

MRG Q2.2018



20 JULY 2018

SECOND QUARTER

- Revenue increased by 43.4 per cent to SEK 412.8 (287.8) million
- Organic growth 31.1 per cent
- EBITDA SEK 45.4 (52.4) million
- EBITDA margin 11.0 (18.2) per cent
- Earnings per share after dilution SEK 0.30 (0.90)
- Cash flow from operating activities SEK 83.7 (105.3) million
- Customer deposits rose by 64.3 per cent to SEK 1,328.8 million

JANUARY–JUNE

- Revenue increased by 40.8 per cent to SEK 793.8 (563.9) million
- EBITDA SEK 91.2 (86.6) million
- EBITDA margin 11.5 (15.4) per cent
- Earnings per share after dilution SEK 0.78 (1.43)

SIGNIFICANT EVENTS

- New Group name – MRG – which reflects the broader portfolio with more brands, expanded geographic presence and new ventures
- Guidance for 2018 and new financial targets
- Evoke Gaming reported a profit in the second quarter – full synergies already in the fourth quarter
- Establishment in the Baltics through the acquisition of 11.lv
- Establishment of a new esports company in collaboration with Gamingzone Entertainment

CEO's COMMENTS



“We are securing our position as one of the rapidly growing companies of Nasdaq Stockholm.”

With growth of 43.4 per cent, we have once again demonstrated that we are a rapidly growing iGaming company. For the seventh quarter in succession, we have grown faster than our growth target. Organic growth was 31.1 per cent and growth from the first quarter 2018 was 8.4 per cent. Customer deposits increased by a record 64.3 per cent, demonstrating our strong growth momentum. We are securing our position as one of the rapidly growing companies of Nasdaq Stockholm.

EBITDA amounted to SEK 45.4 million and, as we announced earlier, profitability was impacted by increased marketing costs during the quarter. We have chosen to add impetus to our marketing due to the World Cup and the momentum we have in our marketing efficiency. Our market efficiency continued to improve as a result of our strong focus on digitalisation and 1-1 communication. During the second half of the year, more synergy effects will be realised from Evoke Gaming, while we have a flatter cost trend and lower relative marketing costs. This, combined with continued strong revenue growth, will enable us to achieve our financial targets for 2018 with growth of 40 per cent and an EBITDA margin of about 15 per cent.

Growth, innovation and Green Gaming

In May, we changed the name of the Group to from Mr Green & Co to MRG. This is a natural progression as we now have many more brands in our portfolio in addition to Mr Green, at the same time as we have expanded our geographic presence. We have also

entered new and exciting ventures in gaming development and esports.

Our strategy is focused on continued strong growth. Today, we have an attractive customer offering that distinguishes itself through unique products, Green Gaming and effective customer communication. Our customer growth of more than 61 per cent tells us that our customers like what we do. Returning depositing customers increased by 53 per cent during the quarter – our highest ever figure – which shows that we offer good entertainment.

Green Gaming is a core feature of our offering. Green Gaming is much more than a product to us. Green Gaming is an attitude, a way of thinking and behaving. We have developed a powerful tool for our customers that enables them to keep their gaming in check and we are able to adapt our communication to their levels of risk. Our approach is appreciated by our customers and already now, 13.3 per cent of our players are using the Green Gaming tool.

Evoked is our new golden egg

The acquisition of Evoke Gaming proved to be our new golden egg. Evoke Gaming recognised profit in the period May to June and break-even for the quarter, combined with robust KPIs. Along with the acquisition, we brought the strong Redbet brand into the fold, which we introduced in our German-speaking markets during the quarter. At the same time, our local brands, such as Vinnarum, are also performing extremely well. In the second quarter, Evoke Gaming saw growth of 43 per cent.

On acquisition, we communicated that the synergies would amount to SEK 25–35 million. In the report for the first quarter of 2018, we raised the synergies to about SEK 40 million and announced that Evoke Gaming was expected to record a positive result not later than in the third quarter of this year. We are very pleased with the acquisition of Evoke Gaming.

Expansion in the Baltics

On 15 June this year, we completed the acquisition of the Latvian iGaming company, 11.lv. This acquisition is a good example of our geographic expansion. With 11.lv, we are making inroads into the Baltics and will launch our strong global brands Mr Green and Redbet in the region. 11.lv is also a company of true rapid expansion, with 93 per cent growth during the quarter. Revenue in the second quarter amounted to EUR 1.0 million and EBITDA to EUR 0.11 million.

We acquired 75 per cent of the shares in 11.lv and the founders remain active in the company. The acquisition price was EUR 2.8 million based on an enterprise value of EUR 3.7 million. The acquisition will have a positive effect on MRG's revenue, profit and cash flow this year.

Continued improved Sportsbook

One of the most important reasons for our successes is our focus on product innovation. Ahead of the World Cup, our Sportsbook customers were able to see how the Sportsbook has been enhanced with the addition of more functions and increased user-friendliness. During the second quarter, Sportsbook revenue increased by more than 200 per cent.

Innovative in esports

Our esports venture and proprietary games are other examples of how we work with innovation. At the same time, they give us the opportunity to expand in the value chain. From a financial perspective, the activities are relatively modest, but they provide us with important knowledge and greater growth opportunities. We are conducting our esports venture in collaboration with Gamingzone Entertainment. Within a joint venture company, we intend to build a new community for esports followers, with a focus on entertainment, news and gaming opportunities.

At our Capital Markets Day in May, we talked about our company Green Jade, which develops games. The first game – Hammer of Fortune – will be launched in the third quarter of this year. The developers are already working on more games, with a focus on games that engage and entertain.

Swedish licence application

Intensive work on a Swedish licence application is under way in MRG. Sweden continues to develop very well for us. Revenue grew by 57.0 per cent during the quarter, with healthy organic growth. In the second quarter, Sweden accounted for 18.9 per cent of our total revenue.

New financial targets and guidance for 2018

Our strategy of focusing on growth, led to us providing guidance for 2018 at our Capital Markets Day in May. This year, we will deliver revenue growth of not less than 40 per cent and an EBITDA margin of about 15 per cent. We also presented financial targets entailing that, by 2020, we will deliver annual revenue growth of 25 per cent and an EBITDA margin of 15 per cent. After 2020, we will grow more rapidly organically than the European iGaming market, with an EBITDA margin of 15 per cent.

During the first half of this year, revenue increased in excess of our target of 40 per cent and as of 19 July, it has increased far beyond our growth target. We are well equipped to continue to deliver on our financial targets.

Per Norman
CEO

SEKm (unless stated otherwise)	2018	2017	Change %	2018	2017	Change %	Rolling 12 months		Change %	2017
	Q2	Q2	Q2	Jan-Jun	Jan-Jun	Jan-Jun	2018	2017	Rolling 12	Jan-Dec
Revenue	412.8	287.8	43.4%	793.8	563.9	40.8%	1,421.9	1,058.8	34.3%	1,192.0
EBITDA before non-recurring items	45.4	52.4	-13.3%	91.2	86.6	5.4%	190.2	135.8	40.1%	185.6
EBITDA margin before non-recurring items (%)	11.0%	18.2%	-7.2 pts	11.5%	15.4%	-3.9 pts	13.4%	12.8%	0.6 pts	15.6%
Earnings before interest and tax (EBIT)	15.8	35.5	-55.4%	37.1	55.0	-32.6%	98.1	60.4	62.4%	116.0
Earnings before interest and tax (EBIT),%	3.8%	12.3%	-8.5 pts	4.7%	9.8%	-5.1 pts	6.9%	5.7%	1.2 pts	9.7%
Net result for the period	12.7	33.0	-61.5%	32.9	51.9	-36.6%	90.4	65.2	38.7%	109.4
Earnings per share after dilution, SEK	0.30	0.90	-66.5%	0.78	1.43	-45.4%	2.22	1.81	22.3%	2.75
Cash flow from operating activities	80.3	105.3	-23.7%	182.2	142.8	27.6%	367.8	220.1	67.1%	328.5
Free cash flow	-8.5	-6.4	32.2%	8.9	7.2	23.1%	133.0	50.0	166.1%	131.3
Deposits from customers	1,328.8	808.6	64.3%	2,481.6	1,628.0	52.4%	4,321.8	3,131.7	38.0%	3,468.3
Depositing customers	186,949	115,733	61.5%	288,872	172,923	67.1%	412,134	251,488	63.9%	307,335

Second quarter

Total revenue

Revenue increased by 43.4 per cent to SEK 412.8 (287.8) million during the quarter compared with the year-earlier period.

