

INTERIM REPORT FOR THE PERIOD 1 JANUARY - 30 SEPTEMBER 2017



FROM AB TRAV OCH GALOPP (ATG). PUBLISHED 25 OCTOBER 2017

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Strong revenues and profitability growth for ATG

January – September in brief

- Swedish betting sales amounted to MSEK 10 129 (9 709), an increase of MSEK 420 which corresponds to a growth of 4.3%.
- Net betting profit amounted to MSEK 3,090 (2,961), an increase of SEK 129 million, corresponding to a growth of 4.4%.
- Contributions to trotting and thoroughbred racing amounted to MSEK 1,275 (1,267), an increase of MSEK 8 (466), a decrease of 2 MSEK.
- Paid lottery tax amounted to MSEK 1,086 (1,046).
- Profit for the period amounted to MSEK 55 (-7).

Q3 in brief

- Swedish betting sales amounted to MSEK 3,561 (3,298) an increase of MSEK 263, which corresponds to a growth of 8.0%.
- Net betting profit amounted to MSEK 1,083 (1,003), an increase of MSEK 80, corresponding to a growth of 8.0%.
- Contribution to trotting and thoroughbred racing amounted to MSEK 464 (466), a decrease of 2 MSEK.
- Paid lottery tax amounted to MSEK 381 (355) MSEK.
- The interim period profit totalled MSEK 49 (-24) MSEK.

Key Financials, Interim Period Overview	2017			2016			2015		
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Total Betting Sales	4 202	4 099	3 677	4 225	3 967	3 944	3 664	3 943	3 971
Tillväxt *	5,9%	3,9%	0,4%	7,1%	-0,1%	-4,8%	-1,4%	2,7%	1,4%
Swedish Betting Sales	3 561	3 449	3 119	3 568	3 298	3 263	3 148	3 157	3 151
Of which: Track	108	119	41	62	122	138	50	71	141
Agents	1 322	1 315	1 289	1 541	1 390	1 408	1 452	1 509	1 439
E-channels	2 131	2 015	1 789	1 966	1 786	1 717	1 646	1 577	1 571
Growth *	8,0%	5,7%	-0,9%	13,0%	4,7%	0,4%	5,7%	2,0%	0,2%
International Betting Sales MSEK	641	650	558	656	669	680	516	786	820
Growth *	-4,2%	-4,5%	8,2%	-16,5%	-18,4%	-23,7%	-29,9%	5,6%	6,5%
Net Betting Profit	1 083	1 045	962	1 125	1 003	990	968	973	952
Growth *	8,0%	5,6%	-0,6%	15,6%	5,4%	1,1%	5,8%	2,5%	-0,1%
Contribution to trotting and thoroughbred	464	448	363	439	466	454	347	437	467
Lottery tax	381	367	338	395	355	348	342	341	333
Results	49	-7	13	15	-24	-41	58	-34	-4

* In comparison with the same interim period in the previous year.

This report covers the period 1 January up to and including 30 September 2017. The report encompasses the ATG Group (parent company) and Kanal 75 AB. All facts and content provided in the report refer to the Group unless otherwise stated. Figures in brackets refer to the same period in the previous year. All amounts are stated in MSEK.

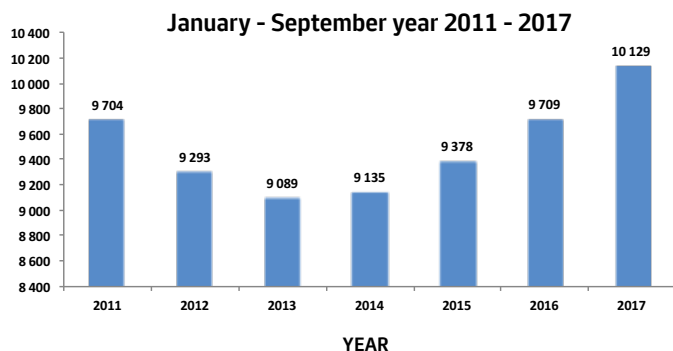
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Swedish betting sales



January-September 2017

Swedish sales for January to September were the highest in ATG's history of the period and also for the third quarter (see diagram). During the interim period, ATG's major betting form V75 has had 11 Jackpots, two fewer than during the comparative period.

