was 12.8%.

Adjusted EBITDA margin and marketing costs in relation to revenue



LeoVegas' EBITDA margin is to a large extent a function of marketing costs. When investments in marketing as a percentage of revenue are higher (e.g., Q2 16), the EBITDA margin decreases, while when they are lower (e.g., Q2 18) the EBITDA margin increases. Historically LeoVegas has had a higher marketing-to-revenue ratio than its industry peers. This is because the return on marketing investments has been high, which justifies a continued focus on investments in growth. Both Rocket X and Royal Panda had slightly lower marketing costs in relation to revenue compared with LeoVegas.

Group performance Q2

Revenue, deposits and NGR

Revenue amounted to EUR 87.4 m (49.7) during the second quarter, an increase of 76%. Royal Panda contributed EUR 13.4 m in revenue during the quarter, and Rocket X contributed EUR 10.9 m. Organic growth was 27%. Excluding markets that were closed in 2017 (Australia, the Czech Republic and Slovakia) and acquisitions (Winga, Royal Panda, CasinoGrounds, Rocket X), growth would have been 38% compared with the same period a year ago.

Deposits totalled EUR 266.3 m (167.9) during the quarter, an increase of 59%. Sequential growth over the preceding quarter was 7%. Excluding the acquisitions of Royal Panda and Rocket X, deposits increased by 26%. Mobile deposits accounted for 69% (67%) of total deposits.

Net Gaming Revenue (NGR) increased sequentially by 13% from the first to the second quarter, which is a slightly higher rate of growth than for deposits. This is explained primarily by a higher hold for acquired companies that have been consolidated.

Earnings

Gross profit increased by 68% compared with the same quarter a year ago to EUR 63.6 m (37.9), corresponding to a gross margin of 72.8% (76.3%). Gambling taxes amounted to 9.2% of revenue, which is marginally higher than the level of 9.1% during the first quarter, but a large increase compared with the same quarter a year ago (5.8%). The increase is attributable to a higher share of revenue from markets with gambling taxes, such as the UK and Denmark. The cost of sales was 18.0% of revenue (17.9%).

Marketing costs during the quarter totalled EUR 30.5 m (20.8), which is the highest level in absolute figures in LeoVegas' history. Marketing for LeoVegas and Royal Panda decreased slightly during the second quarter from the first quarter, while marketing in absolute figures increased following the consolidation of Rocket X.

Marketing in relation to revenue was 34.9%, which is a decrease from the first quarter, when it was 35.5%. This is considerably different than what was expected when the preceding quarterly report was published. At that time, the expectation was that marketing in relation to revenue would exceed 42%. The lower level of marketing costs in relation to revenue is mainly due to LeoVegas' data-driven marketing model, which steers much of investments. Marketing investments are made only if there is a sufficiently high return in the marketing channels. During the World Cup, many gaming companies with a main focus on sports betting significantly increased their marketing budgets, creating uncertainty about the effectiveness and customer value over the long term. In this respect LeoVegas' models indicated that advertising would generate a poorer return in certain channels. Additional, contributing factors to the lower level of marketing include a greater focus on compliance and the adaptation of internal technical systems. In the UK it has become more difficult to work with affiliates due to stricter requirements from the UKGC. In addition, as a result of enactment of the General Data Protection Regulation (GDPR), some LeoVegas customers have now opted to not receive communication, making it harder to target marketing at them. The GDPR has also made it harder to work with leads-related traffic. During the quarter the entire LeoVegas.com site was migrated to a new technical platform, which in some cases resulted in disruptions for our marketing partners, and as a result certain campaigns were stopped during the quarter.

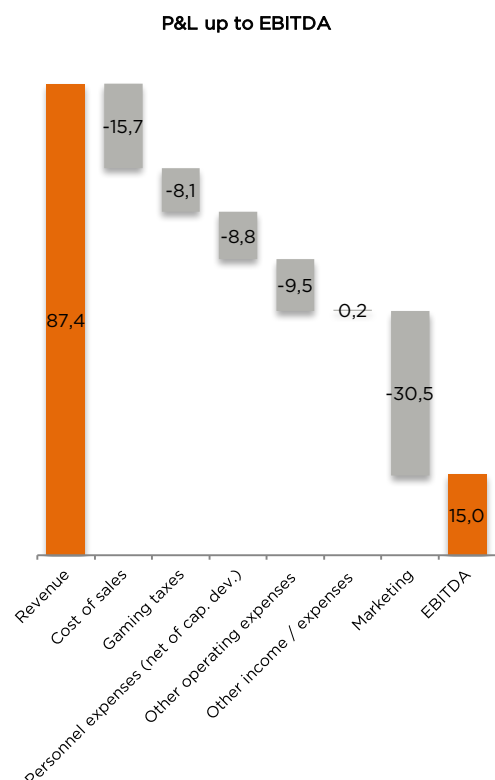
The opportunities to make substantial marketing investments will vary over time, entailing that profitability may be volatile from quarter to quarter.

The average acquisition cost for a new depositing customer increased by 10% over the first quarter, but was still the second lowest average acquisition cost during the last six quarters. The relatively low customer acquisition cost is due to a number of factors, including the World Cup, which attracted many new customers in Sport. It is also explained by the consolidation of Rocket X, which has a very low average customer acquisition cost, and the most important factor – that LeoVegas has a high level of effectiveness in its marketing.

Personnel costs in relation to revenue increased marginally during the second quarter compared with the first quarter and are near the average for 2017. Personnel costs in relation to revenue during the second quarter were 11.8% (14.2%).

Other operating expenses amounted to 10.8% of revenue (10.0%).

EBITDA for the second quarter was EUR 15.0 m (6.2), corresponding to an EBITDA margin of 17.2% (12.4%). Adjusted EBITDA was the same



as EBITDA for the quarter as there were no items affecting comparability. EBITDA per platform/brand is presented in the chart at right.

EBITDA for the LeoVegas brand was EUR 9.1 m, with a margin of 14.4%. EBITDA for the Royal Panda brand was EUR 4.0 m, with a margin of 30.0%. The large increase in the EBITDA margin for Royal Panda is explained by substantial marketing costs during the first quarter and lower marketing costs during the second. The Rocket X brand contributed EUR 2.4 m in EBITDA, representing an EBITDA margin of 21.8%. LeoVentures had EBITDA of EUR -0.5 m, as several companies in LeoVentures are in investment phases.

Operating profit (EBIT) for the quarter was EUR 9.3 m (5.5), corresponding to an EBIT margin of 10.6% (11.0%).

Adjusted EBIT was EUR 13.9 m (5.6), corresponding to an adjusted EBIT margin of 15.9% (11.3%). Adjusted EBIT more closely reflects the Group's underlying earnings capacity, as items affecting comparability related to acquisitions, the listings, the provision for fines in the UK, the gain on the sale of the broadcasting asset in Italy, and amortisation of acquired intangible assets are excluded.

The Group's depreciation and amortisation excluding acquisition-related depreciation and amortisation amounted to EUR 1.1 m. Amortisation of acquired intangible assets was EUR 4.6 m. For more detailed information on amortisation of acquired intangible assets, see the press release from 13 April 2018. Further information is provided in the preliminary purchase price allocation analyses on pages 11-12.

Financial expenses in the first quarter were higher than in earlier quarters. The increase is attributable to the loan facility that was secured in connection with the acquisitions of Royal Panda and Rocket X. During the second quarter, financial expenses related to the loan facility totalled EUR 0.5 m.

The acquisition of Royal Panda includes a potential, maximum earn-out payment (contingent consideration) of EUR 60.0 m. LeoVegas has determined that it is likely that part of this earn-out will be paid out. The estimated outcome is expected to be EUR 42.0 m (undiscounted). The acquisition of CasinoGrounds also includes a contingent earn-out payment that can amount to a maximum of SEK 15 m (EUR 1.5 m). The assessment is that the maximum earn-out will be paid. During the quarter an earnings effect of EUR 1.6 m arose from the fair value discounting of these provisions, which is charged against profit for the period as a financial expense. The earn-out payment for Royal Panda will be settled on 1 December 2018. The earn-out for CasinoGrounds will be settled on 31 August 2018.

