



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

First quarter of 2019 (Q1 2018)

- Operating revenues increased by 54% to EUR 79.3 million (51.6)
- EBITDA increased by 64% to EUR 35.9 million (22.0), corresponding to a margin of 45.3% (42.6)
- Profit for the period amounted to EUR 28.6 million (16.5)
- Earnings per share amounted to EUR 0.79 (0.46)

Events during the first quarter of 2019

- Good leverage from investments made in 2018
- Roll-out initiated of several new games including MONOPOLY Live
- Several new customers live – DraftKings (USA), Lotoquebec (Canada), Svenska Spel and ATG (Sweden)

Summary of the first quarter

Group (EUR thousands)	Jan-Mar 2019	Jan-Mar 2018	Change %	Apr 2018- Mar 2019	Jan-Dec 2018	Change %
Operating revenues	79,297	51,594	54%	273,121	245,418	11%
EBITDA	35,918	21,959	64%	121,639	107,681	13%
EBITDA margin	45.3%	42.6%	-	44.5%	43.9%	-
Operating profit	30,189	17,842	69%	101,830	89,484	14%
Operating margin	38.1%	34.6%	-	37.3%	36.5%	-
Profit for the period	28,576	16,521	73%	95,514	83,460	14%
Profit margin	36.0%	32.0%	-	35.0%	34.0%	-
Earnings per share (EUR)	0.79	0.46	73%	2.66	2.32	14%
Equity per share (EUR)	5.31	4.51	18%	5.31	4.51	18%
OCF per share (EUR)	1.22	0.42	192%	3.58	2.78	29%
Average number of FTEs	4,447	3,094	44%	3,855	3,529	9%

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CEO's comments

Evolution has been off to a strong start in 2019, both in terms of growth and profitability. Revenues in the first quarter amounted to EUR 79.3 million, corresponding to an increase of 54 percent compared to the first quarter of 2018. EBITDA amounted to EUR 35.9 million with a margin of 45.3 percent. With a favourable start to the year and with high confidence in the upcoming product launches, we currently see good conditions to finish in the upper end of the previously communicated range of 44-46 percent EBITDA margin for the 2019 full year.

An important explanation to the development is that we now can leverage from the investments made in 2018. Throughout last year, we expanded studio space as well as customer environments and the number of tables in line with the increasing demand from our customers, and we can now see how all of this pays off. It is our assessment that Live Casino as a product vertical will continue to take market shares in 2019 and why we consequently will continue to invest based on our customers' demands in our studios also going forward. A demand driver is the fact that we are broadening the Live vertical with new products that appeal to completely new end users. In that way we can address a considerably larger part of the total online casino market.

As highlighted already in the year-end report, we showcased 10 new games at ICE in London in February. This equals not only a record-amount of game launches in one single year, but also the addition of entirely new game categories. It is important to note that the new games haven't had any extensive effect on the quarterly growth, as the roll-out has just begun – it will take time before all the games are available for the end users, and it will then take time for end users to discover the games. However, already now we can establish that one of the main attractions – MONOPOLY Live – has been off to a historically strong start both in terms of player counts and gaming revenues. We are immensely proud of this launch, which we believe redefines the essence of Live Casino entertainment. The unique mix of Live Casino and RNG with augmented reality technology provides something completely new in the market. On a similar theme, we will soon launch our unique live game show Deal or No Deal Live. Both these titles prove how we to a larger extent are focusing on more entertainment for the player, and we are well under way to create a whole new product vertical in our game lobby that we refer to as Game Shows. Through this, we expand to a much broader group of end users and consolidate Evolution's position as the leading innovator in the gaming industry. That we have been given the opportunity to work with world-famous brands such as MONOPOLY and Deal or No Deal provides even more power in our efforts.