ATG's Swedish betting turnover for the interim period increased by MSEK 420 or 4.3% compared to the same period in the previous year.

Sales per betting product during the interim period

V-Betting (V75, V86, V65, V64, V5, V4, V3 and Grand Slam 75)	6 300
Other horse betting products (Win, Show, Daily Double, Lunch Double, Trifecta, Quinella, Exacta and Top 7)	3 664
Luck Betting products (VR and Boost)	165
Total Swedish Sales	10 129

ATG's international betting sales amounted to MSEK 1 849 (1 865), denoting a 1% decrease.

Total betting sales for the Swedish and international markets totalled MSEK 11 978 (11 574), an increase of 3.5%.

Betting pools were also at the highest level in ATG's history.

ATG is undergoing a period of intensive development. This is reflected in the positive sales trend. The expenses for the interim period amounted to SEK 1,074 (1,050), an increase of MSEK 24. This is in line with projections for the year and a consequence of, for example, the launch of Grand Slam 75 and of expenses for market presence and management of the company's product portfolio. IT and personnel costs have increased. These increased costs are a consequence of planned development of the company aimed at boosting sales in the short term and especially in the long term. One result of this development is an increase in the number of registered active customers by approximately 16% in the past year, to approximately 500,000 members.

Net costs for the interim period amounted to MSEK 636 (616), which corresponds to 20.6% of net sales.

The number of employees amounted to 315 (298) full-time employees.

Investments during the interim period mainly consists of the exchange and development of technical platforms and software for betting systems, further development of the HTS positioning system and existing gambling products, development of betting product Grand Slam 75 and further development of digital channels. The investment rate has increased and during the interim period the Group invested MSEK 133 (98). Depreciation amounted to MSEK 71 (70). A change has been made in activation of time intervals for depreciation parameters for intangible assets in order to better reflect assets and actual useful life figures. The balance sheet total was MSEK 1,411 (1,612 per 2016-12-31) as a result of the adjustment of current liabilities. The company's equity ratio is 44.4%.

Cash flow

Cash flow from operating activities amounted to MSEK -54 (54). Net investments amounted to MSEK 133 (98). Changes in working capital charged cash flow by MSEK -180 (-9). Cash flow before financing amounted to MSEK -187 (-44).

This change is mainly accounted for by the reduction of current liabilities. Total liquid assets at the end of the quarter amounted to MSEK 423 (519).

Investments

During the period January-September 2017, investments in intangible fixed assets amounted to MSEK 86 (64), including new betting products such as Grand Slam 75 and the development of platforms. Investments in fixed facility assets amounted to MSEK 47 (34).

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Financial status

The comparative figures in this paragraph refer to 31 December 2016. The Group's net loan debt amounted to, per 30 September, MSEK 30 (36). ATG's unutilized credit facilities amounted to MSEK 15 (15). The Group's total assets amounted to MSEK 1,411 (1,612).

Other information

Personnel

The number of employees converted to full-time positions amounted to 337 (299) at the end of September. The average number of employees during the first nine months of the year was 315 (298). ATG is currently in a period of expansion which is also reflected in the need to increase employee numbers.

Impact of seasonal variations

Historically, sales have been shown to vary somewhat according to season, see table for distribution of sales over the quarter from 2014-2016. There are a number of explanations for these variations, including planning of the racing calendar for trotting and thoroughbred racing, number of Saturdays with V75 fixtures during the period, when certain long weekends occur in the racing calendar and with ATG's offers to the market.

Seasonal variations, proportion of Swedish betting sales

No. of V75 Saturdays	Proportion Q1	Q2	Q3	Q4
2016	23,7%	24,6%	24,8%	26,9%
2015	23,8%	25,9%	25,1%	25,2%
2014	23,9%	25,1%	25,7%	25,3%

	Q1	Q2	Q3	Q4	Total
2017	12	13	14	13	52
2016	13	13	13	14	53

Events after the reporting period

No significant events have occurred after the reporting period.

Parent company

The Group consists of the parent company Aktiebolaget Trav och Galopp (556180-4161) and the wholly owned subsidiary Kanal 75 AB (556578-3965). 100% (100) of the Group's net turnover were generated by the parent company during the period January-September 2017.