The tax cost for the quarter was EUR 0.5 m (0.4).

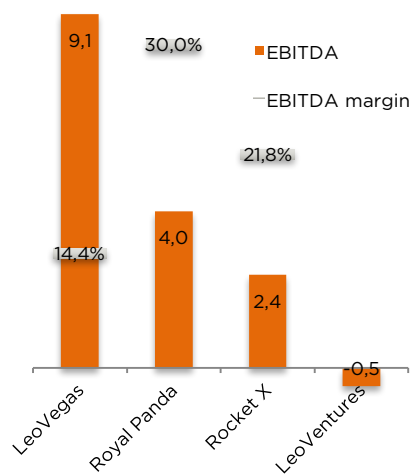
Net profit for the quarter was EUR 6.6 m (5.0), corresponding to a net margin of 7.6% (10.1%). Earnings per share were EUR 0.7 (0.05) before dilution and EUR 0.07 (0.05) after dilution.

Adjusted earnings per share were EUR 0.13 (0.05). Adjusted earnings per share reflect the Group's underlying earnings capacity, as items affecting comparability related to acquisitions, the listings, the provision for fines in the UK, the gain on the sale of the broadcasting asset in Italy, and amortisation of acquired intangible assets are excluded. The discounting effect of earn-out payments is also excluded, as this does not affect cash flow.

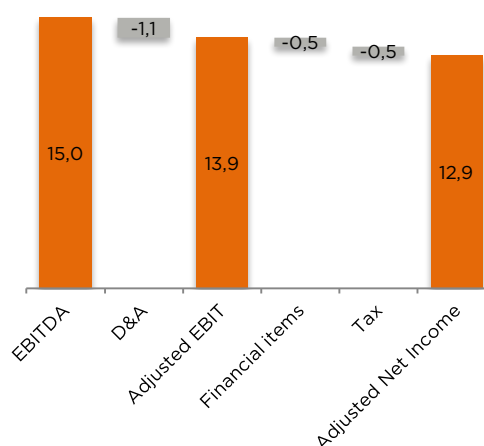
Balance sheet and financing

At the end of June 2018 the Group's equity amounted to EUR 63.5 m (50.7), or EUR 0.6 per share. Starting on 1 January 2018 the LeoVegas Group has a non-controlling interest amounting to EUR 4.3 m (0) of equity. The non-controlling interest pertains to CasinoGrounds, in which 51% of the shares were acquired.

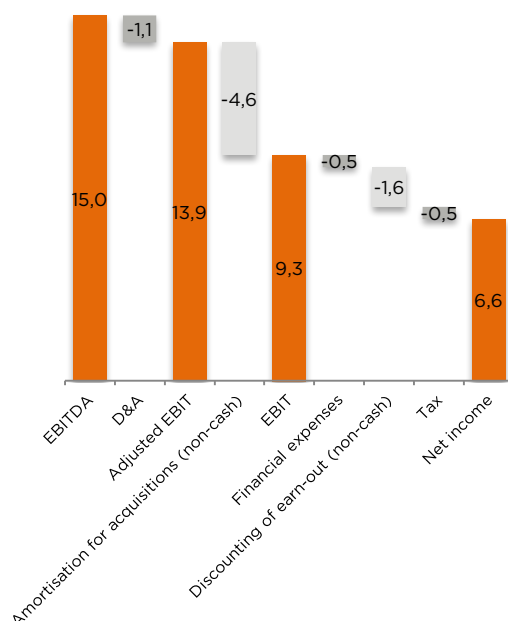
EBITDA MEUR and EBITDA margin %



EBITDA to Adjusted Net Income MEUR



EBITDA to Net Income MEUR



The Group's financial position is strong. LeoVegas has taken out an interest-bearing bank loan of EUR 95 m and has the opportunity to use up to EUR 100 m of the existing loan facility. The equity/assets ratio was 24% (58%). Total assets as per 30 June 2018 were EUR 267.6 m (87.7).

The Group had intangible assets with a value of EUR 182.8 m (13.9) at the end of the quarter. Intangible assets attributable to identified surplus value from acquisitions amounted to EUR 69.3 m (1.7). The increase is mainly attributable to the acquisitions of Royal Panda and Rocket X. Goodwill related to all acquisitions amounted to EUR 101.8 m (4.6). The acquisition of Rocket X is an asset/liability acquisition, whereby no shares were acquired. Other acquisitions involved purchases of shares. LeoVegas' holding in CasinoGrounds is 51% of the shares, representing a non-controlling interest that is presented on the consolidated balance sheet and income statement.

The consolidated balance sheet includes customer deposits. Customer balances at the end of the second quarter amounted to EUR 11.7 m (5.2).

Cash and cash equivalents amounted to EUR 49.4 m (59.70). Cash and cash equivalents excluding customer balances amounted to EUR 37.7 m (54.6).

Several items under non-current liabilities have increased significantly during the year, which is due to consolidation of acquisitions and underlying growth.

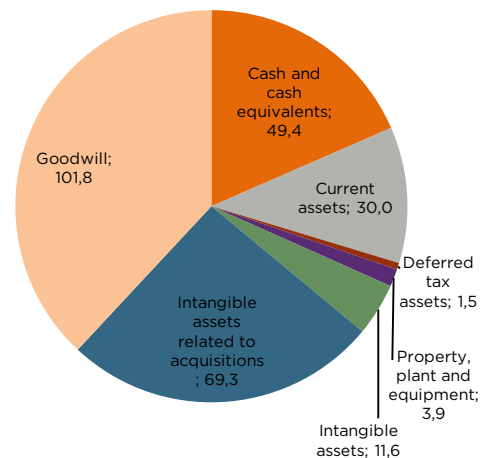
Cash flow and investments

Cash flow from operating activities during the quarter totalled EUR 15.9 m (8.3). The increase is mainly attributable to the EBITDA result and an adjustment for non-cash items, such as depreciation and amortisation.

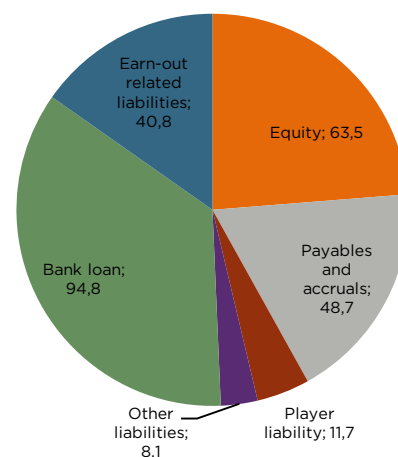
Investments in property, plant and equipment amounted to EUR 0.5 m (0.2). Investments in intangible non-current assets amounted to SEK 1.8 m (1.7) and pertain to acquired intangible assets and capitalised development costs. An additional EUR 10.0 m of cash flow from investing activities affected the outflow, since the deferred payment for the consideration for Royal Panda was paid during the quarter. In total, investing activities generated an outflow of EUR 12.3 m.

In cash flow from financing activities, the Group used an additional EUR 10 m of the loan facilities and paid out a dividend of EUR 11.7 m to the Parent Company's shareholders.

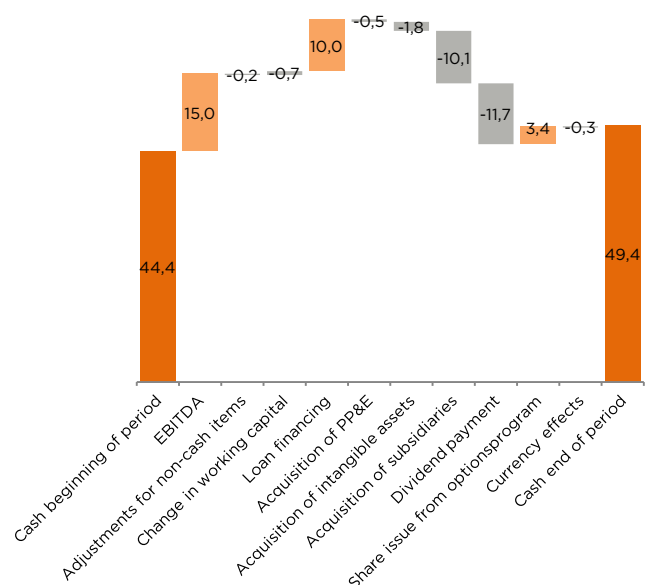
Balance sheet Assets MEUR



Balance sheet Equity and Liabilities MEUR



Cash flow MEUR



Group performance during first half of 2018

Revenue and earnings

Consolidated revenue amounted to EUR 164.8 m (93.6), an increase of 76%.

