



Year-end report | January–December 2019 | Evolution Gaming Group AB (publ)

Fourth quarter of 2019 (Q4 2018)

- Operating revenues increased by 51% to EUR 106.0 million (70.2)
- EBITDA increased by 77% to EUR 55.8 million (31.6), corresponding to a margin of 52.7% (45.0)
- Profit for the period amounted to EUR 46.8 million (25.5)
- Earnings per share before dilution amounted to EUR 0.26 (0.14)

Full-year 2019 (2018)

- Operating revenues increased by 49% to EUR 365.8 million (245.4)
- EBITDA increased by 70% to EUR 182.9 million (107.7), corresponding to a margin of 50.0% (43.9)
- Profit for the period amounted to EUR 149.7 million (83.5)
- Earnings per share before dilution amounted to EUR 0.83 (0.46)
- The Board proposes a dividend of EUR 0.42 per share (0.24)

Events during the fourth quarter of 2019

- Good leverage from investments made in 2019 has contributed to a continued high growth
- Several new customers signed – Flutter Entertainment with brands Paddy Power and Betfair, Parx Casino and Penn National Gaming
- Continued expansion in North America

Summary of the fourth quarter and full-year 2019

Group (EUR thousands)	Oct-Dec 2019	Oct-Dec 2018	%	Jan-Dec 2019	Jan-Dec 2018	%
Operating revenues	105,998	70,226	51%	365,752	245,418	49%
EBITDA	55,830	31,568	77%	182,948	107,681	70%
EBITDA margin	52.7%	45.0%	-	50.0%	43.9%	-
Operating profit	48,674	26,734	82%	157,472	89,484	76%
Operating margin	45.9%	38.1%	-	43.1%	36.5%	-
Profit for the period	46,846	25,535	83%	149,726	83,460	79%
Profit margin	44.2%	36.4%	-	40.9%	34.0%	-
Earnings per share before dilution (EUR)	0.26	0.14	82%	0.83	0.46	79%
Equity per share (EUR)	1.55	0.90	71%	1.55	0.90	71%
OCF per share before dilution (EUR)	0.30	0.15	102%	0.97	0.56	75%
Average number of FTEs	5,419	4,005	35%	4,894	3,529	39%

For more information, please contact:
Jacob Kaplan, CFO
ir@evolutiongaming.com

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CEO's comments

I am very satisfied to be able to present yet another strong quarter which summarises a successful 2019 for Evolution. The products we launched during the year - including new titles in the Game Show category - in combination with a continued strong market development and global demand, have contributed to a very high growth rate. Furthermore, we also experienced strong results from the investments in increased studio capacity we have made in recent years. Those factors, in combination with a constant pursuit of cost efficiency, has had a positive effect on our margin.

This year's result trend has continued in the fourth quarter. Revenue in the fourth quarter amounted to EUR 106.0 million, an increase of 51 percent compared with the corresponding period last year. EBITDA amounted to EUR 55.8 million corresponding to a margin of 52.7 percent. The EBITDA margin for the full year reached 50 percent, the highest full-year margin in the company's history and slightly surpassed our expectations from this summer which was 47-49 percent. For 2020, we expect to be able to maintain or slightly improve the margin level compared to 2019.

At the end of the fourth quarter, Evolution had more than 700 tables serving over 200 customers. During the quarter, we further strengthened our customer portfolio, including an agreement with Flutter Entertainment and its brands Paddy Power and Betfair. Our presence in the United States was also strengthened in the quarter through agreements with new operators in Pennsylvania and the process to build a studio in Pennsylvania is ongoing.