Future prospects

ATG expects the Swedish gaming market to grow in 2017. A strong correlating factor with earnings growth in the gaming market is an increase in household disposable income. New legislation for the regulation of the Swedish gaming market is being drafted and is expected to enter into force on January 1, 2019.

Significant risks and uncertainties

ATG's operations involve security risks and uncertainties that may adversely affect the company to varying degrees. Operational, financial and compliance risks may affect the ability to achieve the goals in line with the business plan in the short and long term. Working continuously and systematically with risk management identifies risks in good time, ensures necessary measures are taken and that strong internal steering and control is exercised. Within ATG, risk management is an integral part of the planning and monitoring process. The significant security risks and uncertainties have been assessed as equivalent to those stated in the most recent annual report. For a detailed description of ATG's security risks and uncertainties and management, refer to Annual Report 2016, pages 8-9.

Stockholm 24 October 2017

Mats Denninger, Chairman of the Board
Hans Ljungkvist, Deputy Chairman
Marjaana Alaviuhkola, Board Member
Arendt Cederqvist, Board Member
Petra Forsström, Board Member
Bo Netz, Board Member
Mats Norberg Board Member

Lars Nordström Board Member
Susanna Rystedt, Board Member
Karin Strömberg, Board Member
Anne Wartin, Board Member
Marianne Martinsson, Board Member
Employee Representative

This year-end report has not been subject to special review by the company's auditors.

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PROFIT AND LOSS ACCOUNT GROUP

AMOUNT IN MSEK	Jul-Sept 2017	Jul-Sept 2016	Jan-Sept 2017	Jan-Sept 2016	Jan-Dec 2016
Swedish betting sales ¹⁾	3 561	3 298	10 129	9 709	13 277
Unredeemed winnings and rounding-off	11	11	34	42	67
Pay-out to customers	-2 489	-2 306	-7 073	-6 790	-9 258
NET BETTING PROFIT	1 083	1 003	3 090	2 961	4 086
BETTING OPERATIONS ATG AND KANAL75					
Other operating income	152	149	438	434	621
Other external expenses	-225	-229	-729	-710	-1 015
Personnel expenses	-73	-70	-209	-201	-271
Other operating expenses	-17	-18	-65	-69	-117
Depreciation	-13	-25	-71	-70	-99
EXPENSES ATG AND KANAL75	-328	-342	-1 074	-1 050	-1 502
NET COSTS ATG AND KANAL75	-176	-193	-636	-616	-881
OPERATING PROFIT	907	810	2 454	2 345	3 205
Profit from financial items	-1	-1	-1	-2	0
PROFIT BEFORE ALLOCATION	906	809	2 453	2 343	3 205
Contribution to Trotting and Thoroughbred racing	-464	-466	-1 275	-1 267	-1 705
PROFIT BEFORE TAX AND AGREEMENTS	442	343	1 178	1 076	1 500
Lottery tax	-381	-355	-1 086	-1 046	-1 441
Commitment pursuant to agreement with the Swedish State	-12	-12	-37	-37	-50
Tax on profit for the year	0	0	0	0	0
PROFIT FOR THE PERIOD	49	-24	55	-7	9

¹⁾ Denotes turnover, including betting from foreign countries in the period January-September amounted to MSEK 11 978 (11 574). Turnover derived from foreign countries is reported and taxed in the country of operation.

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BALANCE SHEET GROUP

AMOUNT IN MSEK	2017-09-30	2016-09-30	2016-12-31
Fixed assets			
Intangible assets	344	269	292
Tangible assets	170	163	160
Financial assets	73	103	102
TOTAL FIXED ASSETS	587	535	554
Current assets			
Current receivables			
Accounts receivable	27	48	46
Receivables group companies	49	63	31
Other receivables	296	164	348
Prepaid expenses and accrued income	29	31	46
	401	306	471
Short-term investments	100	125	0
Cash and bank balances	323	394	587
TOTAL CURRENT ASSETS	824	825	1 058
TOTAL ASSETS	1 411	1 360	1 612