During the half-year period mobile deposits accounted for 69% (67%) of total deposits.

Gross profit increased 66% to EUR 119.3 (71.9). The gross margin for the half-year period was 72.4% (76.8%).

Marketing costs as a share of revenue decreased to 36.9% (42.3%).

EBITDA increased to EUR 24.5 m (12.2), and the EBITDA margin was 14.9% (13.0%). EBITDA adjusted for items affecting comparability was EUR 24.0 m (12.4), corresponding to a margin of 14.6% (13.3%).

Operating profit (EBIT) increased to EUR 13.0 m (11.0), for an operating margin of 7.9% (11.7%). Operating profit adjusted for items affecting comparability was EUR 21.8 m (11.3), corresponding to a margin of 13.2% (12.1%).

Profit for the half-year period decreased to EUR 8.4 m (10.2). The decrease in profit for the period despite the increase in EBITDA is attributable to non-cash items related to acquisitions, such as depreciation/amortisation and discounting of the liability for the earn-out payment for Royal Panda. Adjusted profit for the period was EUR 20.4 m (10.5), for an adjusted margin of 12.4% (11.2%).

Cash flow and investments

Cash flow from operating activities increased during the first half of the year to EUR 27.7 m (14.2). The increase is mainly attributable EBITDA.

Investments in non-current assets amounted to EUR 1.5 m (0.3) and consisted mainly of IT hardware and investments in new office premises. Investments in intangible assets amounted to EUR 4.5 m (2.6) and consisted mainly of capitalised development costs. Cash flow for acquisitions of subsidiaries totalled EUR -92.3 m (1.2).

Cash flow from financing activities amounted to EUR 66.5 m (-10.2). The increase during the period is attributable to utilisation of the loan facility. In addition, during the period a dividend of EUR 11.7 m (10.2) was paid out to the Parent Company's shareholders.

Other information

Outlook and financial targets[§]

Against the background of strong organic growth and several acquisitions that are contributing to LeoVegas' success as a growth company, the Board of Directors of LeoVegas has adopted new financial targets for the Group. These were communicated on 19 April and are presented below:

Growth and revenue:

- LeoVegas' target is to achieve at least EUR 600 m in revenue by 2020.

Profit:

- LeoVegas' target is to achieve at least EUR 100 m in EBITDA by 2020.

The long-term targets that were adopted in late 2015 have not changed and are as follows:

- Long-term organic growth that outperforms the online gaming market
- Long-term EBITDA margin of no less than 15% assuming that 100% of revenue will be generated in regulated markets subject to gambling tax
- To pay a dividend of at least 50% of profit after tax

The Company sees continued strong demand for gaming services and believes that the opportunities for continued expansion in new markets are very favourable. External market forecasts indicate that mobile gaming will continue to grow faster than the traditional gaming market. Mobile penetration and the use of smartphones continue to rise around the world, and smartphones are being used to an ever-greater extent for entertainment and gaming. LeoVegas will continue to invest in growth and believes that the growth potential in the Company's core markets is very favourable.

Parent Company

LeoVegas AB (publ), the Group's Parent Company, invests in companies that offer gaming via smartphones, tablets and desktop computers, as well as companies that develop related technology. Gaming services are offered to end consumers through subsidiaries. The Parent Company is not engaged in any gaming activities.

During the first half of 2018 revenue amounted to EUR 0.7 m (0.1), and profit after tax was EUR -2.0 m (-13). Cash and cash equivalents amounted to EUR 1.8 m (3.9). A dividend of EUR 11.7 m was paid to the Parent Company's shareholders during the second quarter of 2018.

[§] LeoVegas' financial targets provided above are based on a number of assumptions about the business environment that the Group works in. Over time this may vary, whereby the outcome may deviate considerably from these assumptions. The outcome may therefore be worse than what LeoVegas initially estimated when the financial targets were adopted. As a result, LeoVegas' ability to achieve the financial targets is subject to uncertainties and eventualities, of which some are outside of the Group's control. There is no guarantee that LeoVegas can achieve the targets or that LeoVegas' financial position or operating profit will not differ significantly from the financial targets.

Acquisition – Rocket X (1 March 2018)

LeoVegas acquired assets from Intellectual Property & Software Limited (“IPS”) and European Domain Management Ltd (“EDM”), and the assets and operations of Rocket 9 Ltd (collectively referred to as “Rocket X”)

On 12 January 2018 it was announced that LeoVegas – through its wholly owned subsidiary LeoVegas Gaming Ltd – entered into an agreement to acquire assets from the gaming operator Intellectual Property & Software Limited (“IPS”) and related assets from European Domain Management Ltd (“EDM”), both of which are based in Alderney, Channel Islands. In addition, LeoVegas – through a wholly owned British subsidiary – also reached an agreement to acquire the assets and operations of Rocket 9 Ltd (“Rocket 9”). Rocket 9 is a marketing business based in Newcastle, England, where all 85 of the company’s employees were based at the time of acquisition. These assets are collectively named Rocket X going forward.

Transfer of possession and consolidation took place on 1 March 2018. The total purchase price was GBP 65 m (EUR 73.6 m). The acquisition was financed with existing cash holdings and debt financing. The Group has used EUR 60 m of existing credit that is included in a total loan facility of EUR 100 m.

Rocket X’s strategy focuses on digital and data-driven customer acquisition that incorporates search engine optimisation with multiple brands and customer acquisition sites. As a result, Rocket X has one of the market’s most effective customer acquisition models. Rocket X has shown strong growth and profitability, which gives LeoVegas a firm footing in the UK with local expertise. In connection with the acquisition, LeoVegas has also gained a strong company culture with a technology and product focus. The acquisition further strengthens LeoVegas’ presence in the UK and its position as the leading mobile gaming company.

Accounting effects

The acquisition consisted of an asset/liability acquisition, and no shares were taken over. During the year to date Rocket X has contributed EUR 14.9 m to the Group’s revenue and EUR 3.2 m to operating profit (corresponding to four months). If LeoVegas had owned Rocket X from 1 January 2018, it would have contributed EUR 23.3 m to the Group’s revenue and EUR 6.0 m to operating profit at the end of the quarter.

The table at right shows a preliminary purchase price allocation and summarises the total purchase price of EUR 73.6 m, measured at fair value, as well as the fair value of acquired assets and liabilities taken over. Current receivables and liabilities include no derivatives, and fair value is the same as the carrying amount.

Identified surplus value pertains to intangible assets in the form of trademarks and domain names, valued at EUR 7.1 m, and the acquired customer database, valued at EUR 12.2 m. The intangible assets are measured at fair value as per the date of acquisition and are amortised over the estimated useful life, which corresponds to the estimated time they will generate cash flow. Continuing amortisation of the acquired trademarks and domain names will be charged against consolidated profit at a straight-line amortisation rate of five years. Amortisation of the acquired customer database has been charged against consolidated profit at an

amortisation rate of two years for the first three months and will be charged at a rate of four years for the remaining 45 months.

Goodwill is attributable to future revenue synergies, which are based on the potential to reach new customers through access to new markets and thus geographic expansion. Goodwill is to some extent also attributable to human capital.

For 2018 the acquisition is expected to have a positive effect on the Group’s EBITDA, but a marginally negative effect on EBIT and earnings per share due to higher depreciation and amortisation in the Group.