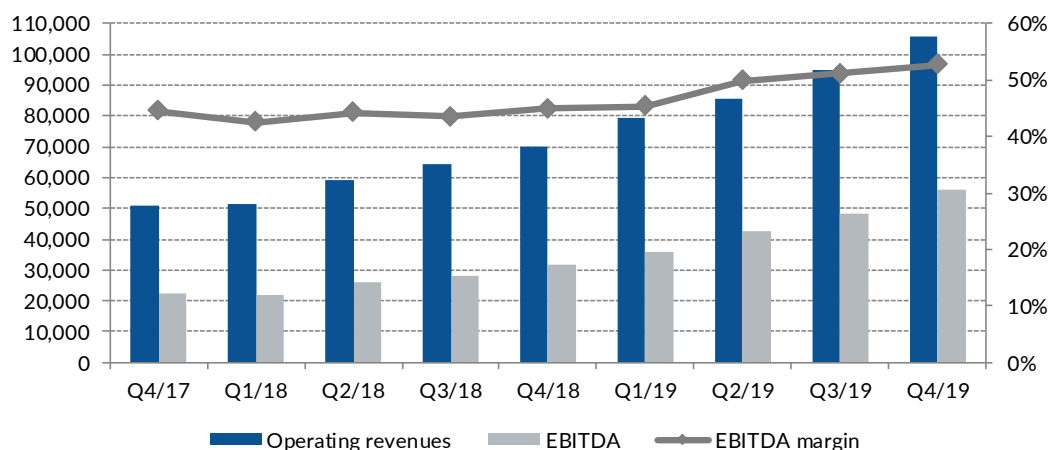
We see good opportunities for continued positive development in the US. In the quarter we have made additional investments in the studio in New Jersey to expand its capacity, our game portfolio and to meet the demand. It is also positive to note that during the quarter Michigan has taken important steps toward becoming a regulated casino market.

When you are reading this, we have recently finished this year's edition of ICE London Gaming Fair - where we showcased 12 fantastic new titles. With ground-breaking games like 'Crazy Time' and 'Mega Ball', we will continue to expand the Game Show category and aim to attract new player groups to Live. Examples of innovations on show in table games are Instant Roulette, Power Blackjack and Speed Blackjack. The dice game Craps, an important strategic release primarily for the US market, will also be interesting to follow. These are some examples of how we through innovative product launches continue to drive the entire industry forward and confirms our position as the leading innovator in the gaming industry. I am convinced that the new game titles will be received well by both players and operators and contribute to further growth in 2020.

To summarise, I am proud of what we have achieved in 2019, which has been an outstanding year from both a financial and operational perspective. I am very impressed with what our employees achieve every day - we are now approximately 8,000 employees working together with our eternal mission; to increase the gap to the competitors by offering the market's best solutions. 2020 has started well and I look forward to another exciting year!

Martin Carlesund, CEO

Quarterly results trend



Financial performance in the fourth quarter of 2019

Revenues

Revenues amounted to EUR 106.0 million (70.2) in the fourth quarter, equivalent to an increase of 51 percent 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 continues to grow, partly as a result of several successful game launches earlier in 2019, and the number of bet spots from end users amounted to 7.1 billion (4.4). 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 57.3 million (43.5). Expenses were mainly driven by higher costs for personnel, connected to the launch of new tables in the company's studios. The expansion has also increased other operating expenses compared with preceding quarters.

Profitability

Operating profit amounted to EUR 48.7 million (26.7), corresponding to an increase of 82 percent. The operating margin was 45.9 percent (38.1). The EBITDA margin was 52.7 percent (45.0). 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 3.7 percent (4.4). 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 46.8 million (25.5). Earnings per share before dilution were EUR 0.26 (0.14).

Investments

Investments in intangible assets amounted to EUR 2.7 million (6.6) during the quarter and were mainly attributable to development of new games and technical improvements of the platform, such as new functionality.

Investments in property, plant and equipment amounted to EUR 6.9 million (3.1) 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 54.3 million (26.6) during the quarter. Cash flow from investing activities was negative in the amount of EUR 11.5 million (negative 4.8). Cash flow from financing activities was negative in the amount of EUR 1.4 million (negative 0.4). Cash and cash equivalents amounted to EUR 182.5 million (85.0) at the end of the quarter.

Full-year 2019 in brief

Revenues

For the full year of 2019, revenues amounted to EUR 365.8 million (245.4), corresponding to an increase of 49 percent compared with the same period in 2018. The positive revenue development mainly derives from increased commission income from both new and existing customers. 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 208.3 million (155.9). Expenses were mainly driven by higher costs for personnel, connected to the launch of new tables and studios. The strong expansion has also increased other operating expenses compared with the previous year.

Profitability

Operating profit amounted to EUR 157.5 million (89.5) with an operating margin of 43.1 percent (36.5). The EBITDA margin was 50.0 percent (43.9).

Investments

Investments in intangible assets amounted to EUR 11.2 million (15.3) for the year. Investments in property, plant and equipment amounted to EUR 19.0 million (17.9). Acquisitions of subsidiaries amounted to EUR 11.8 (-). Investments in other financial assets amounted to EUR 0.6 million (negative 1.5).