CHANGE IN TOTAL REVENUE, %	Q2 2018
Organic growth in local currencies	26.7%
Acquisitions	12.3%
Translation differences	4.4%
Total	43.4%

The strong growth in revenue was the result of digitally driven customer communication and an attractive, unique product offering. Most of the growth is attributable to casino games and live casino. Revenue from Sportsbook increased by more than 200 per cent during the quarter as a result of continued product development. The share of revenue from mobile gaming increased to 60.9 (48.1) per cent.

Acquisitions pertained to Evoke Gaming, which was consolidated as of 2 February 2018, and 11.lv, which was consolidated as of 15 June 2018.

Customer deposits and customer growth

Effective customer communication and a unique product offering led to record growth in customer deposits, number of depositing customers and also returning depositing customers.

Customer deposits increased from the second quarter 2017 by 64.3 per cent to SEK 1,328.8 (808.6) million. The increase compared with the preceding quarter was 15.3 per cent.

Depositing customers rose by 61.5 per cent to 186,949 (115,733) people. The increase compared with the preceding quarter was 2.4 per cent.

New depositing customers rose by 75.8 per cent to 76,136 (43,298) people during the quarter. This number declined by 5.6 per cent compared with the preceding quarter.

The number of returning depositing customers rose by 53.0 per cent to 110,813 (72,435) people as a result of higher entertainment value. The increase compared with the preceding quarter was 8.9 per cent.

Revenue by market area

The Group continued to strengthen its market position in large parts of Europe. Revenue in the Nordics increased by 59.8 per cent to SEK 149.6 (93.7) million, positively impacted by the consolidation of Evoke Gaming and healthy organic growth in Sweden and Denmark. Revenue in Western Europe increased by 43.3 per cent to SEK 170.1 (118.7) million year on year, with robust growth in all markets. During the quarter, Redbet was launched in the German-speaking markets. Revenue for Central, Eastern and Southern Europe increased by 23.0 per cent to SEK 86.1 (70.0) million, due to healthy growth in Austria. Comparison is impacted by the closure of operations in Poland and the Czech Republic in the first half of 2017. Revenue in the Rest of the World rose by 28.6 per cent from low volumes to SEK 7.0 (5.4) million.

Growth on the preceding quarter

Total revenue increased by 8.4 per cent to SEK 381.0 million compared with the preceding quarter. Revenue in the Nordics increased by 23.5 per cent as a result of the consolidation of Evoke Gaming and healthy organic growth in Sweden and Denmark. Revenue in Western Europe remained essentially unchanged. Central, Eastern and Southern Europe grew by 3.2 per cent due to a favourable performance in Austria. Rest of the World rose by 6.1 per cent from the preceding quarter.

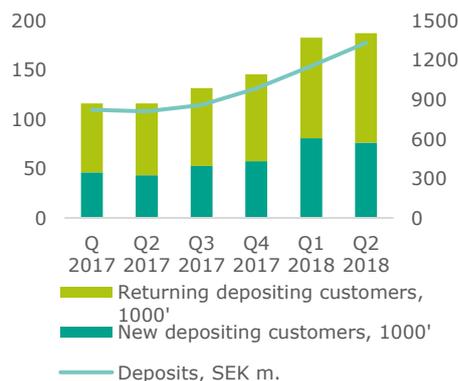
Revenue from markets with local taxes

The share of revenue from regulated markets increased to 13.9 (10.4) per cent in the quarter compared with the second quarter of 2017. The share of revenue from markets that are in the process of being regulated increased to 25.2 (22.8) per cent. The share of revenue from markets in which the Group pays VAT or makes provisions for betting duties de-

Revenue and EBITDA



Customer growth



Revenue by market area, SEK m.



clined to 40.1 (43.8) per cent. The share of revenue from other markets fell to 20.9 (23.0) per cent. The total share of revenue from regulated markets and markets in which the Group pays VAT or makes reserves for betting duties was 54.0 (54.2) per cent.

Expenses

Cost of services sold

Cost of services sold rose by 64.8 per cent to SEK 143.8 (87.3) million year on year. Cost of services sold increased to 34.8 (30.3) per cent in relation to revenue. The relative increase was due to the consolidation of Evoke Gaming and solid growth in markets in which the Group pays local betting duties or VAT or makes provisions for betting duties. Cost of services sold was also impacted by demand for high-cost games, such as live casino and Sportsbook. During the second half of the year, full synergy effects will be realised from Evoke Gaming, which will have a positive impact on the relationship between the cost of services sold and revenue.

Betting duties

Betting duties are included in the cost of services sold. Total betting duties including interest rose 51.5 per cent to SEK 66.3 (43.7) million. As a proportion of revenue, total betting duties increased to 16.1 (15.2) per cent as a result of healthy growth in the regulated markets. Betting duties including interest attributable to Austria amounted to 9.4 (10.0) per cent of revenue.

Marketing costs

Marketing costs increased by 59.9 per cent to SEK 147.9 (92.5) million year on year. As a percentage of revenue, marketing costs increased to 35.8 (32.1) per cent. In the preceding quarter, marketing costs as percentage of revenue amounted to 33.5 per cent. The Group had previously announced that marketing costs as a percentage of revenue would increase in the second quarter. In the second quarter, marketing costs were impacted by the World Cup among all. Digital marketing has proven to be effective and the

absolute increase in marketing costs generated strong growth in both new customers and returning customers. During the second half of the year, marketing costs as a percentage of revenue will decline.

Market efficiency, measured as change in revenue in relation to marketing expense on a rolling 12-month basis, has been established at a sustainably higher level compared with the most recent two years.

Other operating expenses

Personnel costs increased by 52.4 per cent to SEK 53.6 (35.2) million year on year. Personnel costs in relation to revenue increased to 13.0 (12.2) per cent from the year-earlier period, which was due to the consolidation of Evoke Gaming.

Other operating expenses increased by 15.6 per cent to SEK 47.5 (41.1) million. Other operating expenses declined to 11.5 (14.3) per cent in relation to revenue in the year-earlier quarter. The relative share of other operating expenses fell from 13.4 per cent in the preceding quarter.

Capitalised costs

Capitalised costs rose by 23.3 per cent to SEK 25.5 (20.7) million. Capitalised costs increased due to the continued product development. The share in relation to revenue declined slightly to 6.2 per cent in the preceding quarter from 6.3 per cent.

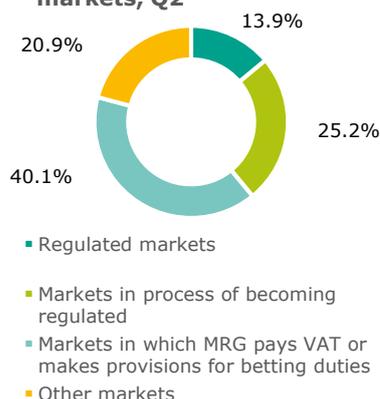
EBITDA

EBITDA decreased by 13.3 per cent to SEK 45.4 (52.4) million as a result of increased cost of services sold and higher marketing costs. The EBITDA margin fell to 11.0 (18.2) per cent year on year. Continued strong revenue growth in combination with synergy effects from the acquisition of Evoke Gaming, a flatter cost trend and lower relative marketing costs will have a positive effect on EBITDA during the second half of the year.