Preliminary purchase price allocation,* Rocket X (EUR, '000s)	
The acquired company’s carrying amounts per the date of acquisition, 2018-03-01	Measured at fair value
Property, plant and equipment	149
Intangible assets	19 350
Financial assets	-
Trade and other receivables	1 770
Cash and cash equivalents	3 973
Trade and other payables	-5 743
Deferred tax liabilities	-
Total acquired, identifiable net assets at fair value	19 499
Goodwill	54 149
Purchase price	73 648
Purchase price	
Consideration paid	73 648
Total purchase price	73 648
Identified surplus value	
Brands and domains	7 125
Acquired customer database	12 225
Total identified surplus value	19 350

Acquisition – CasinoGrounds (1 January 2018)

LeoVegas has acquired 51% of CasinoGrounds through its wholly owned subsidiary LeoVentures

Through its wholly owned subsidiary LeoVentures Ltd, the Group signed an agreement to acquire 51% of the shares in GameGrounds United AB (CasinoGrounds), which is the company behind the streaming network casinogrounds.com. CasinoGrounds is the leading live streaming site for casino games via YouTube and Twitch and has carved out a new niche with its live streaming and social platform, which are very popular among players. The combination of proprietary content and moving picture format creates interesting opportunities going forward and is in line with LeoVegas' strategy to be an innovative and entrepreneur-driven company.

Transfer of possession and consolidation took place on 1 January 2018. The purchase price was SEK 30 m, with a potential, maximum earn-out payment of SEK 15 m. During the second quarter the milestones for payment of the full earn-out were reached – something that LeoVegas had counted on from the start. The earn-out will be paid out during the third quarter. In addition, the agreement includes an option to purchase an additional 29% of the shares in 2021 or 2022 at 5 times operating profit (EBIT multiple). The acquisition was paid for with own cash.

Accounting effects

The table at right shows a preliminary purchase price allocation and summarises the total purchase price of EUR 8.5 m (adjusted for minority share), measured at fair value, as well as the fair value of acquired assets and liabilities taken over. Identified surplus value pertains to intangible assets in the form of the acquired customer database, valued at EUR 3.7 m. The intangible assets are measured at fair value as per the date of acquisition and are amortised over the estimated useful life, which corresponds to the estimated time they will generate cash flow. Amortisation of the acquired customer database has been charged against consolidated profit at an amortisation rate of two years for the first three months and will be charged at a rate of four years for the remaining 45 months.

Goodwill is attributable to future revenue synergies, which are based on the potential to use existing knowledge to scale up the acquired business and thereby achieve expansion. Goodwill is to some extent also attributable to human capital.

The acquisition is not expected to have any material effect on the Group's EBITDA or earnings per share in 2018.

Preliminary purchase price allocation,* CasinoGrounds (EUR, '000s)

The acquired company's carrying amounts per the date of acquisition, 2018-01-01	Measured at fair value
Property, plant and equipment	-
Intangible assets	5 540
Financial assets	-
Trade and other receivables	368
Cash and cash equivalents	347
Trade and other payables	-126
Deferred tax liabilities	-553
Total acquired, identifiable net assets at fair value	5 575
Goodwill	2 907
Purchase price	8 482
Purchase price	
Consideration paid	3 054
Estimated earn-out (contingent consideration)	1 272
Total consideration for 51%	4 326
Total consideration adjusted to 100%	8 482
Identified surplus value	
Acquired customer database	3 690
Total identified surplus value	3 690

Currency sensitivity

LeoVegas' largest markets are the Nordic countries and the UK. The Group's earnings are thus affected by currency translation effects. During the quarter, changes in the euro exchange rate had a positive effect on revenue of EUR 0.1 m.

Seasonal variations

Customers use LeoVegas' gaming services year-round, which means that seasonal variations tend to be rather low. In addition, owing to the Company's fast growth, any seasonal variations in gaming activity are less apparent.

Personnel

The number of full-time employees at the end of the quarter was 794 (431), of whom 51 are employed in the Royal Panda Group, 107 in Rocket X and 53 in LeoVentures. The average number of employees during the second quarter was 758 (422). In addition, LeoVegas was using the services of 28 (2) full-time consultants at the end of the quarter.

Related-party transactions

Since December 2017 LeoVegas no longer has a related-party relationship with the lessor regarding rents for office premises in Stockholm. LeoVegas continues to have a related-party relationship for rent of company flats. In other respects, no material changes have taken place for the Group or Parent Company in relations or transactions with related parties compared with the description provided in the 2017 Annual Report.

Shares and ownership structure

LeoVegas AB was listed on Nasdaq Stockholm on 5 February 2018 (and prior to this was listed on Nasdaq First North since 17 March 2016). The total number of shares and votes in LeoVegas AB is 101,643,595. As per 30 June 2018 the Company had 16,793 shareholders. The five largest shareholders were Swedbank Robur, with 8.3%; Gustaf Hagman, with 8.1%; Robin Ramm-Ericson, with 7.0%; Skandia Mutual Life Insurance Company, with 4.4%; and SEB, with 3.4% of the shares and votes.

Adjusted performance measures

LeoVegas presents adjusted performance measures to provide a more fundamental picture to readers of reports by showing earnings that more closely reflect the Group's underlying earnings capacity. Adjusted items include costs associated with the listings on Nasdaq First North Premier and Nasdaq Stockholm, costs related to consulting for acquisitions, sales of assets that affect earnings, amortisation of intangible assets related to acquisitions, and remeasurement and discounting of earn-out payments for acquisitions (that do not have a cash flow effect). Earnings-related items affecting comparability have entailed the recalculation of the performance measure adjusted EBIT and the adjusted EBIT margin for earlier historic periods. This is because amortisation of acquired intangible assets is now included as an item affecting comparability starting with the first quarter of 2018.

Accounting policies

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IAS/IFRS, as endorsed by the European Union) issued by the International Accounting Standards Board, interpretations issued by the IFRS Interpretation Committee (formerly IFRIC), the Swedish Annual Accounts Act, and Swedish Financial Reporting Board (RFR) standard RFR 1 "Supplementary Accounting Rules for Groups". This interim report is prepared in accordance with IAS 34 Interim Financial Reporting. The most important accounting policies under IFRS, which are the accounting policies applied in the preparation of this interim report, are described in Note 2, pages 82–87, of the 2017 Annual Report. The Parent Company's financial statements have been prepared in accordance with the Swedish Annual Accounts Act and recommendation RFR 2 "Accounting for Legal Entities"

In addition to the financial statements, disclosures in accordance with IAS 34 paragraph 16A are provided in other parts of the interim report.

In this interim report, reference is made to measures that LeoVegas AB and others use in the evaluation of LeoVegas Mobile Gaming Group's performance that are not explicitly defined in IFRS. These measures provide management and investors with important information to analyse trends in the Company's business activities. These Alternative Performance Measures are intended to complement, not replace, financial measures that are presented in accordance with IFRS. For definitions, see the paragraph *Definitions of Alternative Performance Measures*.

The number of shares after dilution is calculated using the Treasury Stock method. At the end of the reporting period two warrant programmes were in effect, which expire in 2020 and 2021, respectively. These have no dilutive effect, as the subscription price is higher than the price at which the shares were traded during the quarter.

IFRS 16 Leasing

IFRS 16 introduces a "right of use model" and entails for the lessee that all lease contracts, with a few exceptions, are to be recognised on the balance sheet. Exceptions are made for leases with lease terms that are 12 months or shorter and for leases with low values. The classification of operating and finance leases disappears. IFRS 16 Leases will replace IAS 17 Leases and is to be applied for financial years beginning on or after 1 January 2019, and early application is permitted under the condition that IFRS 15 is applied at the same time.

The Group has evaluated the potential effects on the financial statements of application of IFRS 16. The new standard will entail that new assets and liabilities are to be recognised on the balance sheet, which will affect reported profit or loss and key ratios such as EBITDA, CAPEX, and the debt-equity ratio. LeoVegas leases offices with lease fees (rents), which currently are reported as an operating expense. Upon application of IFRS 16, LeoVegas will instead recognise a tangible asset on the balance sheet, consisting of the lease contract, whereby depreciation of the asset will arise. Depreciation, instead of operating expenses, will thereby primarily affect EBITDA. LeoVegas also has an obligation to pay for this right, whereby a liability will be recognised on the balance sheet. Interest expenses related to the liability to

the lessor will be classified as financial expenses. This entails a change compared with IAS 17, where LeoVegas' leasing costs are charged against operating profit on a separate line. IFRS 16 will entail recognition of higher costs at the start of a lease term and lower costs towards the end. This is because the interest expense will decrease in pace with amortisation of the leasing liability. Previously, under IAS 17, LeoVegas' operating leases affected earnings with an equally high cost every year during the lease term. Classification in the statement of cash flows will also be affected by application of IFRS 16. In the statement of cash flows, payments, i.e., amortisation of the liability, will be recognised under financing activities. This thus differs from the current standard, where lease payments are recognised in their entirety under operating activities. The interest component of payments will be reported under operating activities, since this is in accordance with the Group's classification of interest.