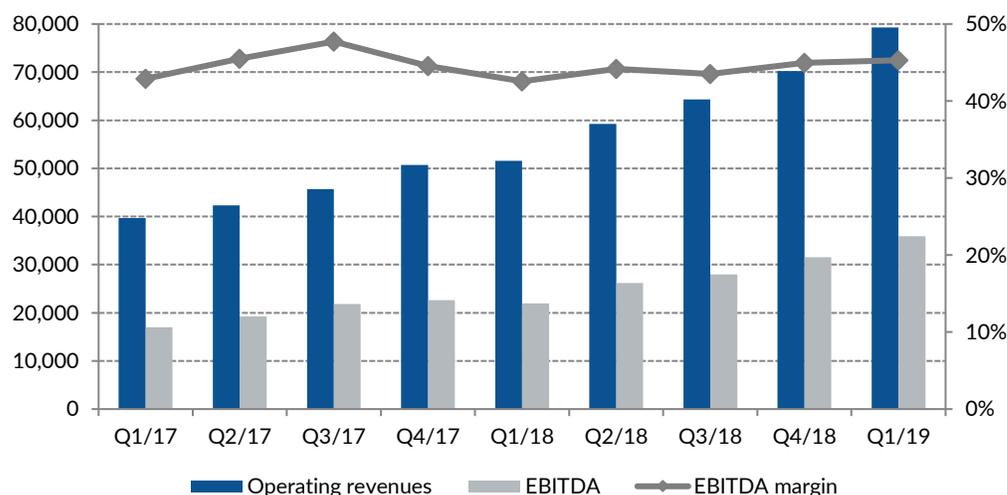
Besides developing brand-new game types, we also continue to innovate our core – the classic table games. This year we look forward to the launches of Free Bet Blackjack, which is the most popular variety of Blackjack at land-based casinos, and our new poker game Side Bet City. We will also expand into dice games with Lightning Dice, building on the success of Lightning Roulette, as well as our take on Sic Bo – Live Super Sic Bo. This means that while we, through the above-mentioned game shows, can reach new end users, we also strengthen our leading offering that appeals to traditional Live players.

The market development in the quarter has been good, not least underpinned by increasing regulation. During the quarter, we went live with customers such as DraftKings in the US, Lotoquebec in Canada, and Svenska Spel and ATG in Sweden. We can establish that the share of Live Casino increases among the operators in more or less every newly regulated or re-regulated market.

With hard and focused work and high energy throughout 2018 and in the first quarter of 2019, we have taken our product portfolio to a whole new level, broadened our own market and created a new market for the industry, which in our perspective makes the gap between ourselves and the competitors wider than ever. Our launch pipeline has never been as strong as it is now. Hence, it is my absolute opinion that we have solid opportunities to further extend the distance to the competitors and strengthen our leading position during the remainder of the year.

Martin Carlesund, CEO

Quarterly results trend



Financial performance in the first quarter of 2019

Revenues

Revenues amounted to EUR 79.3 million (51.6) in the first quarter, corresponding to an increase of 54% compared with the corresponding period in 2018. The positive revenue development mainly derives from increased commission income from existing customers and, to a certain extent, from new customers. Demand for Live Casino games was generally high over the quarter and the number of bet spots from end users amounted to 5.1 billion (3.1). Revenues from dedicated tables and environments also contributed to the increase as a result of additional customers launching or extending their customised Live Casino environments.

Expenses

Operating expenses amounted to EUR 49.1 million (33.8). Expenses were mainly driven by higher costs for personnel, connected to the launch of new tables in the company's studios. The strong expansion has also increased other operating expenses compared with preceding quarters.

Profitability

Operating profit amounted to EUR 30.2 million (17.8), corresponding to an increase of 69 percent. The operating margin was 38.1 percent (34.6). The EBITDA margin was 45.3 percent (42.6). The EBITDA margin has to some extent been affected by the new lease standard IFRS 16, which is reported in note 4.

Net financial items only had a marginal impact on profits and related mostly to the interest expense on loans for the studio property in Riga. The Group's effective tax rate for the quarter amounted to 5.2 percent (7.2). The tax rate is influenced by the countries in which earnings are generated, which may vary between reported periods. Profit for the period amounted to EUR 28.6 million (16.5). Earnings per share before dilution were EUR 0.79 (0.46).

Investments

Investments in intangible assets amounted to EUR 20.2 million (2.9) during the quarter and were mainly attributable to goodwill, customer agreements and brand connected to the acquisition of Ezugi.