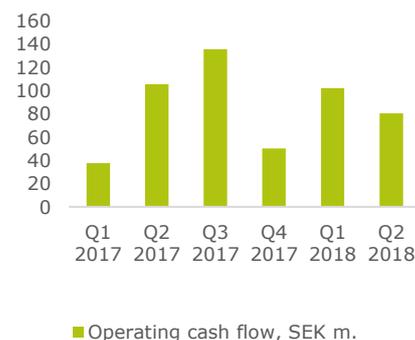
Marketing costs



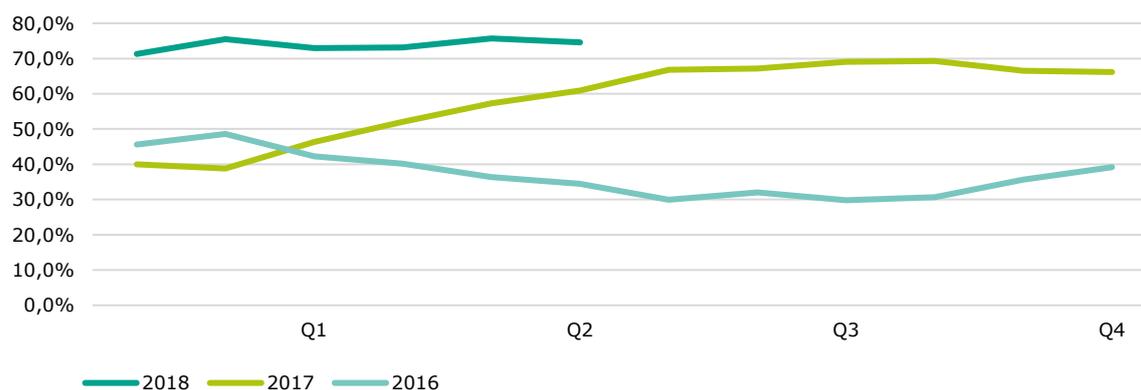
Revenue from regulated markets, Q2



Operating cash flow



Marketing efficiency rolling twelve months



Depreciation and amortisation

Depreciation rose by 75.1 per cent to SEK 29.6 (16.9) million, as a result of product development and acquisitions. Excluding amortisation for acquisitions total depreciation increased by 34.6 per cent. Amortisation of customer contracts from the acquisitions of Dansk Underholdning, Evoke Gaming and 11.lv are included in an amount of SEK 3.2 (0.7) million. The amortisation period for customer contracts is two years. Other depreciation related to acquisitions amounted to SEK 4.6 (0.0) million for the quarter.

EBIT

EBIT declined by 55.4 per cent to SEK 15.8 (35.5) million and the EBIT margin was 3.8 (12.3) per cent. The decline was mainly attributable to increased cost of services sold, higher marketing costs, and depreciation and amortisation related to acquisitions.

Net financial income and tax

Net financial income was SEK -0.3 (0.0) million. The tax expense was SEK -2.9 (-2.5) million.

Net result for the period

The net result for the period was SEK 12.7 (33.0) million.

Cash flow

Cash flow from operating activities for the quarter amounted to SEK 80.3 million (105.3), mainly impacted by increased marketing costs. The change in working capital impacted cash flow by SEK 17.0 (30.8) million. Betting duties in Austria impacted cash flow by SEK 36.9 (28.5) million. Cash flow from investing activities amounted to SEK -88.8 (-111.7) million and was impacted by acquisitions of a net amount of SEK -51.3 million.

January–June

Total revenue

Revenue increased by 40.8 per cent to SEK 793.8 (563.9) million in the first half of 2018 compared with the year-earlier period. Foreign exchange gains had a positive impact of 4.4 per cent and acquisitions contributed 10.5 per cent.

Revenue in the Nordics increased by 44.9 per cent to SEK 270.8 (187.0) million as a result of the acquisition of Evoke Gaming and organic growth. Revenue in Western Europe rose by 50.6 per cent to SEK 340.0 (225.7) million. Revenue for Central, Eastern and Southern Europe increased by 21.1 per cent to SEK 169.4 (139.9) million, driven by healthy growth in Austria. Comparison is impacted by the closure of operations in Poland and the

Czech Republic in the first half of 2017. Revenue in the Rest of the World rose by 19.5 per cent to SEK 13.5 (11.3) million.

Expenses

Cost of services sold increased by 54.7 per cent to SEK 276.1 (178.4) million. Total betting duties including interest rose 46.7 per cent to SEK 128.2 (87.4) million, corresponding to 16.2 (15.5) per cent of revenue. Betting duties including interest in Austria corresponded to 9.6 (10.4) per cent of revenue.

Marketing costs rose by 43.0 per cent to SEK 275.4 (192.6) million. As a percentage of revenue, marketing costs increased to 34.7 (34.1) per cent. Personnel costs increased by 49.2 per cent to SEK 101.9 (68.3) million as a result of acquisitions. Other operating expenses increased by 31.8 per cent to SEK 98.7 (74.9) million. Capitalised costs rose by 34.5 per cent to SEK 49.6 (36.9) million.

EBITDA

EBITDA increased by 5.4 per cent to SEK 91.2 (86.6) million. The EBITDA margin fell to 11.5 (15.4) per cent.

Financial position

The company has no liabilities to credit institutions. Cash and cash equivalents on 30 June 2018 amounted to SEK 579.4 (463.6) million. The increase was primarily due to positive cash flow from operations. During the period, SEK 53.1 million was distributed to the shareholders through an automatic redemption procedure. Balances on customer accounts totalled SEK 84.8 (35.9) million. Due to the regulations of gaming

Depreciation and amortisation

Depreciation and amortisation rose by 71.6 per cent to SEK 54.1 (31.5) million as a result of product development and acquisitions.

EBIT

EBIT fell by 32.6 per cent to SEK 37.1 (55.0) million.

Net financial income and tax

Net financial income was SEK -0.3 (-0.0) million. The tax expense for the first half of 2018 was SEK 3.9 (3.2) million.

Net result for the period

Net result for the period fell by 36.6 per cent to SEK 32.9 (51.9) million.

authorities, this amount limits utilisation of the company's cash and cash equivalents.

Consolidated equity at the end of the quarter was SEK 1,061.4 (957.9) million, corresponding to SEK 25.98 (23.45) per share.

Deposits from customers increased by 64.3 per cent during the second quarter to SEK 1,328.8 (808.6) million.

Other information

Personnel

At the end of the period, the Group had 363 (215) employees. The average number of full-time equivalents in the quarter was 338 (212), of which 283 (175) were based in Malta. At the end of the period, the Group had 58 (43) consultants employed on full-time contracts.

Acquisition of 11.lv

The Latvian gaming operator 11.lv was consolidated as of 15 June 2018. MRG acquired 75 per cent of the shares and the remaining 25 per cent is owned by two of the founders. The purchase consideration, calculated on a debt-free basis, amounted to EUR 2.8

million and was paid in cash. The enterprise value was EUR 3.7 million.

11.lv is a well-known Latvian brand with a focus on Sportsbook and is Latvia's third-largest gaming operator. The company has a gaming licence in Latvia and offers odds, casino and live casino. Revenue in the second quarter amounted to EUR 1.0 million and EBITDA to EUR 0.11 million. Revenue growth was 93 per cent compared with the second quarter of 2017. 11.lv has 15 employees, all based in Riga, Latvia.

Additional purchase consideration paid for Evoke Gaming

The Nordic gaming operator Evoke Gaming was consolidated as of 2 February 2018. On 13 June 2018, MRG paid an additional purchase consideration of EUR 1.5 million for Evoke Gaming. According to the contract, the purchase consideration would be paid provided certain conditions were met. The integration process proceeded faster than planned and has generated larger synergies than expected.

On acquisition, it was communicated that the synergies would amount to SEK 25–35 million. In the report for the first quarter of 2018, it was announced that the synergies were expected to total approximately SEK 40 million and that Evoke Gaming was expected to record a positive result not later than in the third quarter of this year. Evoke Gaming has had a strong performance and recognised profit already in the period May to June, as well as a break-even result for the second quarter of 2018.