SHAREHOLDERS' EQUITY AND LIABILITIES

AMOUNT IN MSEK	2017-09-30	2016-09-30	2016-12-31
Shareholders' Equity			
Share capital (400 000 shares)	40	40	40
Accumulated profit or loss, including for the period	587	517	532
TOTAL SHAREHOLDERS' EQUITY	627	557	572
Long-term liabilities			
Leasing agreements	30	38	36
Deferred tax	0	0	0
TOTAL LONG-TERM LIABILITIES	30	38	36
Current liabilities			
Accounts payable	73	54	141
Liabilities, Group companies	0	42	16
Liabilities customer accounts	235	165	276
Income tax liabilities	0	0	0
Other liabilities	310	339	409
Accrued expenses and deferred income	136	165	162
TOTAL CURRENT LIABILITIES	754	765	1 004
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	1 411	1 360	1 612

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CASH FLOW ANALYSIS GROUP

AMOUNTS IN MSEK	Jan-Sept 2017	Jan-Sept 2016	Jan-Dec 2016
Operating activities			
Profit before tax and agreements	1 178	1 076	1 500
Adjustments for non-cash items	71	70	99
	1 249	1 146	1 599
Lottery tax paid	-1 086	-1 046	-1 441
Commitments pursuant to agreement with the State	-37	-37	-50
Income tax paid	0	0	0
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL	126	63	108
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in receivables	70	70	-96
Increase (+)/Decrease (-) in liabilities	-250	-79	160
CASH FLOW FROM OPERATING ACTIVITIES	-54	54	172
Investment activities			
Purchase of intangible assets	-86	-64	-102
Purchase of tangible assets	-47	-34	-46
CASH FLOW FROM INVESTING ACTIVITIES	-133	-98	-148
Financial activities			
Amortization and leasing	-6	-6	-7
Increase (-) / Reduction (+) of long-term receivables	29	0	1
CASH FLOW FROM FINANCIAL ACTIVITIES	23	-6	-6
CASH FLOW FOR THE PERIOD	-164	-50	18
CASH AND CASH EQUIVALENTS, JAN 1	587	569	569
CASH AND CASH EQUIVALENTS END OF PERIOD	423	519	587
Supplementary disclosure to the cash-flow statement			
Adjustments for non-cash items			
Depreciation of assets	71	70	99
Divestments and disposal			0
	71	70	99
Interest paid and dividends received			
Interest received	1	1	3
Interest paid	-2	-3	-3
	-1	-2	0
Cash and cash equivalents			
The following sub-components are included in cash and cash equivalents:			
Cash and bank balances	323	394	587
Current investments	100	125	0

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CHANGES IN SHAREHOLDERS' EQUITY IN BRIEF, GROUP

AMOUNTS IN MSEK	SHARE CAPITAL (400,000 shares)	BALANCED RESULTS INCLUD- ING PROFIT FOR THE YEAR	SHAREHOLDERS' EQUITY
Opening balance as of 1 January 2016	40	523	563
Profit for the period		-7	-7
Closing balance as of 30 September, 2016	40	517	557
Profit for the period October - December 2016		15	15
Closing balance as of 31 December 2016	40	532	572
Opening balance as of 1 January 2017	40	532	572
Profit for the period		55	55
Closing balance as of 30 September 2017	40	587	627

PROFIT AND LOSS ACCOUNT PARENT COMPANY

AMOUNT IN MSEK	Jul-Sept 2017	Jul-Sept 2016	Jan-Sept 2017	Jan-Sept 2016	Jan-Dec 2016
Swedish betting sales ²⁾	3 561	3 298	10 129	9 709	13 277
Unredeemed winnings and rounding	11	11	34	42	67
Pay-out to customers	-2 489	-2 306	-7 073	-6 790	-9 258
NET BETTING PROFIT	1 083	1 003	3 090	2 961	4 086
BETTING OPERATIONS ATG					
Other operating income	95	95	272	276	395
Other external expenses	-184	-189	-611	-591	-844
Personnel expenses	-63	-61	-181	-174	-234
Other operating expenses	-18	-18	-65	-69	-117
Depreciation	-7	-21	-53	-60	-83
EXPENSES ATG	-272	-289	-910	-894	-1 278
NET COSTS ATG	-177	-194	-638	-618	-883
OPERATING PROFIT	906	809	2 452	2 343	3 203
Profit from financial items	0	0	1	0	2
PROFIT BEFORE ALLOCATION	906	809	2 453	2 343	3 205
Contribution to Trotting and Thoroughbred racing	-464	-466	-1 275	-1 267	-1 705
PROFIT BEFORE TAX AND AGREEMENTS		343	1 178	1 076	1 500
Lottery tax	-381	-355	-1 086	-1 046	-1 441
Commitment pursuant to agreement with the Swedish State	-12	-12	-37	-37	-50
Tax on profit for the year	0	0	0	0	0
PROFIT FOR THE PERIOD	49	-24	55	-7	9