Investments also comprised development of new games and technical improvements of the platform, such as new functionality, as well as exclusive content rights which were previously reported as financial assets.

Investments in property, plant and equipment amounted to EUR 4.7 million (6.5) and comprised new studio space, new gaming tables, servers and other computer equipment to meet new technical requirements and maintain capacity and performance in connection with new platform launches.

Cash and cash equivalents, financing and financial position

Cash flow from operating activities amounted to EUR 44.0 million (15.1) during the quarter. Cash flow from investing activities was negative in the amount of EUR 25.0 million (negative 12.1). Cash flow from financing activities was negative in the amount of EUR 0.4 million (negative 0.2). Cash and cash equivalents amounted to EUR 103.7 million (52.1) at the end of the quarter.

Market development

Live Casino market

In Europe, Live Casino has grown strongly in recent years and is expected to continue to be among the fastest-growing gaming segments in the coming years. Evolution's growth target is to grow faster than the total European Live Casino market. Market growth is influenced by several underlying factors, such as technological advances with, among other things, improved hardware and increased bandwidth, increased use of mobile devices, the migration of land-based casinos to online environments and market regulations. To a large extent, growth is also driven by Live Casino having grown in importance for most gaming operators, who consequently elect to expose and market their Live offerings to customers more extensively than before.

As a B2B supplier, Evolution has customer relationships to the gaming operators, who in turn own the relationships with the end users. Generally, the gaming operators are licensed in a limited number of jurisdictions while operating in a global market and allowing play from various geographic areas. The table below shows the geographic markets from which end-users originate, and the share of mobile play, based on the operators' gross gaming revenues (GGR) via Evolution's platform.

End user data based on generated GGR for the gaming operators via Evolution's platform

Group	Q1/19	Q4/18	Q3/18	Q2/18	Q1/18
Nordics	9%	9%	9%	9%	9%
United Kingdom	13%	14%	14%	16%	17%
Rest of Europe	49%	51%	49%	50%	52%
Rest of World	29%	26%	28%	25%	22%
Total	100%	100%	100%	100%	100%
Regulated markets	34%	30%	29%	31%	33%
Mobile	68%	64%	60%	58%	59%

Other

Parent Company

The Parent Company is a holding company. Operating revenues for the first quarter of 2019 amounted to EUR 1.4 million (1.6) and expenses to EUR 1.4 million (1.5). Operating profit amounted to EUR 0.1 million (0.1). Profit for the period amounted to EUR 0 million (0.1). The Parent Company's cash and cash equivalents amounted to EUR 0.3 million (0.9) at the end of the period and equity amounted to EUR 275.5 million (232.2). No significant investments were made in intangible or tangible assets.

Employees

As of 31 March 2019, Evolution had 6,497 employees (4,496), corresponding to 4,671 (3,243) full-time positions. The average number of full-time equivalents for the quarter was 4,447 (3,094).

Significant risks and uncertainties

Evolution's operations are exposed to certain risks that could have a varying impact on earnings or financial position. These can be divided into industry, operational, and financial risks. When assessing the Group's future development, it is important to take into account the risk factors, alongside any opportunities for profit growth.

The development of laws and regulations relating to the supply of gaming services that Evolution provides is a central risk factor for the Group's future earnings. Since most of Evolution's licensees are active in Europe, the legal situation in the EU is of particular interest and is continuously monitored and managed by the Group. Despite this, there remains a risk that, in the event of legislation being interpreted in an unfavourable or unanticipated way, Evolution's conditions for growth, profitability, and the games that may be supplied could be changed. Likewise, a favourable interpretation could have a positive impact on the Group.

For further information about Evolution's risk exposure and handling, please see the Group's Annual Report for 2018, which is available on the company's website.

2019 Annual General Meeting

The Annual General Meeting will be held on 26 April 2019 at 14:00 CET at Strandvägen 7A in Stockholm, Sweden.

Proposal on dividend, buy-back programme and share split

The Board of Directors proposes that the Annual General Meeting resolve to transfer EUR 43.2 million (32.4) to shareholders, corresponding to EUR 1.20 per share (0.90) and 52 percent (52) of net profit respectively. Evolution has adopted a dividend policy according to which, 50 percent of the company's consolidated net profit is to be distributed over time, with a certain degree of flexibility in terms of the proportion distributed in dividends.