Events after the end of the reporting period

No significant events occurred after the end of the quarter.

Outstanding shares and options

The company holds no treasury shares. The total number of shares and votes outstanding in Mr Green & Co AB is 40,849,413.

Following a resolution at the Annual General Meeting on 21 April 2016, the company issued 1,020,000 warrants to senior executives and 360,000 warrants to the members of the Board of Directors. As of 30 June 2018, senior executives had acquired 920,000 warrants and the Board members had acquired

320,000 warrants at a market price. The exercise period is 22 April 2019 – 22 May 2019.

Following a resolution at the Annual General Meeting on 7 May 2018, the company issued 408,000 warrants to senior executives and other key personnel. As of 30 June 2018, senior executives and other key personnel had acquired 272,000 warrants. The exercise period is 8 May 2021 – 8 June 2021.

Related-party transactions

The Group did not have any transactions with related parties during the quarter.

Industry awards 2018

- Corporate Responsible Provider of the Year at the Global Gaming Awards London 2018.
- Social Responsible Operator of the Year 2018 at the International Gaming Awards (IGA).
- Casino Campaign of the Year 2018 at the EGR Marketing and Innovation Awards in London.

Guidance and financial targets

At the Capital Markets Day on 23 May, MRG provided guidance for 2018 and communicated financial targets. For 2018, MRG gives guidance of annual growth of not less than 40 per cent and an EBITDA margin of about 15 per cent. Until 2020, annual growth of 25 per cent is expected, along with an EBITDA margin of 15 per cent. From 2021, the target is organic growth in excess of the European iGaming market and an EBITDA margin of 15 per cent.

The dividend policy is unchanged, entailing that MRG aims to pay a dividend and/or buy back shares in an amount equivalent to 50 per cent of consolidated free cash flow, provided the cash and cash equivalents are not required to realise the company's strategy, for future tax payments or to secure additional reserves as dictated by capital market conditions.

Annual General Meeting 2018

The AGM of MRG (Mr Green & Co AB) was held on 7 May 2018 in Stockholm. The AGM resolved to re-elect Henrik Bergquist, Andrea Gisle Joosen, Eva Lindqvist, Kent Sander and Tommy Trollborg as Directors. Kent Sander was re-elected as Chairman of the Board and Öhrlings PricewaterhouseCoopers was re-elected as auditor. The AGM also resolved to approve the proposal on remuneration of the Board and auditors and adopted the guidelines for remuneration of senior executives and the principles for the composition of

the company's Nominating Committee. The AGM resolved on a transfer of SEK 1.30 per share to shareholders using an automatic redemption procedure, which corresponds to SEK 53.1 million for the 2017 financial year. The AGM also resolved on a warrant programme for senior executives and authorised the Board to decide on a new issue of shares. The resolutions can be read in full at mrggroup.com.

MRG contests tax liability in Austria

The company has contested its tax liability by reference to the Austrian Constitution as well as EU legislation and has initiated an appeal process at an Austrian court and submitted a complaint to the European Commission. Most of the other gaming operators have initiated similar processes in Austria.

For the period January 2011 through August 2014, the company submitted a self-assessment and paid the amount according to a payment plan agreed with the Austrian tax authorities. From September 2014 until the tax case has been finally resolved in court, MRG reports gaming sales related to Austria to the Austrian tax authorities (subject to the existing defects in the legislation, which MRG has contested), but declares a total tax amount of SEK 0, meaning that no payment of tax has been made, except for September 2014, which was paid in November 2017.

In view of the uncertain legal situation, which involves ongoing, and most likely protracted, legal processes in Austria and the EU, as well as the current political agenda, including a potential sale of the monopoly, the company has decided, all things considered, to make ongoing provisions covering the potential tax, including interest, in the income statement, in cost of services sold.

In total, the betting duties for Austria are recognised as follows:

kSEK	
Total provision up to and incl 31 Dec 2017	443,222
Total paid up to and incl 31 Dec 2017	-113,018
Total translation difference up to and incl 31 Dec 2017	8,916
Closing balance 31 Dec 2017	339,120
Total provision 1 Jan 2018 – 30 June 2018	76,339
Translation difference for the period	21,761
Net provision, 30 June 2018	437,220

The tax for the self-assessment period and subsequent provisions total SEK 519.3 million as at 30 June 2018 and have had a negative impact on earnings in the same amount for the period 2014 to the second quarter of 2018. MRG has completed a payment plan based on the self-assessment

submitted to the Austrian tax authorities in September 2014, which means that the payments of the self-assessment amount were completed in September 2016. MRG has previously communicated that the company was involved in negotiations regarding certain elements of the tax dispute in Austria at the court of first instance in summer 2017. As expected, MRG lost its case at the court of first instance and as part of the company's process to apply for a permit at the Constitutional Court, the company paid tax for September 2014 in November 2017. The request for a permit at the Constitutional Court was rejected in April 2018. The dispute will be heard by the High Court of Administration for which a permit has been granted.

Due to the uncertainty regarding the calculation of the betting duties, the aforementioned amount is calculated on the basis of Mr Green's understanding of how the betting duties may be calculated. There is a risk that MRG will lose the tax dispute or that the amounts may be adjusted to an amount that is higher than the Group has calculated. Any future payment of the provision, in the event of a negative court decision, is expected to be possible over time from operating cash flow.

Financial calendar

- 26 October, Third-quarter report 2018
- 8 February 2019, Year-end report 2018

Webcast presentation

A webcast presentation of MRG's report for the second quarter of 2018 will take place on Friday, 20 July at 10:00 a.m. CET. CEO Per Norman and CFO Simon Falk will present the report, followed by an opportunity to ask questions. The presentation will be held in English and webcast live on mrggroup.com or on <https://www.investis-live.com/mr-green/5af9775744dc991400a089f1/vfas>.

To participate in the presentation by telephone, call:

Sweden +46 (0)10 884 80 16
 UK 800 640 6441
 Local UK 020 3936 2999
 Other countries +44 20 3936 2999

The code for the call is 256 489. Make sure that you are connected to the teleconference by calling in and registering shortly before the presentation begins. The presentation materials will be published on mrggroup.com, and an audio recording of the presentation itself will also be available.

Review

This report has not been subject to review by the company's auditors.

Information

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This information is information that MRG (Mr Green & Co AB) is obliged to make public pursuant to the EU Market Abuse Regulation and the Swedish Securities Market Act. The information was submitted for publication, through the agency of the contact person set out above, at 20 July 2018 at 8:00 a.m. CET.

The Board of Directors and Chief Executive Officer warrant and declare that this interim report gives a true and fair view of the Parent Company's and Group's operations, financial positions and results, and that it describes significant risks and uncertainties faced by the Parent Company and the companies included in the Group.