Cash and cash equivalents, financing and financial position

Cash flow from operating activities amounted to EUR 175.8 million (100.0) over the year. The increase is primarily due to improved profit. Cash flow from investing activities was negative in the amount of EUR 42.5 million (negative 31.7). Cash flow from financing activities was negative in the amount of EUR 36.1 million (negative 32.6).

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, the migration of land-based casinos to online environments and market regulations. Increased use of mobile devices has been a growth driver for many years, and in the fourth quarter 69 percent (64) of the operators' GGR via Evolution's platform was generated by mobile devices. 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 with 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 Evolution's revenues originate. Revenues based on player activity are allocated according to the end-users' location, while revenues not based on player activity are allocated to the operator's location. The UK includes the Crown Dependencies.

Revenue per geographical region

Group (EUR millions)	Oct-Dec 2018	Jan-Mar 2019	Apr-Jun 2019	Jul-Sep 2019	Oct-Dec 2019
Nordics	4.9	6.1	6.0	6.1	6.1
UK	11.5	12.4	12.7	12.8	12.0
Rest of Europe	36.7	40.7	43.8	46.5	53.3
Asia	6.5	8.0	10.0	13.9	17.7
North America	3.2	4.6	4.7	6.1	6.6
Other	7.4	7.5	8.5	9.3	10.2
Total operating revenues	70.2	79.3	85.7	94.7	106.0
Share of regulated markets	45%	46%	44%	42%	40%
Revenues, regulated markets	31.7	36.6	37.5	40.2	42.4

Customer dependency

Although a majority of Evolution's largest customers have strengthened their focus on Live Casino in recent years, the company has managed to decrease its dependency towards its largest customers through add-on sales to other existing customers and new sales. Evolution's largest customer accounted for approximately 6 (7) percent of revenues in 2019, and the five largest customers accounted for roughly 27 (32) percent of revenues.

Customer dependency (% of revenue)

	2017	2018	2019
Top 1-5	38%	32%	27%

Other

Parent Company

The Parent Company is a holding company. Net sales for the fourth quarter of 2019 amounted to EUR 2.3 million (1.5) and expenses to EUR 2.0 million (1.4). Operating profit amounted to EUR 0.3 million (0.0). Result for the period amounted to EUR 100.1 million (74.7). The Parent Company's cash and cash equivalents amounted to EUR 1.1 million (0.5) at the end of the period and equity amounted to EUR 343.6 million (275.7). No significant investments were made in intangible or tangible assets.

Employees

As of 31 December 2019, Evolution had 7,828 employees (5,847), corresponding to 5,554 (4,319) full-time positions. The average number of full-time equivalents for the quarter was 5,419 (4,005).

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.

2020 Annual General Meeting

The Annual General Meeting will be held on 24 April 2020 in Stockholm, Sweden. Notice to the AGM will be published on 26 March on the company's website and in the Official Swedish Gazette. The annual report is expected to be published on the company website during the week commencing 23 March 2019.

Dividend

The Board of Directors proposes that the Annual General Meeting resolve to transfer EUR 76.3 million (43.2) to shareholders, corresponding to EUR 0.42 per share (0.24) and 51 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.

Upcoming report dates

Interim report January-March 2020	23 April 2020
Interim report January-June 2020	17 July 2020
Interim report January-September 2020	22 October 2020
Year-end report 2020	February 2021

Review

This year-end report has not been reviewed by the company's auditors.