The Board of Directors has also proposed to the Annual General Meeting in April 2019 to authorise the Board to repurchase own shares corresponding to a maximum of 10 percent of all outstanding shares during the period up until the 2020 Annual General Meeting.

With the purpose to facilitate the trade in the company's shares at Nasdaq Stockholm, the Board of Directors has moreover proposed that the Annual General Meeting resolves on a division of the company's shares (share split). If the Annual General Meeting accepts the proposal, each existing share in the company will be divided into five shares (5:1). After the share split is completed, the number of shares in the company will increase from 35,970,377 shares to 179,851,885 shares. The proposed share split will result in a change of the quota value of the share from EUR 0.015 to EUR 0.003. The Board of Directors will determine the record day for the share split.

Upcoming report dates

Interim report January-June 2019	19 July 2019
Interim report January-September 2019	24 October 2019
Year-end report 2019	February 2020

Review

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

Condensed consolidated income statements

Group (EUR thousands)	Jan-Mar 2019	Jan-Mar 2018	Apr 2018- Mar 2019	Jan-Dec 2018
Revenues	79,287	51,571	273,066	245,350
Other revenues	10	23	55	68
Total operating revenues	79,297	51,594	273,121	245,418
Personnel expenses	-29,035	-20,851	-105,858	-97,674
Depreciation, amortisation and impairments	-5,729	-4,117	-19,809	-18,197
Other operating expenses	-14,344	-8,783	-45,624	-40,063
Total operating expenses	-49,108	-33,751	-171,291	-155,934
Operating profit	30,189	17,842	101,830	89,484
Financial items	-45	-43	-160	-158
Profit before tax	30,144	17,799	101,670	89,326
Tax on profit for the period	-1,568	-1,278	-6,156	-5,866
Profit for the period	28,576	16,521	95,514	83,460
<i>Of which attributable to:</i>				
Shareholders of the Parent Company	28,576	16,521	95,514	83,460
Average number of shares before dilution	35,970,377	35,970,377	35,970,377	35,970,377
Earnings per share before dilution (EUR)	0.79	0.46	2.66	2.32
Average number of shares after dilution	36,713,052	36,337,046	36,619,051	36,525,049
Earnings per share after dilution (EUR)	0.78	0.45	2.61	2.29
Operating margin	38.1%	34.6%	37.3%	36.5%
Effective tax rate	5.2%	7.2%	6.1%	6.6%

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

Condensed comprehensive income statement

Group (EUR thousands)	Jan-Mar 2019	Jan-Mar 2018	Apr 2018- Mar 2019	Jan-Dec 2018
Profit for the period	28,576	16,521	95,514	83,460
Other comprehensive income				
<i>Items that may be reclassified to profit</i>				
Exchange differences arising from the translation of foreign operations	112	64	-64	-63
Other comprehensive income, net after tax	122	64	-64	-63
Total comprehensive income for the period	28,698	16,585	95,450	83,397

Consolidated balance sheets

Group (EUR thousands)	31/03/2019	31/03/2018	31/12/2018
Assets			
Intangible assets	23,826	16,979	21,344
Goodwill	14,937	-	-
Buildings	12,111	12,335	12,167
Right of use assets	15,441	-	-
Property, plant and equipment	29,233	21,993	27,452
Other long-term receivables	1,030	5,105	952
Deferred tax assets	176	74	180
Total non-current assets	96,754	56,486	62,095
Accounts receivable	47,916	44,040	47,622
Other receivables	38,744	20,382	42,771
Prepaid expenses and accrued income	4,143	3,500	3,218
Cash and cash equivalents	103,734	52,076	84,951
Total current assets	194,537	119,999	178,562
TOTAL ASSETS	291,291	176,484	240,657
Equity and liabilities			
Share capital	540	540	540
Other capital contributed	5,727	4,698	5,867
Reserves	4	-22	-108
Retained earnings including profit for the period	184,666	121,271	155,971
Total equity	190,937	126,486	162,270
Deferred tax liability	150	569	-
Non-current lease liabilities	12,600	-	-
Long-term debt to credit institutions	5,382	6,466	5,619
Total long-term liabilities	18,132	7,036	5,619
Accounts payable	3,512	3,351	3,190
Short-term debt to credit institutions	950	950	950
Current tax liabilities	42,881	23,387	49,939
Other current liabilities	19,742	8,733	11,521
Current lease liabilities	2,841	-	-
Accrued expenses and prepaid income	12,296	6,542	7,168
Total current liabilities	82,222	42,962	72,768
TOTAL EQUITY AND LIABILITIES	291,291	176,484	240,657