Stockholm, 20 July 2018

Kent Sander
Chairman of the Board

Henrik Bergquist
Director

Andrea Gisle Joosen
Director

Eva Lindqvist
Director

Tommy Trollborg
Director

Per Norman
CEO

Condensed consolidated income statement

	2018	2017	2018	2017	Rolling	2017
SEK ' 000	Q2	Q2	Jan-Jun	Jan-Jun	12 months	Jan-Dec
Revenue	412,822	287,811	793,794	563,939	1,421,887	1,192,033
Cost of services sold	-143,847	-87,308	-276,076	-178,447	-473,889	-376,261
Capitalised costs	25,502	20,683	49,570	36,867	92,739	80,037
Marketing	-147,945	-92,527	-275,432	-192,575	-486,707	-403,850
Personnel costs	-53,618	-35,190	-101,876	-68,285	-177,171	-143,581
Other operating expenses	-47,509	-41,080	-98,744	-74,911	-186,638	-162,805
EBITDA before non-recurring items	45,407	52,387	91,236	86,587	190,220	185,572
Non-recurring items	-	-	-	-	-	-
EBITDA after non-recurring items	45,407	52,387	91,236	86,587	190,220	185,572
Depreciation and amortisation	-29,571	-16,889	-54,111	-31,540	-92,100	-69,529
Earnings before interest and tax (EBIT)	15,835	35,498	37,124	55,047	98,121	116,043
Financial income	2	1	6	2	-86	-90
Financial expenses	-282	-8	-342	-9	-678	-346
Result before tax	15,555	35,491	36,788	55,040	97,357	115,608
Income tax	-2,857	-2,491	-3,933	-3,183	-7,002	-6,252
Net result for the period	12,697	33,000	32,855	51,856	90,354	109,355
<i>Result for the period attributable to:</i>						
- Shareholders of the parent company	12,646	33,000	32,804	51,856	90,302	109,355
- Non-controlling interests	51	-	51	-	51	-
	12,697	33,000	32,855	51,856	90,354	109,355
Weighted average number of shares	40,849,413	36,673,589	40,849,413	36,263,778	39,520,847	38,575,440
Earnings per share before dilution, SEK	0.31	0.90	0.80	1.43	2.29	2.83
Weighted average number of shares after dilution	42,089,413	36,673,589	42,089,413	36,263,778	40,760,847	39,815,440
Earnings per share after dilution, SEK	0.30	0.90	0.78	1.43	2.22	2.75
<u>Included in cost of services sold:</u>						
Betting duties Austria (excl interest)	-34,476	-26,249	-68,473	-53,758	-126,897	-112,182
Interest of betting duties Austria	-4,175	-2,643	-7,866	-5,092	-14,114	-11,339
Betting duties other markets	-27,607	-14,829	-51,899	-28,562	-82,164	-58,827

Condensed consolidated statement of comprehensive income

	2018	2017	2018	2017	Rolling	2017
SEK '000	Q2	Q2	Jan-Jun	Jan-Jun	12 months	Jan-Dec
Net result for the period	12,697	33,000	32,855	51,856	90,354	109,355
<i>Other comprehensive income:</i>						
<i>Items which can be subsequently re-classified to profit/loss:</i>						
- Foreign exchange differences on consolidation	11,260	10,400	49,571	8,892	65,702	25,023
Other comprehensive income for the period	11,260	10,400	49,571	8,892	65,702	25,023
Comprehensive income for the period	23,958	43,400	82,427	60,748	156,057	134,378
<i>Comprehensive income for the period attributable to:</i>						
- Shareholders of the parent company	23,771	43,400	82,240	60,748	155,870	134,378
- Non-controlling interests	187	-	187	-	187	-
	23,958	43,400	82,427	60,748	156,057	134,378

Condensed consolidated balance sheet

	2018	2017	2017
SEK ´ 000	30 Jun	30 Jun	31 Dec
Customer contracts	19,625	7,981	5,910
Brands	376,774	316,323	322,088
Other intangible assets	195,192	114,508	134,706
Goodwill	625,348	513,170	524,812
Equipment	16,292	3,869	9,045
Deferred tax asset	236	368	236
Non-current assets	1,233,468	956,219	996,796
Trade receivables	-	1,507	-
Current income tax assets	14,173	11,924	-
Other receivables	36,456	17,749	23,577
Prepaid expenses and accrued income	27,641	11,167	20,495
Cash and cash equivalents	579,388	463,647	597,711
Current assets	657,658	505,994	641,784
Total assets	1,891,127	1,462,213	1,638,580
Share capital	40,849	40,849	40,849
Share premium reserve	866,258	865,524	865,170
Translation reserve	165,592	94,239	110,371
Retained earnings	-11,349	-42,763	14,736
Equity, owners of the Parent Company	1,061,350	957,851	1,031,127
Non-controlling interest	12 987	-	-
Total equity	1,074,338	957,851	1,031,127
Deferred tax liability	20,906	17,005	17,339
Betting duties Austria	437,220	273,708	339,120
Non-current liabilities	458,125	290,713	356,459
Trade payables	46,544	44,147	57,896
Customer accounts	84,802	35,910	45,400
Other current liabilities	14,267	30,506	33,732
Tax liabilities	-	9,439	1,339
Accrued expenses and deferred income	213,051	93,648	112,628
Current liabilities	358,663	213,649	250,995
Total equity and liabilities	1,891,127	1,462,213	1,638,580

Condensed consolidated statement of changes in equity

SEK '000	2018 Jan-Jun			2017 Jan-Jun			2017 Jan-Dec		
	Owners of the parent	Non-controlling interest	Total equity	Owners of the parent	Non-controlling interest	Total equity	Owners of the parent	Non-controlling interest	Total equity
Equity at beginning of period	1,031,127	-	1,031,127	710,466	-	710,466	710,466	-	710,466
Net result for the period	32,804	51	32,855	51,856		51,856	109,355		109,355
Other comprehensive income	49,435	136	49,571	8,892		8,892	25,023		25,023
Non-controlling interest related to acquired subsidiary		12,800	12,800						
Warrant premiums	1,088		1,088	150		150	282		282
Dividend through mandatory repurchase of shares	-53,104		-53,104						
Share issue				195,000		195,000	195,000		195,000
Cost of share issue				-8,513		-8,513	-9,000		-9,000
Equity at end of period	1,061,350	12,987	1,074,338	957,851	-	957,851	1,031,127	-	1,031,127

Condensed consolidated statement of cash flows

	2018	2017	2018	2017	Rolling	2017
SEK '000	Q2	Q2	Jan-Jun	Jan-Jun	12 months	Jan-Dec
Earnings before interest and tax (EBIT)	15,835	35,498	37,124	55,047	98,121	116,043
<i>Adjusted for:</i>						
- Depreciation and amortisation	29,571	16,889	54,111	31,541	92,100	69,529
- Unrealised foreign exchange differences, net	-1,461	574	1,495	1,252	3,620	3,377
- Betting duties Austria	36,864	28,546	74,119	58,694	138,126	117,382
Changes in working capital	17,033	30,830	34,579	3,312	60,153	28,885
Income tax paid	-17,693	-7,068	-19,308	-7,016	-18,728	-6,437
Interest income	2	1	6	2	-87	-90
Interest expense	127	-9	68	-9	-148	-225
Cash flow from operating activities	80,279	105,261	182,195	142,822	367,838	328,465
<i>Cash flow from investing activities:</i>						
- Payment, acquisition of subsidiary/assets and liabilities	-67,466	-91,935	-157,933	-91,935	-157,990	-91,991
- Acquired cash and cash equivalents	16,175	6,311	56,976	6,311	56,976	6,311
- Acquisition of intangible assets	-32,939	-25,841	-65,261	-49,647	-120,375	-104,761
- Acquisition of property, plant and equipment	-4,566	-238	-7,085	-330	-13,483	-6,728
Cash flow from investing activities	-88,796	-111,703	-173,303	-135,601	-234,871	-197,168
<i>Cash flow from financing activities:</i>						
- Issuing new shares	-	186,487	-	186,487	-487	186,000
- Warrant premiums	1,088	-	1,088	150	1,221	282
- Dividend through mandatory repurchase of shares	-53,104	-	-53,104	-	-53,104	-
Cash flow from financing activities	-52,016	186,487	-52,016	186,637	-52,371	186,282
Change in cash and cash equivalents	-60,534	180,045	-43,124	193,858	80,596	317,579
Foreign exchange differences	2,502	3,454	24,801	2,881	35,144	13,225
Cash and cash equivalents at the beginning of the period	637,420	280,148	597,711	266,908	463,647	266,908
Cash and cash equivalents at the end of the period	579,388	463,647	579,388	463,647	579,388	597,711