Legal update

The legal situation for online gaming is changing continuously at the EU level as well as in individual geographic markets. Countries within the EU are under pressure to adapt their respective national legislation to applicable EU laws, especially regarding the free movement of products and services. Most countries in the EU have had or are currently having discussions to introduce so-called local regulation in order to adapt to the prevailing market climate. Examples of countries that have adopted local regulation include the UK, Denmark and Italy. LeoVegas' expansion strategy is primarily to work in regulated markets or markets that are in the process of being regulated.

In Australia a supplement to current gaming legislation has been decided which, by LeoVegas' interpretation, makes it no longer possible to accept revenue from customers residing in Australia. LeoVegas has not accepted any revenue from Australia since 10 September 2017. Australia, which was included in the Rest of World geographic area, accounted for 5.7% of revenue during the third quarter of 2017.

The Swedish market is moving towards regulation, and 1 January 2019 will be the day this takes effect. The proposed gambling tax is 18%. The gambling tax is based on revenue, or a closely related revenue measure that is often referred to as Gross Gaming Revenue (GGR).

In the Netherlands, the authorities have proposed the introduction of a 29% gambling tax, which is the same tax rate paid by land-based operators. Implementation of this appears to be delayed and will most likely take place during the second half of 2019.

In Italy the new government has introduced legislation that would ban most advertising for gambling starting in June 2019. LeoVegas feels this is unfortunate, since it will benefit unserious actors and undermine consumer protection, since actors that do not follow the rules will become more visible in a relative sense. However, it is unclear if the proposed legislation is compatible with EU law, and it is expected that the situation may change further by June 2019.

The Rest of World geographic area includes geographies with unclear gambling laws, which over time may affect LeoVegas' revenue, earnings and expansion opportunities, depending on what legal changes may take place.

Risks and uncertainties

The main risk and uncertainty facing LeoVegas is the general legal status of online gambling. Decisions and changes in laws and rules may affect LeoVegas' business activities and expansion opportunities. An ongoing debate is focusing attention on the fact that EU Member States should adapt their local laws to EU law governing free movement of products and services. Since most of LeoVegas' customers are active in Europe, the legal status in the EU has most significance for the Company's existing operations. However, developments outside the EU are also of interest, partly because parts of LeoVegas' existing operations may be affected, but primarily as they may affect the Company's expansion and future plans. Developments in the legal area are monitored and addressed on a continuous basis.

Part of LeoVegas' marketing entails collaborating with partners in advertising networks, so-called affiliates. In connection with this, it may happen that the LeoVegas brand is exposed in undesirable contexts. On account of the complexity and volume of traffic sources, it is not possible for LeoVegas to control each and every one of these traffic sources. In the event of a conflict with our affiliation terms, LeoVegas has the opportunity to withhold payment and terminate its collaboration with the affiliate in question. LeoVegas is working together with the Swedish Trade Association for Online Gambling (BOS) to address this problem together with BOS and its members.

LeoVegas' offering is based on gaming as a fun and attractive form of entertainment. However, some people are at risk of developing gambling-related problems. LeoVegas takes this very seriously, and responsible gambling is a fundamental principle in the Company's product design and customer contacts. All LeoVegas employees, regardless of their function in the Company, are required to obtain certification in responsible gambling. LeoVegas has employees who work specifically with promoting responsible gambling and related issues. LeoVegas has implemented a number of functions designed to identify and help potential problem gamers. These include tools for helping customers control their gaming, including Loss limits, Time limits, Time alerts, Pause account and Account closure. In addition, a Self Assessment is offered to enable early identification if a customer's gaming is at risk of becoming a problem. In addition to these tools for customers and internal training for employees, LeoVegas works internally with responsible gambling as part of its company culture. LeoVegas works with commitment and knowledge to continuously promote a positive and sound gaming experience for everyone. During the fourth quarter of 2017 LeoSafePlay.com was launched, which is a website dedicated to promoting responsible gambling. LeoSafePlay is an area of great focus and will continue to be developed with the aim of being the industry's strongest tool for player protection.

Other risks that could affect LeoVegas are market-related risks and financial risks, such as currency and liquidity risks. Market risks and financial risks are monitored and followed up as a continuous part of operations. A detailed description of financial risks is provided in the 2017 Annual Report.

Board of Directors' and CEO's assurance

This is a translation of the Swedish original. In the event of any discrepancies between the original Swedish version and the English translated version, the Swedish version shall govern.

The Board of Directors assures that the interim report for the second quarter gives a fair overview of the Parent Company's and Group's operations, position and result of operations, and describes the significant risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm, 1 August 2018

Mårten Forste
Chairman of the Board

Robin Ramm-Ericson
Director

Barbara Canales Rivera
Director

Per Brilioth
Director

Anna Frick
Director

Patrik Rosén
Director

Tuva Palm
Director

Gustaf Hagman
President and CEO

LeoVegas AB
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Main office: Stockholm
Corporate identity number: 556830-4033

All information in this report belongs to the Group of companies, which are ultimately owned by LeoVegas AB, also known as LeoVegas.

The interim report has not been reviewed by the Company's auditor.

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Financial calendar 2018

<u>Interim report Jan.-Sept.</u>	<u>7 Nov. 2018</u>
<u>Full year report Jan.-Dec.</u>	<u>12 Feb. 2019</u>
<u>Interim report Jan.-March</u>	<u>2 May. 2019</u>
<u>Interim report Jan.-June</u>	<u>23 Jul. 2019</u>

Consolidated income statement

EUR'000s	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	2017
Revenue	87 413	49 652	164 780	93 568	217 014
Cost of sales	(15 702)	(8 876)	(30 320)	(16 720)	(39 195)
Gaming Duties	(8 076)	(2 870)	(15 149)	(4 955)	(15 144)
Gross profit	63 635	37 906	119 311	71 893	162 675
Personnel costs	(10 354)	(7 033)	(18 962)	(12 965)	(26 402)
Capitalised development costs	1 560	872	2 601	1 667	3 713
Other operating expenses	(9 482)	(4 946)	(19 494)	(9 031)	(22 878)
Marketing expenses	(30 537)	(20 787)	(60 742)	(39 620)	(91 727)
Other income and expenses	177	130	1 792	233	566
EBITDA	14 999	6 142	24 506	12 177	25 947
Depreciation and amortisation	(1 100)	(623)	(2 206)	(1 118)	(3 165)
Amortisation of acquired intangible assets	(4 636)	(69)	(9 253)	(92)	(2 868)
Operating profit (EBIT)	9 263	5 450	13 047	10 967	19 914
Financial income	-	1	7	6	13
Financial costs	(491)	-	(795)	(1)	(130)
Financial liability fair value gains/(losses)	(1 634)	-	(3 250)	-	(993)
Profit before tax	7 138	5 451	9 009	10 972	18 804
Income tax	(499)	(421)	(630)	(809)	(676)
Net profit for the period	6 639	5 030	8 379	10 163	18 128
Net profit attributable to owners of the parent company	6 724	5 030	8 262	10 163	18 128
Net profit attributable to non-controlling interests	(85)	-	117	-	-
Exchange differences on translation of foreign operations	1	-	-	-	-
Other comprehensive income	1	-	-	-	-
Total comprehensive income	6 640	5 030	8 379	10 163	18 128
Earnings per share (EUR)	0.07	0.05	0.08	0.10	0.18
Earnings per share after dilution (EUR)	0.07	0.05	0.08	0.10	0.18
No. of shares outstanding adj. for share split (millions)	100.34	99.70	100.34	99.70	99.70
No. of shares after dilution adj. for share split (millions)	101.37	101.03	101.37	101.03	101.25
Key ratios					
Cost of sales as a % of revenue	18.0%	17.9%	18.4%	17.9%	18.1%
Gaming duties as a % of revenue	9.2%	5.8%	9.2%	5.3%	7.0%
Gross margin, %	72.8%	76.3%	72.4%	76.8%	75.0%
Personnel costs as % of revenue	11.8%	14.2%	11.5%	13.9%	12.2%
Operating expenses as % of revenue	10.8%	10.0%	11.8%	9.7%	10.5%
Marketing expenses as % of revenue	34.9%	41.9%	36.9%	42.3%	42.3%
EBITDA margin %	17.2%	12.4%	14.9%	13.0%	12.0%
EBIT margin %	10.6%	11.0%	7.9%	11.7%	9.2%
Net margin, %	7.6%	10.1%	5.1%	-	8.4%

