

Q2 Report 2015 (unaudited)

Summary

- Revenue amounted to €10.7 (9.5) million for the second quarter of 2015, an increase of 13%, and €20.7 (17.2) million for the first half year 2015, an increase of 20%
- Operating profit (EBIT) for the second quarter of 2015 was €0.8 (0.8) million, with a margin of 7% (9%), and €1.6 (0.7) million for the first half year 2015, with a margin of 8% (4%)
- Profit after Tax amounted to €0.5 (0.4) million for the second quarter of 2015, and €1.1 (0.0) million for the first half year 2015
- Earnings per share for the second quarter of 2015 were €0.018 (0.015) and €0.038 (0.002) for the first half year 2015
- Cash flow from operating and investing activities (excluding working capital) amounted to €0.2 (1.0) million for the second quarter of 2015 and €1.2 (1.0) million for the first half year 2015

Significant events during Q2

- Initial contract signed with Grupo Televisa
- Announced plan to open a new office in Bucharest to strengthen the trading function

“Operator turnover increased by 36% compared to the same quarter last year, despite there being no major football tournament this year. This underlines the continued growth of the operators we work with, and I am delighted by their success.

As mentioned in previous reports, we have been working to extend our customer base to South America. This led in Q2 to the signing of an initial contract with the Mexican media company Grupo Televisa. It is the first customer Kambi has signed in this region and we are very pleased to be working with a major player, which has the potential to become a future market leader in Mexico. We look forward with enthusiasm to continued progress there.

I’m also very pleased to announce that we have begun rolling out our new betting client. We expect the new client to create a better and more exciting user experience for the player and to further enhance flexibility for our operators.” says Kristian Nylén, CEO of Kambi.

You are invited to participate in a report presentation at 10:45 CET with the CEO Kristian Nylén and CFO David Kenyon. The presentation will be held in English via a telephone conference and can also be accessed via an audiocast using the link below. Questions can be asked on the telephone conference or sent via the audiocast link. Numbers for participation in the telephone conference:

SE: +46 8 566 427 01 UK: +44 20 3428 1433 US: +1 855 831 59 45 ESP: +34911140089 PIN: 566847#

Link to the audiocast: <http://media.fronto.com/cloud/kambi/150805/>

Second quarter financial breakdown (unaudited)

Summary

	Q2 2015 €m	Q2 2014 €m	Jan - Jun 2015 €m	Jan - Jun 2014 €m	Jan - Dec 2014 €m
Revenue	10.7	9.5	20.7	17.2	36.0
Operating result	0.8	0.8	1.6	0.7	2.2
Operating margin	7%	9%	8%	4%	6%
Result after tax	0.5	0.4	1.1	0.0	1.0
Cash flow ¹	0.2	1.0	1.2	1.0	2.8
Net cash ²	15.3	11.0	15.3	11.0	16.0
	€	€	€	€	€
Earnings per share	0.018	0.015	0.038	0.002	0.037

¹ Cash flow from operating and investing activities excluding movements in working capital

² Total cash at period end less convertible bond

Q2 Highlights

Operator turnover was up by 36% on Q2 2014, as the Kambi service continued to drive growth for its operators. Turnover in Q2 and Q3 2014 was boosted by the football World Cup; there was no major football tournament of this level in Q2 2015. The results illustrate the importance of having a broad and varied offering in what is typically a quiet quarter in the sporting calendar.

Kambi signed a contract with Grupo Televisa for the provision of sports betting services. Initially, Kambi will deploy its fixed odds betting terminals into the sports betting areas of two of Grupo Televisa's PlayCity (Apuestas Internacionales) casinos in Mexico. Under the PlayCity brand, it operates eighteen land based casino venues. Grupo Televisa is the largest media company in the Spanish-speaking world and a major participant in the international entertainment business. With this upgrade of Grupo Televisa's sports betting offering, there is a potential to both extend the scope of the retail roll-out and explore the group's multi-channel potential.

Events after Q2

Kambi and Spanish operator Juegging decided not to continue working together, as Juegging moves to a more regionally focused operation.