Intangible assets comprise Game software EUR 15,043 thousand (16,506 as of 31/3/2018 and 15,590 as of 31/12/2018), Licenses and patents EUR 5,782 thousand (473; 5,754), Customer agreements EUR 2,755 thousand (0;0) and Trademark EUR 246 thousand (0; 0).

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

Consolidated changes in equity

Group, 2018 (EUR thousands)	Share Capital	Other capital contributed	Reserves	Retained earnings	Total equity
Opening equity 01/01/2018	540	4,698	-45	104,688	109,881
Dividend payout 02/05/2018	-	-	-	-32,373	-32,373
Warrants	-	1,169	-	195	1,364
Total comprehensive income for Jan-Mar	-	-	64	16,522	16,586
Total comprehensive income for Apr-Jun	-	-	-38	20,161	20,123
Total comprehensive income for Jul-Sep	-	-	-65	21,242	21,177
Total comprehensive income for Oct-Dec	-	-	-24	25,535	25,511
Closing equity 31/12/2018	540	5,867	-108	155,971	162,269

Group, 2019 (EUR thousands)	Share Capital	Other capital contributed	Reserves	Retained earnings	Total equity
Opening equity 01/01/2019	540	5,867	-108	155,971	162,269
Warrants	-	-140	-	110	-30
Total comprehensive income for Jan-Mar	-	-	122	28,576	28,698
Closing equity 31/3/2019	540	5,727	14	184,657	190,937

Consolidated statement of cash flows

Group (EUR thousands)	Jan-Mar 2019	Jan-Mar 2018	Jan-Dec 2018
Operating profit	30,188	17,842	89,484
<i>Adjustment for items not included in cash flows:</i>			
Depreciation, amortisation and impairments	5,729	4,117	18,197
Other	110	-20	561
Interest received	0	0	13
Interest paid	-45	-43	-171
Tax paid	-3,472	-1,578	-2,912
Cash flows from operating activities before changes in working capital	32,510	20,318	105,172
Increase / Decrease in Accounts receivables	-294	-4,548	-8,129
Increase / Decrease in Accounts payables	321	-600	-761
Increase / Decrease in other working capital	11,456	-107	3,754
Cash flows from operating activities	43,993	15,063	100,036
Acquisition of intangible assets	-20,164	-2,888	-15,262
Acquisition of property, plant and equipment	-4,710	-6,505	-17,868
Increase / Decrease in other financial assets	-78	-2,670	1,480
Cash flows from investing activities	-24,952	-12,063	-31,650
Repayment of debt to credit institutions	-237	-227	-1,074
Warrant premiums	-140	-	803
Dividend	-	-	-32,373
Cash flows from financing activities	-377	-227	-32,644
Cash flow for the period	18,664	2,774	35,742
Cash and cash equivalents at start of period	84,951	49,272	49,272
Cash flow for the period	18,664	2,774	35,742
Exchange rate differences	119	30	-63
Cash and cash equivalents at end of period	103,734	52,076	84,951

The company presents certain financial measures in the interim report that are not defined under IFRS. The company believes that these measures provide useful supplemental information to investors and the company's management as they permit the evaluation of the company's financial performance and position. Since not all companies calculate financial measures in the same way, these are not always comparable to the measures used by other companies. Consequently, these financial measures should not be seen as a substitute for measures defined under IFRS. The tables below include measurements that are not defined in accordance with IFRS, unless otherwise stated. For definitions and purposes, see also the last page of the report.