Condensed consolidated income statements

Group (EUR thousands)	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Revenues	105,988	70,233	365,687	245,350
Other revenues	10	-7	65	68
Total operating revenues	105,998	70,226	365,752	245,418
Personnel expenses	-33,263	-26,964	-126,419	-97,674
Depreciation, amortisation and impairments	-7,156	-4,834	-25,476	-18,197
Other operating expenses	-16,905	-11,694	-56,385	-40,063
Total operating expenses	-57,324	-43,492	-208,280	-155,934
Operating profit	48,674	26,734	157,472	89,484
Financial items	-40	-30	-200	-158
Profit before tax	48,634	26,704	157,272	89,326
Tax on profit for the period	-1,788	-1,169	-7,546	-5,866
Profit for the period	46,846	25,535	149,726	83,460
<i>Of which attributable to:</i>				
Shareholders of the Parent Company	46,846	25,535	149,726	83,460
Average number of shares before dilution	181,622,725	179,851,885	180,737,305	179,851,885
Earnings per share before dilution (EUR)	0.26	0.14	0.83	0.46
Average number of shares after dilution	183,384,005	183,565,260	183,387,341	182,625,245
Earnings per share after dilution (EUR)	0.26	0.14	0.82	0.46
Operating margin	45.9%	38.1%	43.1%	36.5%
Effective tax rate	3.7%	4.4%	4.8%	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)	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Profit for the period	46,846	25,535	149,726	83,460
Other comprehensive income				
<i>Items that may be reclassified to profit</i>				
Exchange differences arising from the translation of foreign operations	-400	-24	207	-63
Other comprehensive income, net after tax	-400	-24	207	-63
Total comprehensive income for the period	46,446	25,511	149,933	83,397

Consolidated balance sheets

Group (EUR thousands)	31/12/2019	31/12/2018
Assets		
Intangible assets	23,743	21,344
Goodwill	12,485	-
Buildings	11,991	12,167
Right of use assets	19,419	-
Property, plant and equipment	36,079	27,452
Other non-current receivables	1,118	952
Deferred tax assets	156	180
Total non-current assets	104,991	62,095
Accounts receivable	66,457	47,622
Other receivables	76,984	42,771
Prepaid expenses and accrued income	3,208	3,218
Cash and cash equivalents	182,520	84,951
Total current assets	329,169	178,562
TOTAL ASSETS	434,160	240,657
Equity and liabilities		
Share capital	545	540
Other capital contributed	17,430	5,867
Reserves	99	-108
Retained earnings including profit for the period	262,823	155,971
Total equity	280,897	162,270
Deferred tax liabilities	69	-
Non-current lease liabilities	15,483	-
Non-current liabilities to credit institutions	-	5,619
Total non-current liabilities	15,552	5,619
Accounts payable	5,300	3,190
Current liabilities to credit institutions	5,619	950
Current tax liabilities	81,524	49,939
Other current liabilities	19,604	11,521
Current lease liabilities	3,936	-
Accrued expenses and prepaid income	21,728	7,168
Total current liabilities	137,711	72,768
TOTAL EQUITY AND LIABILITIES	434,160	240,657

Intangible assets comprise Game software EUR 14,008 thousand (15,590), Licenses and patents EUR 6,296 thousand (5,322) and Other EUR 3,439 thousand (432).

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	104,689	109,882
Dividend payout 02/05/2018	-	-	-	-32,373	-32,373
Warrants	-	1,169	-	195	1,364
Profit for the period	-	-	-	83,460	83,460
Other comprehensive income	-	-	-63	-	-63
Closing equity 31/12/2018	540	5,867	-108	155,971	162,270

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	162,270
Dividend payout 08/05/2019	-	-	-	-43,164	-43,164
Warrants	-	-152	-	290	138
New share issue	5	11,715	-	-	11,720
Profit for the period	-	-	-	149,726	149,726
Other comprehensive income	-	-	207	-	207
Closing equity 31/12/2019	545	17,430	99	262,823	280,897