Georgian operator Iveriabet and Kambi mutually agreed to part ways with immediate effect, as Iveriabet exits the Georgian online sports betting market due to an unfavourable regulatory and fiscal environment in Georgia.

Neither of the above are expected to have a material impact on Kambi's revenues.

Q3 in the year following a major football tournament (football World Cup or European Championship) is typically the quietest quarter in the sporting calendar in every 2 year cycle. However, trading at the start of Q3 2015 has started on a positive note.

Market developments

Kambi has observed the recent M&A activity in the gaming industry and believes that this will continue in the years to come. Consolidation, specialisation and outsourcing are natural developments of any industry, and Kambi is well positioned to leverage on that.

- Kambi is focused on providing a high quality service, enabling operators to take a market-leading position
- Kambi's solution reduces the technical burden for the operator
- The cost of Kambi's service is significantly lower than operating an in-house sportsbook

Kambi initiatives

One betting client for all channels with great flexibility for the operators

Kambi's strategy is to offer the highest quality product based on economies of scale, whilst at the same time allowing operators to innovate and create a unique experience that perfectly aligns with their brand, strategy and specific market conditions.

Kambi's new betting client, built to serve all devices and screen sizes, takes this to the next level. Not only does it offer a leading user experience, it also serves as a powerful platform upon which Kambi's operators themselves can differentiate and innovate. This goes far beyond the look and feel. With minimal effort, operators can alter the experience and create a unique proposition whilst at the same time relying on Kambi to take care of all the more costly and resource intensive parts of the product. This is the sweet spot between efficiency on one hand and differentiation on the other that Kambi always is seeking to find.

The client has to a large extent been built with a data driven approach. The vast number of end users that interact every day with Kambi's product gives us invaluable information about how to evolve the experience to best drive revenues. Through data analysis, we learn what it is that the players really want, what it is that really creates a winning user experience. Driven by the development of mobile technology, this user experience is today one of the core competitive elements in sports betting.

This major project is now being rolled out across the network and we expect it to greatly benefit the players, the operators and Kambi:

- The players will have the same leading experience wherever they go – mobile, tablet, web and even in the shop
- On this flexible platform, the operators will truly be able to transform Kambi's service into their own proposition to their players
- Kambi's resources will be more focused on building only one client for all devices