Consolidated key ratios

Group (EUR thousands)	Jan-Mar 2019	Jan-Mar 2018	Apr 2018- Mar 2019	Jan-Dec 2018
Operating revenues (IFRS)	79,297	51,594	273,121	245,418
EBITDA margin	45.3%	42.6%	44.5%	43.9%
Operating margin	38.1%	34.6%	37.3%	36.5%
Profit margin	36.0%	32.0%	35.0%	34.0%
Equity/assets ratio	65.5%	71.7%	65.5%	67.4%
Cash and cash equivalents	103,734	52,076	103,734	84,951
Average number of full-time employees	4,447	3,094	3,855	3,529
Full-time employees at end of period	4,671	3,243	4,671	4,319
Earnings per share (EUR) (IFRS)	0.79	0.46	2.66	2.32
Equity per share (EUR)	5.31	3.52	5.31	4.51
Operating cash flow per share (EUR)	1.22	0.42	3.58	2.78
Average number of outstanding shares	35,970,377	35,970,377	35,970,377	35,970,377
Number of outstanding shares	35,970,377	35,970,377	35,970,377	35,970,377

Consolidated key ratios by quarter

Group (EUR thousands)	Q1/19	Q4/18	Q3/18	Q2/18	Q1/18	Q4/17	Q3/17	Q2/17
Operating revenues (IFRS)	79,297	70,226	64,346	59,252	51,594	50,718	45,690	42,290
EBITDA	35,918	31,568	27,992	26,168	21,959	22,599	21,803	19,248
EBITDA margin	45.3%	45.0%	43.5%	44.2%	42.6%	44.6%	47.7%	45.5%
Operating profit	30,189	26,734	23,225	21,688	17,842	18,806	18,226	15,935
Operating margin	38.1%	38.1%	36.1%	36.6%	34.6%	37.1%	39.9%	37.7%
Revenue growth vs prior year	53.7%	38.5%	40.8%	40.1%	30.0%	47.8%	56.4%	55.8%
Revenue growth vs prior quarter	12.9%	9.1%	8.6%	14.8%	1.7%	11.0%	8.0%	6.6%
Cash and cash equivalents	103,734	84,951	63,548	37,163	52,076	49,272	38,798	28,347

Reconciliation of selected key ratios not defined in accordance with IFRS

Group (EUR thousands)	Jan-Mar 2019	Jan-Mar 2018	Apr 2018- Mar 2019	Jan-Dec 2018
Operating margin				
Profit before tax	30,144	17,799	101,670	89,326
Excluding net financial items	45	44	160	158
Operating profit (EBIT)	30,189	17,843	101,830	89,484
Divided by Total operating revenues	79,297	51,594	273,121	245,418
Operating (EBIT) margin	38.1%	34.6%	37.3%	36.5%
EBITDA and EBITDA margin				
Profit before tax	30,144	17,799	101,670	89,326
Net financial items	45	44	160	158
Depreciation/amortisation	5,729	4,117	19,809	18,197
EBITDA	35,918	21,960	121,639	107,681
Divided by Total operating revenues	79,297	51,594	273,121	245,418
EBITDA margin	45.3%	42.6%	44.5%	43.9%
Profit margin				
Profit for the period	28,576	16,521	95,514	83,460
Divided by Total operating revenues	79,297	51,594	273,121	245,418
Profit margin	36.0%	32.0%	35.0%	34.0%
Equity/Assets ratio				
Total equity	190,937	126,486	190,937	162,270
Divided by Total assets	291,291	176,484	291,291	240,657
Equity/Assets ratio	65.5%	71.7%	65.5%	67.4%

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

Condensed Parent Company income statements and other comprehensive income

Parent company (EUR thousands)	Jan-Mar 2019	Jan-Mar 2018	Apr 2018- Mar 2019	Jan-Dec 2018
Operating revenues	1,437	1,597	6,035	6,195
Other external expenses	-1,379	-1,494	-5,881	-5,996
Operating profit	58	103	154	199
Dividend from group companies	-	-	75,000	75,000
Financial items	0	0	104	104
Profit before taxes	58	103	75,258	75,303
Tax on profit for the period	-108	-23	-600	-515
Result for the period	-50	80	74,658	74,788