²⁾ Denotes turnover, including betting from foreign countries in the period January-September amounted to MSEK 11 978 (11 574). Turnover derived from foreign countries is reported and taxed in the country of operation.

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BALANCE SHEET PARENT COMPANY

AMOUNT IN MSEK	2017-09-30	2016-09-30	2016-12-31
Fixed assets			
Intangible assets	324	259	274
Tangible assets	77	70	70
Financial assets	73	103	102
TOTAL FIXED ASSETS	474	432	446
Current assets			
Current receivables			
Accounts receivable	23	45	41
Receivables group companies	84	87	49
Other receivables	295	164	348
Prepaid expenses and accrued income	29	30	46
	431	326	484
Short-term investments	100	125	0
Cash and bank balances	323	394	587
TOTAL CURRENT ASSETS	854	845	1 071
TOTAL ASSETS	1 328	1 277	1 517

SHAREHOLDERS' EQUITY AND LIABILITIES

AMOUNT IN MSEK	2017-09-30	2016-09-30	2016-12-31
Shareholders' Equity			
Restricted equity	125	51	58
Non-restricted equity	500	504	512
TOTAL SHAREHOLDERS' EQUITY	625	555	570
Current liabilities			
Accounts payable	54	42	107
Liabilities, Group companies	0	42	16
Liabilities customer accounts	235	165	276
Other liabilities	299	327	400
Accrued expenses and deferred income	115	146	148
	703	722	947
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	1 328	1 277	1 517

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Note 1: Accounting principles

This interim report has been prepared in accordance with the Swedish Accounting Standards Board general recommendations BFNAR 2012:1 and provisions applicable under the Annual Accounts Act. The generally accepted accounting principles and basis for accounting that have been applied for the Group and the parent company essentially comply with those used in the preparation of the latest annual report. The report comprises the group consisting of the companies ATG (parent company) and Kanal 75 AB. All content in the report is for the Group unless otherwise stated. Amount in brackets refers to the same period in the previous year. All amounts are stated in MSEK.

Note 2 Important estimates and assessments

The preparation of the interim report requires company management to make assessments and estimates as well as assumptions which influence application of the accounting principles and the reported figures in terms of assets, liabilities, revenues and expenses.

Definitions

Equity/assets ratio

The Group's equity ratio shows the extent to which the company's assets are financed by the company's equity. The equity ratio is calculated by dividing "Total shareholders' equity" with "Total shareholders' equity and liabilities", presented as a percentage.

Net costs

Net costs are an efficiency measure that shows the Group's net costs in relation to net betting turnover. The measure is calculated by dividing "Net costs ATG and Kanal 75" with "Net betting profit," presented as a percentage.

Swedish betting sales

Total amount wagered by Swedish customers in the period's trotting and thoroughbred racing.

Players' winnings

The nominal amount of betting sales paid out to customers.

Unredeemed winnings

Winnings not redeemed by the winner within 90 days and will therefore revert back to ATG.

Net betting profit

Betting turnover less customer winnings, with the addition of rounding-off to the nearest whole krona and unredeemed winnings.

Lottery tax

ATG pays 35 per cent of net betting profit in tax in line with the Lottery Tax Act (1991: 1482).

Contribution to trotting and thoroughbred racing sports:
Denotes the financial funding ATG contributes to the Swedish trotting and thoroughbred racing. Includes payments to central federations, tracks, but also funding for breeders and horse owners.

Commitment pursuant to agreement with the Swedish state

Owners of Svensk Travsport and Swedish Galopp under the agreement with the Swedish government have committed to ATG contributing MSEK 50 for 2017 to the Swedish Horse Industry Foundation.

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Upcoming reports

Year-end Report 2017
22 February, 2018

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