Adjusted profit measures EUR'000s	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	2017
EBITDA	14 999	6 142	24 506	12 177	25 947
Costs pertaining to listing	-	102	62	235	594
Costs pertaining to acquisition-related consulting	-	-	466	-	1 353
Provision for fine from UKGC	-	-	453	-	-
Gain on sale of asset	-	-	(1 500)	-	-
Adjusted EBITDA	14 999	6 244	23 987	12 412	27 894
Depreciation and amortisation	(1 100)	(623)	(2 206)	(1 118)	(3 165)
Adjusted EBIT	13 899	5 621	21 781	11 294	24 729
Net financial items	(491)	1	(788)	5	(117)
Tax	(499)	(421)	(630)	(809)	(676)
Adjusted net income	12 909	5 201	20 363	10 490	23 936
Adjusted EPS	0.13	0.05	0.20	0.11	0.24
Adjusted EBITDA margin %	17.2%	12.6%	14.6%	13.3%	12.9%
Adjusted EBIT margin %	15.9%	11.3%	13.2%	12.1%	11.4%
Adjusted net margin %	14.8%	10.5%	12.4%	11.2%	11.0%

Consolidated balance sheet, condensed

EUR'000s	30 Jun 2018	30 Jun 2017	31 Dec 2017	31 Dec 2016
ASSETS				
Non-current assets				
Property, plant and equipment	3 851	1 339	2 870	1 194
Intangible assets	11 630	7 513	9 948	4 804
Intangible assets surplus values from acquisitions	69 345	1 734	51 018	-
Goodwill	101 840	4 630	44 604	1 056
Deferred tax assets	1 488	837	1 541	837
Total non-current assets	188 154	16 053	109 981	7 891
Current assets				
Trade receivables	19 806	7 224	15 178	6 739
Other current receivables	10 232	4 746	7 074	3 098
Cash and cash equivalents	49 377	59 718	52 758	60 218
<i>of which restricted cash (player funds)</i>	<i>11 697</i>	<i>5 163</i>	<i>7 097</i>	<i>4 067</i>
Total current assets	79 415	71 688	75 010	70 055
TOTAL ASSETS	267 569	87 741	184 991	77 946
EQUITY AND LIABILITIES				
Share capital	1 220	1 196	1 196	1 196
Additional paid-in capital	40 289	36 411	36 588	36 411
Translation reserve	487	-	-	-
Retained earnings including profit for the period	17 228	13 158	21 122	13 228
Equity attributable to owners of the Parent Company	59 224	50 765	58 906	50 835
Non-controlling interest	4 285	-	-	-
Total Equity	63 509	50 765	58 906	50 835
Bank loan	94 803	-	20 015	-
Other non-current liabilities	952	933	942	924
Total non-current liabilities	95 755	933	20 957	924
Current liabilities				
Trade and other payables	17 257	13 558	14 818	8 737
Player liabilities	11 697	5 163	7 097	4 067
Tax liability	6 975	1 891	5 886	1 033
Accrued expenses and deferred income	31 409	15 431	27 302	12 350
Short-term liability in respect of acquisition	168	-	13 644	-
Provision for conditional purchase price (earn-out)	40 799	-	36 381	-
Total current liabilities	108 305	36 043	105 128	26 187
TOTAL EQUITY AND LIABILITIES	267 569	87 741	184 991	77 946

Consolidated statement of cash flows, condensed

EUR'000s	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan - Jun 2017	2017
Operating profit	9 263	5 450	13 047	10 967	19 914
Adjustments for non-cash items	5 962	1 122	11 595	1 711	6 135
Cash flow from changes in working capital	647	1 727	3 076	1 476	8 026
Cash flow from operating activities	15 872	8 299	27 718	14 154	34 075
Acquisition of property, plant and equipment	(476)	(161)	(1 510)	(271)	(1 855)
Acquisition of intangible assets	(1 761)	(1 730)	(4 512)	(2 560)	(4 312)
Acquisition of subsidiaries	(10 092)	-	(18 778)	(1 156)	(43 935)
Transfer of assets on acquisition	-	-	(73 472)	-	-
Proceeds on sale of assets	-	-	1 500	-	-
Cash flow from investing activities	(12 329)	(1 891)	(96 772)	(3 987)	(50 102)
Loan financing	10 000	-	74 740	-	20 000
Proceeds from share issue/other equity securities	3 426	-	3 426	-	170
Cash dividends paid out to shareholders	(11 669)	(10 233)	(11 669)	(10 233)	(10 233)
Cash flow from financing activities	1 757	(10 233)	66 497	(10 233)	9 937
Net increase/(decrease) in cash and cash equivalents	5 300	(3 825)	(2 557)	(66)	(6 090)
Cash and cash equivalents at start of the period	44 368	64 024	52 758	60 218	60 218
Currency effects on cash and cash equivalents	(291)	(481)	(824)	(434)	(1 370)
Cash and cash equivalents at end of period	49 377	59 718	49 377	59 718	52 758
<i>of which restricted cash (player funds)</i>	<i>11 697</i>	<i>5 163</i>	<i>11 697</i>	<i>5 163</i>	<i>7 097</i>

Consolidated statement of changes in equity, condensed

EUR'000s	Share Capital	Other capital contribution	Translation reserve	Retained earnings	Equity attributable to owners of the parent company	Non-controlling interest	Total equity
Balance at 1 January 2017	1 196	36 411	-	13 228	50 835	-	50 835
Profit for the period	-	-	-	10 163	10 163	-	10 163
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	10 163	10 163	-	10 163
Transactions with shareholders in their capacity as owners:							
New share issue including issue costs	-	-	-	-	-	-	-
Bonus issue	-	-	-	-	-	-	-
Dividends	-	-	-	(10 233)	(10 233)	-	(10 233)
					-		
Balance at 30 June 2017	1 196	36 411	-	13 158	50 765	-	50 765
Balance at 1 January 2018	1 196	36 588	-	21 122	58 906	-	58 906
Profit for the period	-	-	-	8 262	8 262	117	8 379
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	8 262	8 262	117	8 379
Transactions with shareholders in their capacity as owners:							
Share issue from optionsprogram	24	3 402	-	-	3 426	-	3 426
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-
Dividends	-	-	487	(12 156)	(11 669)	-	(11 669)
Option Premium	-	299	-	-	299	-	299
Transactions with non-controlling interests:							
Acquisition of NCI	-	-	-	-	-	4 168	4 168
Balance at 30 June 2018	1 220	40 289	487	17 228	59 224	4 285	63 509

Parent Company income statement, condensed

EUR'000s	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	2017
Revenue	147	70	725	144	1 411
Operating expenses	(1 362)	(1 178)	(2 551)	(1 691)	(4 374)
Other income and expenses	-	-	-	-	-
Operating profit (EBIT)	(1 215)	(1 108)	(1 826)	(1 547)	(2 963)
Net financial income	(101)	163	(88)	299	2 073
Tax cost	(53)	-	(53)	-	668
Profit / Loss for the period*	(1 369)	(945)	(1 967)	(1 248)	(222)