Parent company (EUR thousands)	Jan-Mar 2019	Jan-Mar 2018	Apr 2018- Mar 2019	Jan-Dec 2018
Profit for the period	-50	80	74,658	74,788
Other comprehensive income	-	-	-	-
Other comprehensive income, net after tax	-	-	-	-
Total comprehensive income for the period	-50	80	74,658	74,788

Condensed Parent Company balance sheets

Parent company (EUR thousands)	31/03/2019	31/03/2018	31/12/2018
Assets			
Intangible assets	490	119	438
Property, plant and equipment	34	78	40
Participating interest in Group companies	206,000	206,000	206,000
Other financial assets	33	32	33
Deferred tax receivables	-	74	-
Total non-current assets	206,557	206,303	206,511
Receivables from Group companies	69,414	25,420	69,539
Other current receivables	298	282	272
Prepaid expenses and accrued income	126	279	76
Cash and cash equivalents	342	866	504
Total current assets	70,180	26,846	70,391
TOTAL ASSETS	276,737	233,150	276,902
Equity and liabilities			
Share capital	540	540	540
Retained earnings including profit for the period	274,989	231,698	275,179
Total equity	275,529	232,237	275,719
Accounts payable	-	234	160
Current tax liabilities	583	-	479
Other current liabilities	158	193	158
Accrued expenses and prepaid revenues	467	485	386
Total current liabilities	1,208	913	1,183
TOTAL EQUITY AND LIABILITIES	276,737	233,150	276,902

Notes to the financial statements

Note 1. Accounting policies

Evolution prepares its financial statements in accordance with the International Financial Reporting Standards (IFRS) as approved by the European Union. The Group's interim report has been prepared in accordance with IAS 34, Interim Financial Reporting. The Parent Company uses the same accounting principles as the Group, with the addition of the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities.

Amounts are expressed in thousands of Euro (EUR) unless otherwise indicated. Amounts or figures in parentheses indicate comparative figures for the corresponding period last year. The accounting policies are unchanged from the 2018 annual report with the exception of den new lease standard IFRS 16 that has replaced IAS 17 and is applied from 1 January 2019. Evolution has chosen a simplified retrospective method upon transition to IFRS 16, which means that amounts for the comparative year 2018 have not been re-measured. The IFRS 16 effect on the balance sheets have been reported directly in the balance sheets on page 7. The effect on the income statements are reported in note 4.

Note 2. Events following the balance sheet date

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

Note 3. Incentive programmes

The Annual General Meeting on 20 April 2018 resolved to issue a maximum of 617,702 warrants. Each warrant entitles the holder to subscribe for one new share in the company for SEK 705.30 during the period from the day after the publication of the interim report for the second quarter of 2021 until the date that follows 30 calendar days after the publication of the interim report for the second quarter 2021 (however not later than on 30 September 2021).

The company's subsidiary, Evolution Malta Ltd. has subscribed for 617,702 warrants, and Evolution Malta Ltd has, in turn, transferred 376,006 of the warrants to a number of key individuals in the company's management and organisation. For warrants acquired at market value, the price (option premium) has been determined using the Black & Scholes valuation model, with the valuation being carried out by EY.

If all 376,006 warrants 2018/2021 are exercised for subscription of 376,006 shares, the dilution effect will be approximately 1.0 percent. Upon full exercise of these 376,006 warrants and the 366,669 warrants 2016/2019, which have been transferred to a number of key employees in the group in accordance with a resolution at the 2016 Annual General Meeting (i.e. 742,675 warrants in total), the dilution effect will be approximately 2.0 percent.