Condensed income statement per quarter

SEK '000	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2016 Q4	2016 Q3
Revenue	412,822	380,972	332,993	295,100	287,811	276,129	264,951	229,861
Cost of services sold	-143,847	-132,229	-104,107	-93,707	-87,308	-91,139	-92,680	-77,440
Capitalised costs	25,502	24,068	22,587	20,582	20,683	16,184	15,578	12,302
Marketing	-147,945	-127,487	-116,362	-94,912	-92,527	-100,048	-93,509	-85,522
Personnel costs	-53,618	-48,258	-39,266	-36,029	-35,190	-33,095	-34,747	-34,126
Other operating expenses	-47,509	-51,236	-47,422	-40,472	-41,080	-33,831	-27,719	-27,718
EBITDA before non-recurring items	45,407	45,829	48,423	50,562	52,387	34,200	31,874	17,357
Non-recurring items	-	-	-	-	-	-	-11,738	-4,072
EBITDA after non-recurring items	45,407	45,829	48,423	50,562	52,387	34,200	20,136	13,285
Depreciation and amortisation	-29,571	-24,540	-19,732	-18,256	-16,889	-14,651	-14,661	-13,373
Earnings before interest and tax (EBIT)	15,835	21,289	28,691	32,305	35,498	19,548	5,475	-88
Financial income	2	4	-82	-10	1	1	132	81
Financial expenses	-282	-59	-61	-275	-8	-1	-1	-3
Result before tax	15,555	21,234	28,548	32,020	35,491	19,549	5,605	-10
Income tax	-2,857	-1,076	-1,671	-1,398	-2,491	-693	8,565	-866
Net result for the period	12,697	20,158	26,877	30,622	33,000	18,856	14,170	-876
Weighted average number of shares	40,849,413	40,849,413	40,849,413	40,849,413	36,673,589	35,849,413	35,849,413	35,849,413
Earnings per share before dilution, SEK	0.31	0.49	0.66	0.75	0.90	0.53	0.40	-0.02
Earnings per share before dilution, SEK	42,089,413	42,089,413	42,089,413	42,109,413	36,673,589	35,849,413	35,849,413	35,849,413
Earnings per share after dilution, SEK	0.30	0.48	0.64	0.73	0.90	0.53	0.40	-0.02
<u>Included in cost of services sold:</u>								
Betting duties Austria (excl interest)	-34,476	-33,997	-30,275	-28,149	-26,249	-27,509	-25,922	-21,682
Interest of betting duties Austria	-4,175	-3,691	-3,306	-2,942	-2,643	-2,449	-2,176	-2,193
Betting duties other markets	-27,607	-24,293	-15,088	-15,176	-14,829	-13,733	-10,885	-10,284

Non-recurring items 2016 refer to activities for listing on Nasdaq Stockholm.

Key performance indicators

	2018	2018	2017	2017	2017	2017	2016	2016
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue								
Revenue growth, per quarter (%)	8.4%	14.4%	12.8%	2.5%	4.2%	4.2%	15.3%	8.8%
Revenue growth compared with the previous year (%)	43.4%	38.0%	25.7%	28.4%	36.3%	26.4%	31.8%	14.0%
Organic growth in local currencies compared with the previous year (%)	24.6%	25.2%	24.0%	26.2%	30.5%	25.0%	29.9%	16.0%
Acquired growth compared with the previous year (%)	14.4%	9.2%	2.1%	2.6%	2.2%	-	-	-
Currency effect compared to the previous year (%)	4.4%	3.6%	-0.4%	-0.4%	3.6%	1.4%	1.9%	-2.0%
Revenue Mobile (% of revenue)	60.9%	56.0%	51.2%	50.9%	48.1%	50.2%	47.4%	43.3%
Profitability								
Cost of services sold (% of revenue)	34.8%	34.7%	31.3%	31.8%	30.3%	33.0%	35.0%	33.7%
Whereof gaming software and payment providers (% of revenue)	18.8%	18.4%	16.6%	16.1%	15.1%	17.2%	20.3%	18.8%
Whereof local betting duties (% of revenue)	16.1%	16.3%	14.6%	15.7%	15.2%	15.8%	14.7%	14.9%
Marketing (% of revenue)	35.8%	33.5%	34.9%	32.2%	32.1%	36.2%	35.3%	37.2%
Personnel costs (% of revenue)	13.0%	12.7%	11.8%	12.2%	12.2%	12.0%	13.1%	14.8%
Other operating expenses (% of revenue)	11.5%	13.4%	14.2%	13.7%	14.3%	12.3%	10.5%	12.1%
EBITDA margin before non-recurring items (%)	11.0%	12.0%	14.5%	17.1%	18.2%	12.4%	12.0%	7.6%
EBITDA margin after non-recurring items (%)	11.0%	12.0%	14.5%	17.1%	18.2%	12.4%	7.6%	5.8%
EBIT margin (%)	3.8%	5.6%	8.6%	10.9%	12.3%	7.1%	2.1%	0.0%
Financial position and Cash flow								
Investments in non-current assets	37,506	34,840	33,434	28,078	26,079	23,898	19,455	15,051
Equity/assets ratio (%)	56.6%	58.8%	62.9%	63.1%	65.5%	63.5%	62.7%	64.8%
Earnings per share before dilution, SEK	0.31	0.49	0.66	0.75	0.90	0.53	0.40	-0.02
Earnings per share after dilution, SEK	0.30	0.48	0.64	0.73	0.90	0.53	0.40	-0.02
Return on equity (%)	1.4%	2.0%	2.8%	3.3%	4.2%	2.7%	0.8%	0.0%
Equity per share (SEK)	25.98	26.67	25.24	23.97	23.45	20.31	19.82	19.57
Cash flow from operating activities per share (SEK)	1.97	2.49	1.23	3.32	2.87	1.05	1.51	0.64
Free cash flow per share (SEK)	-0.21	0.43	0.41	2.63	-0.18	0.38	0.97	0.22
Employees								
Average number of employees	338	280	236	224	212	205	195	183
Number of employees at the end of the period	363	324	239	229	215	211	205	192

Non-recurring items 2016 refer to activities for listing on Nasdaq Stockholm.

Revenue by region

SEK '000	2018	2017	Vari-	2018	2017	Vari-	Rolling 12 months		Vari-	2017
	Q2	Q2	ance%	Jan-Jun	Jan-Jun	ance%	2018	2017	ance%	Jan-Dec
Revenue by region										
Nordic Region	149,641	93,668	59.8%	270,837	186,976	44.9%	474,123	362,441	30.8%	390,336
Western Europe	170,125	118,719	43.3%	339,974	225,749	50.6%	603,566	396,032	52.4%	489,285
Central, Eastern and Southern Europe	86,086	70,004	23.0%	169,454	139,893	21.1%	315,290	279,052	13.0%	285,711
Rest of the World	6,970	5,420	28.6%	13,528	11,321	19.5%	28,917	21,227	36.2%	26,701
Total	412,822	287,811	43.4%	793,794	563,939	40.8%	1,421,895	1,058,752	34.3%	1,192,033

Revenue by region and quarter

SEK '000	2018	2018	2017	2017	2017	2017	2016	2016
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue by region								
Nordic Region	149,641	121,122	103,213	100,147	93,668	93,308	88,887	86,578
Western Europe	170,125	169,905	145,912	117,625	118,719	107,030	93,401	76,881
Central, Eastern and Southern Europe	86,086	83,386	75,125	70,693	70,004	69,889	75,280	63,879
Rest of the World	6,970	6,567	8,744	6,635	5,420	5,902	7,383	2,523
Total	412,822	380,980	332,993	295,100	287,811	276,129	264,951	229,861
<u>Share of revenue by region (%)</u>								
Nordic Region	36.2%	31.8%	31.0%	33.9%	32.5%	33.8%	33.5%	37.7%
Western Europe	41.2%	44.6%	43.8%	39.9%	41.2%	38.8%	35.3%	33.4%
Central, Eastern and Southern Europe	20.9%	21.9%	22.6%	24.0%	24.3%	25.3%	28.4%	27.8%
Rest of the World	1.7%	1.7%	2.6%	2.2%	1.9%	2.1%	2.8%	1.1%
<u>Revenue compared to previous quarter (%)</u>								
Nordic Region	23.5%	17.4%	3.1%	6.9%	0.4%	5.0%	2.7%	1.9%
Western Europe	0.1%	16.4%	24.0%	-0.9%	10.9%	14.6%	21.5%	16.9%
Central, Eastern and Southern Europe	3.2%	11.0%	6.3%	1.0%	0.2%	-7.2%	17.8%	18.8%
Rest of the World	6.1%	-24.9%	31.8%	22.4%	-8.2%	-20.1%	192.6%	-62.4%
<u>Revenue compared to the same quarter the prev. yr. (%)</u>								
Nordic Region	59.8%	29.8%	16.1%	15.7%	10.3%	-0.6%	-1.6%	-6.5%
Western Europe	43.3%	58.7%	56.2%	53.0%	80.5%	69.4%	91.2%	35.2%
Central, Eastern and Southern Europe	23.0%	19.3%	-0.2%	10.7%	30.2%	23.2%	37.4%	36.9%
Rest of the World	28.6%	11.3%	18.4%	163.0%	-19.2%	23.8%	3.9%	-26.8%