* Profit for the period corresponds to comprehensive income for the period

Parent Company balance sheet, condensed

EUR'000s	30 Jun 2018	30 Jun 2017	31 Dec 2017
ASSETS			
Total non-current assets	16 389	14 216	14 275
Current assets	5 339	3 188	5 830
Cash and cash equivalents	1 775	3 852	2 975
Total current assets	7 114	7 040	8 805
TOTAL ASSETS	23 503	21 256	23 080
EQUITY AND LIABILITIES			
Total equity	12 908	20 656	22 225
Total liabilities	595	600	855
Total long term liabilities	10 000	-	-
TOTAL EQUITY AND LIABILITIES	25 503	21 256	23 080

KPIs per quarter

Amounts in EUR'000s unless otherwise stated	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Deposits	266 259	248 567	224 610	193 081	167 933
Growth, Deposits, y-y %	59%	66%	62%	56%	67%
Growth, Deposits, q-q %	7%	11%	16%	15%	12%
Deposits per region					
Sweden, % Deposits	30.6%	32.0%	36.6%	41.4%	40.9%
Other Nordics, % Deposits	20.1%	21.0%	23.0%	21.5%	20.3%
UK, % Deposits	26.5%	24.1%	18.5%	14.0%	15.3%
Rest of Europe, % Deposits	17.8%	18.1%	18.5%	17.2%	17.4%
Rest of the World, % Deposits	5.0%	4.7%	3.4%	5.9%	6.2%
Net Gaming Revenue (NGR)	86 782	76 467	67 901	55 165	49 175
Growth Net Gaming Revenue, y-y %	76%	75%	67%	39%	65%
Growth Net Gaming Revenue, q-q %	13%	13%	23%	12%	13%
Net Gaming Revenue (NGR) per region					
Sweden, % Net Gaming Revenue	24.3%	26.3%	33.5%	37.1%	36.6%
Other Nordics, % Net Gaming Revenue	18.0%	19.0%	22.2%	22.7%	20.0%
UK, % Net Gaming Revenue	28.3%	25.6%	16.6%	12.2%	14.3%
Rest of Europe, % Net Gaming Revenue	20.8%	20.5%	21.8%	17.8%	19.0%
Rest of the World, % Net Gaming Revenue	8.6%	8.6%	5.8%	10.1%	10.1%
Growth in NGR per region					
Sweden, y-y %	16.8%	15.0%	35.3%	16.7%	22.7%
Other Nordics, y-y %	58.9%	108.1%	140.1%	127.3%	141.7%
UK, y-y %	250.6%	228.3%	162.9%	28.8%	83.0%
Rest of Europe, y-y %	92.9%	107.5%	115.6%	80.7%	143.8%
Rest of the World, y-y %	50.9%	15.9%	-39.3%	-7.5%	32.5%
Regulated revenue as a % of total	38.8%	35.4%	29.0%	25.3%	25.1%
Growth in regulated revenues, y-y %	173%	238%	340%	167%	223%
Growth in regulated revenues, q-q %	24%	38%	44%	11%	54%
Hold (NGR/Deposits) %	32.6%	30.8%	30.2%	28.6%	29.3%
Game margin %	3.62%	3.62%	3.74%	3.74%	3.75%
Number of active customers	544 013	547 959	391 705	299 639	284 387
Growth active customers, y-y %	91%	72%	-3%	-12%	-47%
Growth active customers, q-q %	-1%	40%	-31%	5%	-11%
Number of depositing customers	309 987	302 014	253 299	202 980	173 034
Growth depositing customers, y-y %	79%	75%	44%	30%	-2%
Growth depositing customers, q-q %	3%	19%	25%	17%	0%
Number of new depositing customers	134 487	146 063	128 409	97 210	73 014
Growth new depositing customers, y-y %	84%	95%	50%	30%	-33%
Growth new depositing customers, q-q %	-8%	14%	32%	33%	-3%
Number of returning depositing customers	175 500	155 951	124 890	105 770	100 020
Growth returning depositing customers, y-y %	75%	60%	37%	29%	49%
Growth returning depositing customers, q-q %	13%	25%	18%	6%	3%

Consolidated income statement per quarter

EUR'000s	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Revenue	87 413	77 367	67 826	55 620	49 652
Cost of sales	(15 702)	(14 618)	(12 086)	(10 389)	(8 876)
Gaming Duties	(8 076)	(7 073)	(6 144)	(4 045)	(2 870)
Gross profit	63 635	55 676	49 596	41 186	37 906
Personnel costs	(10 354)	(8 608)	(7 869)	(5 568)	(7 033)
Capitalised development costs	1 560	1 041	1 233	813	872
Other operating expenses	(9 482)	(10 012)	(7 526)	(6 321)	(4 946)
Marketing expenses	(30 537)	(30 205)	(29 469)	(22 638)	(20 787)
Other income and expenses	177	1 615	163	170	130
EBITDA	14 999	9 507	6 128	7 642	6 142
Depreciation and amortisation	(1 100)	(1 106)	(1 006)	(680)	(623)
Amortisation of acquired intangible assets	(4 636)	(4 617)	(3 068)	(69)	(69)
Operating profit (EBIT)	9 263	3 784	2 054	6 893	5 450
Financial income	-	7	6	1	1
Financial costs	(491)	(304)	(129)	-	-
Financial liability fair value gains/(losses)	(1 634)	(1 616)	(993)	-	-
Profit before tax	7 138	1 871	938	6 894	5 451
Income tax	(499)	(131)	575	(442)	(421)
Net profit for the period	6 639	1 740	1 513	6 452	5 030
Net profit attributable to owners of the parent company	6 724	1 538	1 513	6 452	5 030
Net profit attributable to non-controlling interests	(85)	202	-	-	-
Exchange differences on translation of foreign operations	1	(1)	-	-	-
Other comprehensive income	1	(1)	-	-	-
Total comprehensive income	6 640	1 739	1 513	6 452	5 030
Earnings per share (EUR)	0.07	0.02	0.02	0.06	0.05
Earnings per share after dilution (EUR)	0.07	0.02	0.01	0.06	0.05
No. of shares outstanding adj. for share split (millions)	100.34	99.70	99.70	99.70	99.70
No. of shares after dilution adj. for share split (millions)	101.37	101.33	101.25	101.18	101.03
Key ratios					
Cost of sales as a % of revenue	18.0%	18.9%	17.8%	18.7%	17.9%
Gaming duties as a % of revenue	9.2%	9.1%	9.1%	7.3%	5.8%
Gross margin, %	72.8%	72.0%	73.1%	74.0%	76.3%
Personnel costs as % of revenue	11.8%	11.1%	11.6%	10.0%	14.2%
Operating expenses as % of revenue	10.8%	12.9%	11.1%	11.4%	10.0%
Marketing expenses as % of revenue	34.9%	39.0%	43.4%	40.7%	41.9%
EBITDA, margin %	17.2%	12.3%	9.0%	13.7%	12.4%
EBIT, margin %	10.6%	4.9%	3.0%	12.4%	11.0%
Net margin, %	7.6%	2.2%	2.2%	11.6%	10.1%

EUR'000s	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
EBITDA	14 999	9 507	6 128	7 642	6 142
Costs pertaining to listing	-	62	172	186	102
Costs pertaining to acquisition-related consulting	-	466	788	565	-
Provision for fine from UKGC	-	453	-	-	-
Gain on sale of asset	-	(1 500)	-	-	-
Adjusted EBITDA	14 999	8 988	7 088	8 393	6 244
Depreciation and amortisation	(1 100)	(1 106)	(1 006)	(680)	(623)
Adjusted EBIT	13 899	7 882	6 082	7 713	5 621
Net financial items	(491)	(297)	(1 116)	1	1
Tax	(499)	(131)	575	(442)	(421)
Adjusted net income	12 909	7 454	5 541	7 272	5 201
Adjusted EPS	0.13	0.07	0.06	0.07	0.05
Adjusted EBITDA margin %	17.2%	11.6%	10.5%	15.1%	12.6%
Adjusted EBIT margin %	15.9%	10.2%	9.0%	13.9%	11.3%
Adjusted net margin %	14.8%	9.6%	8.2%	13.1%	10.5%