Note 4. IFRS 16 effects in the financial reports

Amounts recognised in the income statement

The Income statement shows the following amounts related to leasing:

Group (EUR thousands)	Actual Jan-Mar 2019	Actual Jan-Mar 2018
Operating expenses		
Depreciations, right of use assets ¹⁾	-657	-
Other costs	661	-
Financial expenses in respect of right of use assets ²⁾	-4	-
Profit for the period	0	-

¹⁾ Costs attributable to lease agreements moved from other costs to depreciations

²⁾ Interest expenses included in Financial Items

Key ratios

Group (%)	Actual Jan-Mar 2019	Actual Jan-Mar 2018
EBITDA margin including IFRS 16	45.3%	-
EBITDA margin excluding IFRS 16	44.5%	-

Note 5. Acquisition of Ezugi

On 9 January 2019, Evolution acquired the business of live dealer gaming provider Ezugi (consisting of five legal entities) for an initial consideration of USD 12 million and possible additional consideration of a maximum of USD 6 million. The acquisition is expected to add 2-4% to 2019 revenues and be slightly accretive to Evolution earnings per share during 2019. The acquisition strengthens Evolution's position in existing markets, primarily the US, and adds further studio capacity as well as resources in product development.

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

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

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

Note 6. Seasonality

Evolution's operations are, to a certain extent, influenced by seasonal patterns in end-user activity. The Group's customers generally notice increased end-user activity and an increased volume of operations in the fourth quarter of each year, which is consistent with the Group's experience of increased Live Casino traffic and commission income earned in the fourth quarter.

Assurance

The Board of Directors and CEO affirm that this interim report provides an accurate overview of the operations, financial position and performance of the Parent Company and the Group, and describes the significant risks and uncertainties faced by the Parent Company and the companies in the Group.

Stockholm, 25 April 2019

Jens von Bahr Chairman of the Board	Joel Citron Board Member	Jonas Engwall Board Member	Cecilia Lager Board Member
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Ian Livingstone Board Member	Fredrik Österberg Board Member	Martin Carlesund CEO
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For further information, please contact CFO Jacob Kaplan, +46 708 62 33 94, ir@evolutiongaming.com.

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Presentation for investors, analysts and the media

CEO Martin Carlesund and CFO Jacob Kaplan will present the report and answer questions on Thursday, 25 April 2019 at 09:00 a.m. CET via a telephone conference. The presentation will be in English and can also be followed online. Number for participation by telephone: +46 8 5055 8355 / +44 3333 009 267. Follow the presentation at <https://tv.streamfabriken.com/evolution-gaming-group-q1-2019>.

This information is such that Evolution Gaming Group AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, under the agency of the contact person set out above, on 25 April 2019, at 7.30 am CET.

Definitions of key ratios not defined in accordance with IFRS

Key ratios	Definition	Purpose
Operating profit	Profit before tax excluding net financial items.	This key ratio is used by management to monitor the earnings trend in the Group.
Operating margin	Operating profit in relation to operating revenues.	This key ratio is used by management to monitor the earnings trend in the Group.
EBITDA	Operating profit less depreciation.	This key ratio is used by management to monitor the earnings trend in the Group.
EBITDA margin	Operating profit excluding depreciation and amortisation in relation to operating revenues.	This key ratio is used by management to monitor the earnings trend in the Group.
Profit margin	Profit for the period in relation to operating revenues.	This key ratio is used by management to monitor the earnings trend in the Group.
Equity per share	Shareholders' equity divided by the number of shares outstanding at the end of the period.	This key ratio is used by management to monitor the earnings trend in the Group.
Operational cash flow per share	Cash flow from operating activities in relation to the average number of shares outstanding during the period.	This key ratio is used by management to monitor the cash flow trend in the Group.
Average number of shares outstanding	The average number of shares outstanding during the period.	Used to calculate key ratios in relation to the number of shares during the period.
Number of shares outstanding	Number of shares outstanding at the end of the period.	Used to calculate key ratios in relation to the number of shares at the end of the period.
Equity/assets ratio	Equity at the end of period in relation to total assets at the end of period.	This key ratio indicated the Group's long-term payment capacity.
Cash and cash equivalents	Cash and bank assets.	Used by management to monitor the Group's short-term payment capacity.
Revenue growth compared with the previous year	Operating revenues for the period divided by operating revenues in the same period last year.	This key ratio is used by management to monitor the Group's revenue growth.
Revenue growth compared with the preceding quarter	Operating revenues for the period divided by operating revenues for the preceding quarter.	This key ratio is used by management to monitor the Group's revenue growth.