Customers and deposits

	2018	2018	2017	2017	2017	2017	2016	2016
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Depositing customers								
Depositing customers (number of)	186,949	182,490	145,199	131,226	115,733	115,992	114,996	102,379
Depositing customers growth, per quarter (%)	2.4%	25.7%	10.6%	13.4%	-0.2%	0.9%	12.3%	14.4%
Depositing customers growth compared with prev. yr. (%)	61.5%	57.3%	26.3%	28.2%	29.3%	28.2%	45.5%	41.9%
New depositing customers								
New depositing customers (number of)	76,136	80,691	57,475	52,672	43,298	45,958	45,340	42,364
New depositing customers, per quarter (%)	-5.6%	40.4%	9.1%	21.6%	-5.8%	1.4%	7.0%	30.1%
New depositing customers growth compared with prev. yr. (%)	75.8%	75.6%	26.8%	24.3%	33.0%	28.3%	69.5%	86.5%
Returning depositing customers								
Returning depositing customers (number of)	110,813	101,799	87,724	78,554	72,435	70,034	69,656	60,015
Returning depositing customers growth, per quarter (%)	8.9%	16.0%	11.7%	8.4%	3.4%	0.5%	16.1%	5.3%
Returning depositing customers growth compared with prev. yr.	53.0%	45.4%	25.9%	30.9%	27.1%	28.2%	33.3%	21.4%
Deposits								
Deposits from customers (SEKm)	1,328.8	1,152.8	982.7	857.6	808.6	819.5	816.5	687.2
Deposits growth, per quarter (%)	15.3%	17.3%	14.6%	6.1%	-1.3%	0.4%	18.8%	14.2%
Deposits growth compared with previous year (%)	64.3%	40.7%	20.4%	24.8%	34.4%	38.6%	48.3%	21.0%

Condensed income statement Parent Company

SEK ´ 000	2018 Q2	2017 Q2	2018 Jan-Jun	2017 Jan-Jun	2017 Jan-Dec
Revenue	1,410	1,350	2,820	2,700	5,516
Expenses	-8,381	-8,802	-16,630	-15,965	-29,919
EBITDA before non-recurring items	-6,971	-7,452	-13,810	-13,265	-24,403
Depreciation and amortisation	-49	-51	-102	-102	-204
Earnings before interest and tax (EBIT)	-7,020	-7,503	-13,912	-13,367	-24,608
Financial items and appropriations	263	-175	531	-336	78,315
Net result for the period	-6,757	-7,678	-13,382	-13,703	53,707

Net profit for the period in the Parent Company income statement is the same as comprehensive income for the period, as no items are recognised in other comprehensive income.

Condensed balance sheet Parent Company

SEK ´ 000	2018 30 Jun	2017 30 Jun	2017 31 Dec
Non-current assets	718,654	717,637	717,668
Current assets	145,128	193,838	212,417
Total assets	863,782	911,475	930,085
Restricted equity	40,849	40,849	40,849
Non-restricted equity	816,794	815,136	882,191
Other liabilities	6,139	55,489	7,044
Total equity and liabilities	863,782	911,475	930,085

Notes

All values in brackets () are comparative figures for the year-earlier period unless otherwise specified. In the commentaries, the unit SEK million is used unless otherwise indicated. In the financial statements, the unit kSEK is used unless otherwise indicated.

Accounting policies

MRG applies the International Financial Reporting Standards (IFRS), as adopted by the EU. This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting, the Swedish Annual Accounts Act and RFR 1 Supplementary Financial Reporting Rules for Corporate Groups of the Swedish Financial Reporting Board. The financial statements of the Parent Company have been prepared in accordance with the Annual Accounts Act and Recommendation RFR 2 Financial Reporting for Legal Entities of the Swedish Financial Reporting Board. Under RFR 2, the Parent Company is required to apply all EU-adopted IFRS and interpretations insofar as this is possible under the Annual Accounts Act and with regard to the relationship between accounting and taxation.

New accounting policies from 2018

IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers apply from 1 January 2018.

MRG is primarily an online casino operator and revenue mainly derives from casino games, such as slot machines and traditional card games such as Black Jack, Baccarat and roulette. The average payout of funds bet in this type of game is known when the game is played. This type of game is defined as a "fixed odds game." Such games are defined as a financial instrument in accordance with IFRS 9 and thus are not encompassed by IFRS 15. Applying IFRS 9 instead of IFRS 15 does not impact revenue recognition or the financial statements since allocations and amounts are the same regardless of the policy applied. MRG believes that IFRS 9 is to be applied to all fixed odds games and that IFRS 15 is not applicable to this revenue. The company asserts that this is consistent with the understanding of the IASB. It has also been established that the application of IFRS 9 did not have any impact on the financial statements from 2018.

MRG's operations generate other types of revenue that are not of material scope or amounts but to which IFRS 15 is to be applied. MRG has evaluated the effects of applying IFRS 15 for these revenues and concluded that IFRS 15 has not entailed any changes to the consolidated financial statements.

Other accounting policies and bases of assessment are unchanged compared with the 2017 Annual Report.

New accounting policies from 2019

IFRS 16 Leases is to be applied from 1 January 2019. This standard requires that assets and liabilities attributable to all leases, with a few exceptions, be recognised in the balance sheet. This approach to recognition is based on the view that the lessee has a right to use an asset during a specific period of time as well as an obligation to pay for said right. IFRS 16 replaces IAS 17 Leases and the related interpretations, IFRIC 4, SIC-15 and SIC-27. The standard is to be applied from 1 January 2019 and the company will not apply it in advance. The application of the standard has been adopted by the EU. It will primarily impact the Group's leases for premises.

Note 1 Acquisitions

On 2 February 2018, Mr Green acquired Evoke Gaming, comprising the company Soft Capital Holding Limited and its subsidiaries Evoke Gaming Limited and Internet & Media Consulting Limited. The acquisition was consolidated on the acquisition date of 2 February 2018.

Acquisition analysis Evoke Gaming

kSEK	Fair value
Customer contracts	15,727
Brands	27,522
Other intangible assets	31,733
Property, plant and equipment	2,294
Cash and cash equivalents	40,801
Other current assets	4,663
Deferred tax liabilities	-2,162
Current liabilities	-48,712
Total identifiable net assets	71,866
Goodwill	37,696
Total purchase consideration	109,562

If Evoke Gaming had been consolidated on 1 January 2018, it would have contributed SEK 64.8 million in revenue and SEK -10.8 million to EBITDA for the period up to 30 June 2018. No portion of the MRG Group's goodwill arising on this acquisition is expected to be tax deductible. The purchase consideration was paid in cash funds of EUR 9.2 million on the acquisition date of 2 February 2018, based on a preliminary acquisition balance sheet. The acquisition balance sheet was adopted in April 2018 and entailed an additional payment of EUR 0.4 million. On 13 June 2018, MRG paid an additional final purchase consideration of EUR 1.5 million for Evoke Gaming.

On 15 June 2018, MRG acquired 11.lv, comprising the company SIA "viensviens.lv". The acquisition was consolidated on the acquisition date of 15 June 2018.