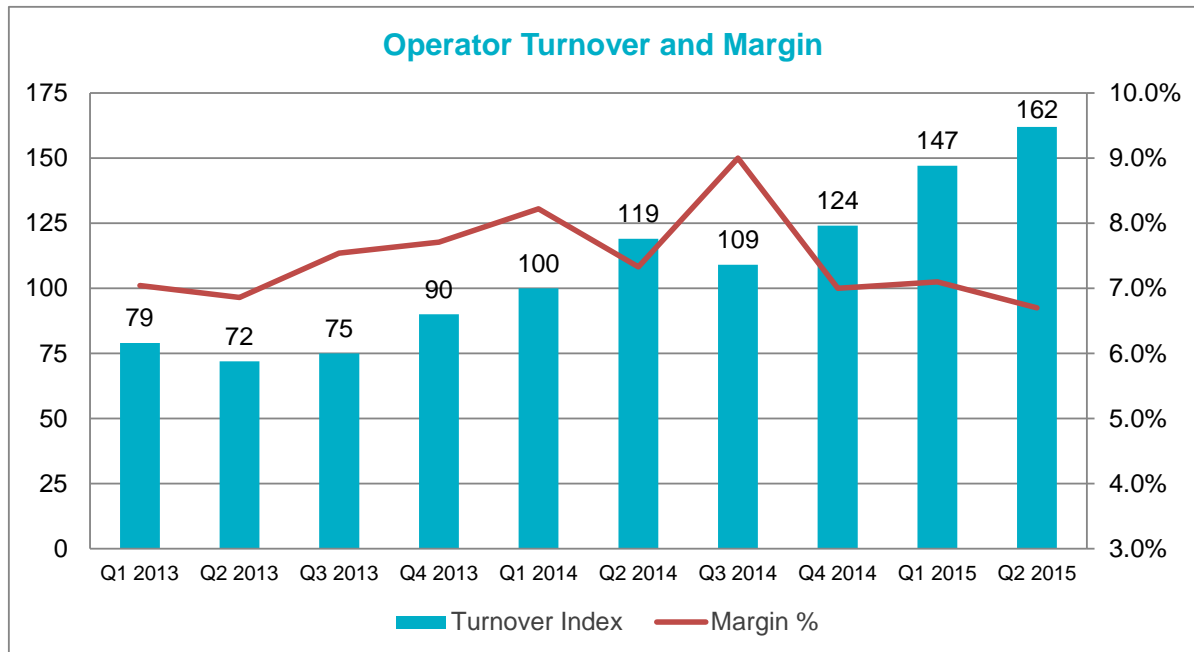
Financial review

Revenue

Revenue represents fees received for sports betting services rendered to Kambi's operators. In the second quarter of 2015, revenue was €10.7 (9.5) million. For the first half year 2015, revenue was €20.7 (17.2) million. Kambi charges its operators a monthly fee, based on a number of variables, including fixed fees, commission based on operators' profits generated and the number of live events offered.

Operator trading analysis

In the interest of commercial sensitivity, Kambi presents the sports betting turnover of its customers as an index, called The Kambi Turnover Index, with the first quarter of 2014 indexed at 100. The graph below shows the index since Q1 2013, and also illustrates the operators' quarterly betting margin.



Operator turnover for the quarter was very strong, driven by an increase in the tennis offering, the tail end of the football season in the main European leagues and the various football tournaments that took place in June. The index for the second quarter of 2015 increased by 36% to 162 compared with for the second quarter of 2014. This is particularly strong growth given that the 2014 figure was boosted by the football World Cup, which contributed 18% of operator turnover in Q2 2014.

Kambi adjusts the paybacks in the odds it provides to its operators in order to maximise their profits. The result of this has been that operator margins have decreased slightly, due to increased payback percentages on key leagues and events across football, tennis and ice hockey. These higher levels of paybacks to players provide operators with competitive odds and maximise their return.

Operating expenses

Operating expenses are a combination of activity-related costs and fixed costs; the main expenses are salaries, office costs, live information feeds, consultant costs and amortisation. Operating expenses for the second quarter of 2015 were €9.9 (8.1) million and €19.0 (15.9) million for the first half year 2015. A large proportion of operating expenses is salaries. The increase in salaries can be attributed to the planned increase in full time staff, as part of the continued development of the Kambi product (in particular to support the significant increase in the number of live events offered to the customers), as well as salary increases in line with the market. This has helped to support the growth of operator turnover by 36% compared to Q2 2014.

Operating profit

Operating profit for the second quarter of 2015 was €0.8 (0.8) million, with a margin of 7% (9%), and €1.6 (1.3) for the first half year 2015, with a margin of 8% (4%).

Capitalised development costs

In the second quarter of 2015, development expenditure of €1.7 (1.2) million was capitalised, bringing the total for the first half year 2015 to €2.9 (2.5) million. These capitalised development costs are amortised over 3 years, starting in the year the costs are incurred.

Profit before tax

Profit before tax for the second quarter of 2015 was €0.7 (0.8) million. Profit before tax for the first half year 2015 was €1.5 (0.6) million. The Q2 2014 figures were impacted by transaction costs relating to the listing of €0.6 million.

Taxation

The tax expense for the second quarter of 2015 was €0.2 (0.4) million. The tax expense for the first half year 2015 was €0.3 (0.5) million.

Profit after tax

Profit after tax for the second quarter of 2015 was €0.5 (0.4) million. Profit after tax for the first half year 2015 was €1.1 (0.0) million.

Financial position and cash flow

The net cash position at 30 June 2015 was €15.3 (11.0) million.

Cash flow from operating and investing activities (excluding working capital) amounted to €0.2 (1.0) million for the second quarter of 2015 and €1.2 (1.0) million for the first half year 2015. Trade and other receivables at 30 June 2015 were €9.5 million, of which trade receivables represented €6.4 million. This includes 2 months of invoices to most of Kambi's operators, due to the timing of the issue of invoices at the end of each calendar month.

Personnel

Kambi had 414 (343) employees equivalent to 386 (327) full time employees at 30 June 2015, across offices in Malta, London, Manila and Stockholm.