Consolidated balance sheet per quarter, condensed

EUR'000s	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
ASSETS					
Non-current assets					
Property, plant and equipment	3 851	3 714	2 870	1 979	1 339
Intangible assets	11 630	12 410	9 948	7 906	7 513
Intangible assets surplus values from acquisitions	69 345	72 035	51 018	1 665	1 734
Goodwill	101 840	101 840	44 604	4 360	4 630
Deferred tax assets	1 488	1 541	1 541	837	837
Total non-current assets	188 154	191 540	109 981	16 747	16 053
Current assets					
Trade receivables	19 806	23 796	15 178	9 643	7 224
Other current receivables	10 232	7 706	7 074	5 117	4 746
Cash and cash equivalents	49 377	44 368	52 758	66 628	59 718
<i>of which restricted cash (player funds)</i>	<i>11 697</i>	<i>10 662</i>	<i>7 097</i>	<i>4 788</i>	<i>5 163</i>
Total current assets	79 415	75 870	75 010	81 388	71 688
TOTAL ASSETS	267 569	267 410	184 991	98 135	87 741
EQUITY AND LIABILITIES					
Share capital	1 220	1 196	1 196	1 196	1 196
Additional paid-in capital	40 289	36 588	36 588	36 588	36 411
Translation reserve	487	(1)	-	-	-
Retained earnings including profit for the period	17 228	22 660	21 122	19 610	13 158
Equity attributable to owners of the Parent Company	59 224	60 443	58 906	57 394	50 765
Non-controlling interest	4 285	4 370	-	-	-
Total Equity	63 509	64 813	58 906	57 394	50 765
Bank loan	94 803	84 761	20 015	-	-
Other non-current liabilities	952	951	942	938	933
Total non-current liabilities	95 755	85 712	20 957	938	933
Current liabilities					
Trade and other payables	17 257	17 920	14 818	11 263	13 558
Player liabilities	11 697	10 662	7 097	4 788	5 163
Tax liability	6 975	6 625	5 886	2 320	1 891
Accrued expenses and deferred income	31 409	32 357	27 302	21 432	15 431
Short-term liability in respect of acquisition	168	10 131	13 644	-	-
Provision for conditional purchase price (earn-out)	40 799	39 190	36 381	-	-
Total current liabilities	108 305	116 885	105 128	39 803	36 043
TOTAL EQUITY AND LIABILITIES	267 569	267 410	184 991	98 135	87 741

Consolidated statement of cash flows per quarter, condensed

EUR'000s	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Operating profit	9 263	3 784	2 054	6 893	5 450
Adjustments for non-cash items	5 962	5 633	2 892	1 532	1 122
Cash flow from changes in working capital	647	2 429	3 080	3 470	1 727
Cash flow from operating activities	15 872	11 846	8 026	11 895	8 299
Acquisition of property, plant and equipment	(476)	(1 034)	(760)	(824)	(161)
Acquisition of intangible assets	(1 761)	(2 751)	(863)	(889)	(1 730)
Acquisition of subsidiaries	(10 092)	(8 686)	(40 330)	(2 449)	-
Transfer of assets on acquisition	-	(73 472)	-	-	-
Proceeds on sale of assets	-	1 500	-	-	-
Cash flow from investing activities	(12 329)	(84 443)	(41 953)	(4 162)	(1 891)
Loan financing	10 000	64 740	20 000	-	-
Proceeds from share issue/other equity securities	3 426	-	170	-	-
Cash dividends paid out to shareholders	(11 669)	-	-	-	(10 233)
Cash flow from financing activities	1 757	64 740	20 170	-	(10 233)
Net increase/(decrease) in cash and cash equivalents	5 300	(7 857)	(13 757)	7 733	(3 825)
Cash and cash equivalents at start of the period	44 368	52 758	66 628	59 718	64 024
Currency effects on cash and cash equivalents	(291)	(532)	(113)	(823)	(481)
Cash and cash equivalents at end of period	49 377	44 368	52 758	66 628	59 718
<i>of which restricted cash (player funds)</i>	<i>11 697</i>	<i>10 662</i>	<i>7 097</i>	<i>4 788</i>	<i>5 163</i>

Definitions of APMs

Active customers

The number of customers who have played on LeoVegas, including customers who have only used a bonus offer

Adjusted earnings per share

Earnings per share adjusted for items associated with the listings on Nasdaq First North Premier and Nasdaq Stockholm, costs pertaining to acquisition-related consulting, sales of assets that affect earnings, amortisation of intangible assets related to acquisitions, and remeasurement of earn-out payments for acquisitions.

Adjusted EBIT

EBIT adjusted for items associated with the listings on Nasdaq First North Premier and Nasdaq Stockholm, costs pertaining to acquisition-related consulting, sales of assets that affect earnings, and amortisation of intangible assets related to acquisitions.

Adjusted EBITDA

EBITDA adjusted for items associated with the listings on Nasdaq First North Premier and Nasdaq Stockholm, costs pertaining to acquisition-related consulting, and sales of assets that affect earnings

Average number of full-time employees

Average number of employees (full-time equivalents) during the entire period

Cash and cash equivalents

Balances in bank accounts plus e-wallets

Depositing customers

Customers who have made cash deposits during the period per platform/brand. Since this is measured per platform, it means that a certain number of customers are counted for more than once, such as for a customer who has made a deposit with Royal Panda and LeoVegas during the period

Deposits

Includes all cash deposited in the casino by customers during a given period

Dividend per share

The dividend paid or proposed per share

Earnings per share

Profit for the period attributable to owners of the parent, divided by the number of shares outstanding at the end of the period

Earnings per share after dilution

Profit after tax divided by a weighted average number of shares outstanding during the year, adjusted for additional shares for warrants with a dilutive effect

EBIT

Operating profit before interest and tax

EBIT margin, %

EBIT in relation to revenue

EBITDA

Operating profit before depreciation, amortisation and impairment losses

EBITDA margin, %

EBITDA in relation to revenue

Equity/assets ratio, %

Shareholders' equity divided by total assets

Gaming margin, %

Customers' total wagers (including bonus money) less winnings, divided by customers' total wagers (including bonus money)

Gross Gaming Revenue (GGR)

The sum of all wagers (cash and bonuses) less all wins payable to customers (referred to as GGR in the industry)

Gross profit

Revenue less direct, variable costs, which including costs for third-party gaming vendors, software costs, fees paid to payment service providers, and gambling taxes

Hold

Net Gaming Revenue (NGR) divided by the sum of deposits

Items affecting comparability

Items pertaining to costs for the listings on Nasdaq First North Premier and Nasdaq Stockholm, and costs pertaining to acquisition-related consulting. No costs related to integration or restructuring are included. Sales of assets that affect earnings are eliminated by adjustment. This also includes amortisation related to acquired intangible assets and remeasurement of earn-out payments for acquisitions.

New depositing customer

A customer who has made his or her first cash deposit during the period

Net Gaming Revenue (NGR)

Total cash deposits less all wins payable to customers after bonus costs and external jackpot contributions (referred to as NGR in the industry)

Operating profit (EBIT)

Profit before interest and tax

Organic growth

Growth excluding acquisitions. Currency effects not excluded

Profit margin

Net profit divided by revenue

Returning depositing customer

A customer who has made a cash deposit during the period, but made his or her first deposit in an earlier period

Shareholders' equity per common share

Shareholders' equity attributable to owners of the Parent Company divided by the weighted average number of shares outstanding during the period after redemptions, repurchases and new issues

Shares outstanding after dilution

The number of shares outstanding before dilution plus the number outstanding warrants, less the redemption sum for the warrants, divided by the average share price for the period

Working capital

Working capital is calculated as the net of current liabilities (excl. amounts payable to players) and current assets

Other definitions

Gambling tax

A tax that is calculated on a measure of revenue that operators of gaming activities pay in a regulated market, such as in Denmark, Italy or the UK

Locally regulated markets

Markets that have regulated online gaming and that have issued licences that operators can apply for

Mobile devices

Smartphones and tablets

Net profit

Profit less all expenses, including interest and tax

Platform

The LeoVegas Group has three platforms: LeoVegas, Royal Panda and Rocket X. LeoVegas and Royal Panda have only one brand on their respective platforms, while Rocket X has several

Regulated revenue

Revenue from locally regulated markets

Revenue

Net Gaming Revenue plus adjustments for corrections, changes in provisions for local jackpots and unconverted provisions for bonuses