Acquisition analysis 11.lv

kSEK	Fair value
Customer contracts	2,558
Brands	6,639
Other intangible assets	2,472
Property, plant and equipment	150
Cash and cash equivalents	16,175
Other current assets	708
Current liabilities	-3,823
Total identifiable net assets	24,879
Non-controlling interests	-12,800
Goodwill	29,571
Total purchase consideration	41,650

11.lv added SEK 2 million to total revenue and SEK 0.4 million to EBITDA during the quarter. If 11.lv had been consolidated on 1 January 2018, it would have contributed SEK 19.3 million in revenue and SEK 2.8 million to EBITDA for the period up to 30 June 2018. No portion of the MRG Group's goodwill arising on this acquisition is expected to be tax deductible. The purchase consideration was paid in cash funds of EUR 4.1 million on the acquisition date of 15 June 2018, based on a preliminary acquisition balance sheet.

In line with applicable accounting standards, the figures above are considered to be preliminary.

Note 2 Correction of deferred tax liability

The Group has corrected the deferred tax liability attributable to the acquired surplus values in subsidiaries in Malta. This was previously calculated at 35 per cent, which is the tax rate applicable for individual companies in Malta, but tax is to be calculated at the Group rate of 5 per cent. This correction applies to three acquisitions: Green Gaming Group 2013, Dansk Underholdning 2017 and Evoke Gaming 2018. The correction only entails a reduction in the deferred tax liability, which reduces goodwill by the same amount and has no impact on recognized equity or earnings in prior years. The amount for this correction is a total of SEK 99.9 million at 31 December 2017, of which SEK 92.5 million pertains to the period prior to 1 January 2017.

The correction entails that the consolidated equity/assets ratio increases from 59.3 per cent to 62.9 per cent at 31 December 2017 and from 58.0 per cent to 62.7 per cent at 31 December 2016.

Risks and uncertainties

The Group operates in an environment which involves legal and regulatory risks and where individual countries and international organisations develop regulations which affect the Group's operations. As the operations become subject to further regulations, it is likely that the Group will need to meet increased demands for compliance with laws and regulations and that it will face a higher tax burden. The Group continuously monitors the situation and adjusts its offering and its markets to manage this risk. In view of the aforesaid, the Group's brand is not marketed in the US. Nor does the company accept players who are resident in the US, and the company has installed filters which are designed to prevent any attempts to make deposits from the US. There is also a trend in Europe towards a new way of handling betting duties

as well as VAT issues that will affect the company's operations in one way or another. The company monitors ongoing developments closely, adapts its operations to potential changes in the trading environment and complies with all laws and regulations. It should be noted, however, that situations may arise where local laws and regulations conflict with EU law, for instance, which takes precedence. In connection with such matters, the company engages the services of leading legal expertise and proceeds on the basis of the prudence principle, without relinquishing any commercial opportunities that may arise.

For an in-depth description of risks and other uncertainties, refer to the 2017 Annual Report.

Alternative performance measures

The European Securities and Markets Authority (ESMA) has issued guidelines for alternative performance measures, which must be applied by companies with securities that are listed on a regulated market in the EU. Information on the choice of alternative performance measures, how the Group uses them and how they are defined is provided in this interim report. Comparative figures for prior periods is provided based on the same principles.

In addition to those industry key performance measures that are not calculated in accordance with

IFRS, as presented in the following section, the Group provides information on performance measures related to certain costs in the income statement in relation to revenue. These performance measures are significant particularly from an industry perspective.

Alternative performance measures presented in the interim report should not be considered a replacement of IFRS terms and concepts and may not necessarily be comparable with similar performance measures of other companies.

Definitions of alternative performance measures not calculated in accordance with IFRS

ALTERNATIVE PERFORMANCE MEASURES	DEFINITION	PURPOSE
Return on equity	Net result before tax divided by average equity.	Applied for the purpose of analysing profitability over time, in relation to those resources which are attributable to the owners of the parent company.
EBIT	Earnings before net financial expense and tax.	The measure provides an illustration of profitability without regard to the corporate tax rate and independently of the company's financing structure.
EBIT margin	EBIT divided by revenue.	The measure is relevant for measuring operating profitability.
EBITDA	Earnings before depreciation, amortisation, impairment, net financial expense and tax.	The measure is relevant for creating an understanding of the company's operating activities, regardless of financing and depreciation/amortisation of non-current assets.
EBITDA after non-recurring items	EBITDA after non-recurring items but before depreciation, amortisation and impairment, net financial expense and tax.	The measure is relevant for creating an understanding of the company's day-to-day operations, regardless of financing and depreciation/amortisation of non-current assets, but also for providing a clear illustration of EBITDA after non-recurring items.

EBITDA before non-recurring items	EBITDA before non-recurring items but before depreciation, amortisation and impairment, net financial expense and tax.	The measure is relevant for creating an understanding of the company's day-to-day operations, regardless of financing and depreciation/amortisation of non-current assets, but also for providing a clear illustration of EBITDA before non-recurring items in order to enable comparisons of the underlying operating activities.
EBITDA margin	EBITDA divided by revenue.	The measure is relevant for creating an understanding of operating profitability and gives stakeholders a clearer picture of the company's core profitability, as it excludes depreciation/amortisation.
Equity per share	Equity divided by the number of shares outstanding at the end of the period.	The ratio measures the company's net value per share and shows if the company is increasing the shareholders' capital over time.
Free cash flow per share	Cash flow from operating activities less cash flow from investing activities divided by the average number of outstanding shares during the period.	The measure illustrates the total cash flow from operating and investing activities.
Cash flow from operating activities per share	Cash flow from operating activities per average number of outstanding shares during the period.	The ratio measures the cash flow generated by the company before capital investments and cash flows attributable to the company's financing.
Non-recurring items	Refers to items which are of a non-recurring nature or not directly linked to the Group's normal operations, which means that the recognition of these items together with other items in the income statement would impair comparability with other periods and make it harder for an outside party to assess the Group's performance.	These items are illustrated to enable comparisons of the underlying operating activities.
Equity/assets ratio	Equity divided by total assets.	The measure is an indicator of the company's leverage for financing of the company.

Definitions of industry-related performance measures not calculated in accordance with IFRS

ALTERNATIVE PERFORMANCE MEASURES	DEFINITION	PURPOSE
Depositing customers	Customers who made a deposit during the period.	A measure that is a driver of revenue and relevant from an industry practice and stakeholder perspective.
Deposits	Money deposited in customer accounts.	A measure that is a driver of revenue and relevant from an industry practice and stakeholder perspective.
New depositing customers	Customers making their first deposit during the period.	A measure that is a driver of both marketing costs and revenue and relevant from an industry practice and stakeholder perspective.
Compound Annual Growth Rate (CAGR)	The average annual growth rate. The performance measure illustrates growth over a given period, for example five years.	The performance measure is relevant given that it measures growth under the assumption of a consistent annual rate of growth and thus provides a balanced rate of growth over the specified period.
Returning depositing customers	Customers making a deposit during the period but who made their first deposit in an earlier period.	A measure that is a driver of revenue and relevant from an industry practice and stakeholder perspective.

ABOUT MRG

MRG is a fast-growing innovative iGaming Group with operations in thirteen markets. Our business concept is to offer a superior experience in a Green Gaming environment. MRG was established in 2007 and operates the iGaming sites Mr Green, Redbet, 11.lv, Vinnarum, Bertil, MamaMiaBingo, BingoSjov and BingoSlottet. We offer approximately 1,000 games, of which about 750 are also available for mobile devices.

We maintain agreements with about 20 companies that provide online games. MRG has gaming licences in Italy, Latvia, Malta and the UK, as well as a casino licence in Denmark and a Sportsbook licence in Ireland. We are listed on Nasdaq Stockholm's Mid Cap list under the name Mr Green & Co (ticker MRG).

Our Strategy 2020 entails that we:

- Focus on growth
- Invest in product innovation
- Become established in new geographic markets
- Expand to new areas in the value chain
- Continue to invest in Green Gaming
- And we are a cut above the reset

MRG



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