Financial information

The financial information has been presented in accordance with International Financial Reporting Standards as adopted by the European Union. All numbers in this report are unaudited. All numbers in this report are shown in Euro (€) and all the numbers in brackets refer to the equivalent period in the previous year.

Financial calendar

Q3 report – 4 November 2015

Q4 report – 10 February 2016

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About Kambi

Kambi Group plc is a B2B supplier of fully managed sports betting services on an in-house developed software platform, providing premium turnkey sports betting services to B2C operators. Kambi's product encompasses a broad offering from front end through to odds compiling and risk management. The company's current coverage includes more than 120,000 live betting events and 250,000 pre-match events per year covering 65 different sports from all over the world. Kambi utilises a best of breed security approach, with guiding principles from ISO 27001. Kambi Sports Solutions is eCOGRA certified. Kambi Group plc is listed on First North at Nasdaq Stockholm under the symbol "KAMBI". Kambi's certified Advisor is Redeye AB.

Legal disclaimer

Kambi does not give any forecasts. Certain statements in this report are forward-looking and the actual outcomes may be materially different. In addition to the factors discussed, other factors could have an impact on actual outcomes. Such factors include developments for customers, competitors, the impact of economic and market conditions, national and international legislation and regulations, fiscal regulations, the effectiveness of copyright for computer systems, technological developments, fluctuation in exchange rates, interest rates and political risks.

Publication

The information in this interim report follows the required rules for companies trading on First North at Nasdaq Stockholm. This market is not a "regulated market" as defined in EU legislation.

CONSOLIDATED INCOME STATEMENT € '000

	Q2 2015	Q2 2014	Jan - Jun 2015	Jan - Jun 2014	Jan - Dec 2014
Revenue	10,681	9,470	20,652	17,218	36,017
Gross profit	10,681	9,470	20,652	17,218	36,017
Operating expenses	-9,904	-8,084	-19,038	-15,933	-33,228
Underlying profit/(loss) before items affecting comparability:	777	1,386	1,614	1,285	2,789
Transaction costs	-	-575	-	-575	-575
Profit/(loss) from operations	777	811	1,614	710	2,214
Investment income	5	-	7	-	15
Finance costs	-78	-20	-155	-146	-315
Profit/(loss) before tax	704	791	1,466	564	1,914
Income tax	-164	-423	-335	-528	-947
Profit/(loss) after tax	540	368	1,131	36	967

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME € '000

	Q2 2015	Q2 2014	Jan - Jun 2015	Jan - Jun 2014	Jan - Dec 2014
Profit/(loss) after tax for the period	540	368	1,131	36	967
Other comprehensive income:					
Currency translation adjustments taken to equity	37	-2	118	-81	-64
Actuarial loss on employee defined benefit scheme	-	-	-	-	-13
Comprehensive income for the period	577	366	1,249	-45	890

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

€ '000

	30 Jun 2015	30 Jun 2014	31 Dec 2014
ASSETS			
<i>Non-current assets</i>			
Intangible assets	7,436	7,691	7,143
Property, plant and equipment	1,602	1,797	1,752
Deferred tax assets	565	422	424
	9,603	9,910	9,319
<i>Current assets</i>			
Trade and other receivables	9,525	10,506	7,313
Cash and cash equivalents	22,472	18,525	23,155
	31,997	29,031	30,468
Total assets	41,600	38,941	39,787
EQUITY AND LIABILITIES			
<i>Capital and reserves</i>			
Share capital	89	49	89
Share premium	53,273	53,313	53,273
Other reserves	624	206	606
Currency translation reserve	-61	-229	-179
Retained earnings	-26,500	-28,530	-27,631
Total equity	27,425	24,809	26,158
<i>Non-current liabilities</i>			
Convertible bond	7,190	7,500	7,149
Other liabilities	48	-	20
Deferred tax liabilities	133	251	124
	7,371	7,751	7,293
<i>Current liabilities</i>			
Trade and other payables	5,670	5,722	5,771
Deferred revenue	391	218	-
Tax liabilities	743	441	565
	6,804	6,381	6,336
Total liabilities	14,175	14,132	13,629
Total equity and liabilities	41,600	38,941	39,787

CONSOLIDATED STATEMENT OF CASH FLOWS

€ '000

	Q2 2015	Q2 2014	Jan - Jun 2015	Jan - Jun 2014	Jan - Dec 2014
OPERATING ACTIVITIES					
Profit from operations	777	811	1,614	710	2,214
<i>Adjustments for:</i>					
Depreciation of property, plant and equipment	239	287	480	562	1,059
Amortisation of intangible assets	1,275	1,339	2,573	2,611	5,310
Share-based payment	9	1	18	24	39
Operating cash flows before movements in working capital	2,300	2,438	4,685	3,907	8,622
(Increase)/decrease in trade and other receivables	-1,614	-5,892	-2,212	-5,263	-2,160
(Decrease)/increase in trade and other payables	-403	-258	133	584	440
(Decrease)/increase in other liabilities	12	-	28	-	7
(Decrease)/increase in deferred revenue	391	218	391	218	-
Cash flows from operating activities	686	-3,494	3,025	-554	6,909
Income taxes paid net of tax refunded	-198	-41	-287	-106	-360
Net cash used in operating activities	488	-3,535	2,738	-660	6,549
INVESTING ACTIVITIES					
Purchases of property, plant and equipment	-136	-198	-330	-339	-764
Development and acquisition costs of intangible assets	-1,716	-1,209	-2,866	-2,502	-4,656
Net cash used in investing activities	-1,852	-1,407	-3,196	-2,841	-5,420
FINANCING ACTIVITIES					
Proceeds (repaid)/from borrowings - related party	-	-9,688	-	-11,919	-11,919
Interest paid	-225	-	-225	-126	-126
Proceeds from issue of convertible bond	-	7,500	-	7,500	7,500
Proceeds from issue of new shares	-	23,563	-	23,563	23,563
Net cash generated from financing activities	-225	21,375	-225	19,018	19,018
Net increase in cash and cash equivalents	-1,589	16,433	-683	15,517	20,147
Cash and cash equivalents at beginning of period	24,061	2,092	23,155	3,008	3,008
Cash and cash equivalents at end of period	22,472	18,525	22,472	18,525	23,155

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ '000

	Q2 2015	Q2 2014	Jan - Jun 2015	Jan - Jun 2014	Jan - Dec 2014
Opening balance at beginning of period	26,839	879	26,158	1,267	1,267
Comprehensive income					
Profit/(loss) for the period	540	368	1,131	36	967
<i>Other comprehensive income:</i>					
Translation adjustment	37	-2	118	-81	-64
Actuarial loss on employee defined benefits	-	-	-	-	-13
	577	366	1,249	-45	890
Transactions with owners					
Share options - value of employee services	9	1	18	24	39
Convertible bond	-	-	-	-	399
Proceeds from shares issued	-	23,563	-	23,563	23,563
	9	23,564	18	23,587	24,001
Closing balance at end of period	27,425	24,809	27,425	24,809	26,158

KEY RATIOS

This table is for information only and does not form part of the condensed financial statements

	Q2 2015	Q2 2014	Jan - Jun 2015	Jan - Jun 2014	Jan - Dec 2014
Operator turnover as index of Q1 2014	162	119	n/a	n/a	n/a
Operating (EBIT) margin, %	7%	9%	8%	4%	6%
EBITDA (€ m)	2.3	2.4	4.7	3.9	8.6
EBITDA margin, %	21%	26%	23%	23%	24%
Equity/assets ratio, %	66%	64%	66%	64%	66%
Employees at period end	414	343	414	343	364
Earnings per share (€)	0.018	0.015	0.038	0.002	0.037
Fully diluted earnings per share (€)	0.018	0.015	0.037	0.002	0.037
Number of shares at period end	29,741,197	29,741,197	29,741,197	29,741,197	29,741,197
Fully diluted number of shares at period end	30,481,892	30,309,496	30,481,892	30,309,496	30,519,385
Average number of shares	29,741,197	24,428,201	29,741,197	22,213,654	26,015,841
Average number of fully diluted shares	30,491,909	24,864,778	30,494,356	22,441,394	26,491,918