Consolidated statement of cash flows

Group (EUR thousands)	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Operating profit	48,674	26,734	157,472	89,484
<i>Adjustment for items not included in cash flows:</i>				
Depreciation, amortisation and impairments	7,156	4,834	25,476	18,197
Other	977	175	1,216	561
Interest received	23	13	23	13
Interest paid	-85	-43	-245	-171
Tax paid	-1,103	-311	-5,293	-2,912
Cash flows from operating activities before changes in working capital	55,642	31,402	178,649	105,172
Increase / Decrease in Accounts receivables	-12,190	-7,688	-17,276	-8,129
Increase / Decrease in Accounts payables	1,305	263	1,358	-761
Increase / Decrease in other working capital	9,498	2,632	13,055	3,754
Cash flows from operating activities	54,255	26,609	175,786	100,036
Acquisition of intangible assets	-2,747	-6,576	-11,158	-15,262
Acquisition of property, plant and equipment	-6,907	-3,141	-18,950	-17,868
Acquisition of subsidiaries	-1,352	-	-11,812	-
Increase / Decrease in other financial assets	-504	4,907	-604	1,480
Cash flows from investing activities	-11,510	-4,810	-42,524	-31,650
Repayment of debt to credit institutions	-238	-372	-950	-1,074
Repayment of lease liability	-1,201	-	-3,508	-
Warrant premiums	-	-	-152	803
New share issue	-	-	11,720	-
Dividend	-	-	-43,164	-32,373
Cash flows from financing activities	-1,439	-372	-36,054	-32,644
Cash flow for the period	41,306	21,427	97,208	35,742
Cash and cash equivalents at start of period	141,108	63,548	84,951	49,272
Exchange rate differences	106	-24	361	-63
Cash and cash equivalents at end of period	182,520	84,951	182,520	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)	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Operating revenues (IFRS)	105,998	70,226	365,752	245,418
EBITDA margin	52.7%	45.0%	50.0%	43.9%
Operating margin	45.9%	38.1%	43.1%	36.5%
Profit margin	44.2%	36.4%	40.9%	34.0%
Equity/assets ratio	64.7%	72.0%	64.7%	67.4%
Cash and cash equivalents	182,520	84,951	182,520	84,951
Average number of full-time employees	5,419	4,005	4,894	3,529
Full-time employees at end of period	5,554	4,319	5,554	4,319
Earnings per share before dilution (EUR) (IFRS)	0.26	0.14	0.83	0.46
Equity per share (EUR)	1.55	0.90	1.55	0.90
Operating cash flow per share before dilution (EUR)	0.30	0.15	0.97	0.56
Average number of outstanding shares before dilution	181,622,725	179,851,885	180,737,305	179,851,885
Number of outstanding shares	181,622,725	179,851,885	181,622,725	179,851,885

Consolidated key ratios by quarter

Group (EUR thousands)	Q4/19	Q3/19	Q2/19	Q1/19	Q4/18	Q3/18	Q2/18	Q1/18
Operating revenues (IFRS)	105,998	94,729	85,728	79,297	70,226	64,346	59,252	51,594
EBITDA	55,830	48,470	42,730	35,918	31,568	27,992	26,168	21,959
EBITDA margin	52.7%	51.2%	49.8%	45.3%	45.0%	43.5%	44.2%	42.6%
Operating profit	48,674	41,995	36,614	30,189	26,734	23,225	21,688	17,842
Operating margin	45.9%	44.3%	42.7%	38.1%	38.1%	36.1%	36.6%	34.6%
Revenue growth vs prior year	50.9%	47.2%	44.7%	53.7%	38.5%	40.8%	40.1%	30.0%
Revenue growth vs prior quarter	11.9%	10.5%	8.1%	12.9%	9.1%	8.6%	14.8%	1.7%
Cash and cash equivalents	182,520	141,108	88,680	103,734	84,951	63,548	37,163	52,076

Reconciliation of selected key ratios not defined in accordance with IFRS

Group (EUR thousands)	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Operating margin				
Profit before tax	48,634	26,704	157,272	89,326
Excluding net financial items	40	30	200	158
Operating profit (EBIT)	48,674	26,734	157,472	89,484
Divided by Total operating revenues	105,998	70,226	365,752	245,418
Operating (EBIT) margin	45.9%	38.1%	43.1%	36.5%
EBITDA and EBITDA margin				
Profit before tax	48,634	26,704	157,272	89,326
Net financial items	40	30	200	158
Depreciation/amortisation	7,156	4,834	25,476	18,197
EBITDA	55,830	31,568	182,949	107,681
Divided by Total operating revenues	105,998	70,226	365,752	245,418
EBITDA margin	52.7%	45.0%	50.0%	43.9%
Profit margin				
Profit for the period	46,846	25,535	149,726	83,460
Divided by Total operating revenues	105,998	70,226	365,752	245,418
Profit margin	44.2%	36.4%	40.9%	34.0%
Equity/Assets ratio				
Total equity	280,897	162,270	280,897	162,270
Divided by Total assets	434,160	240,657	434,160	240,657
Equity/Assets ratio	64.7%	67.4%	64.7%	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)	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Net sales	2,342	1,483	7,120	6,195
Other external expenses	-2,024	-1,445	-6,761	-5,996
Operating profit	318	38	359	199
Dividend from group companies	100,000	75,000	100,000	75,000
Financial items	0	105	0	104
Profit before tax	100,318	75,143	100,359	75,303
Tax on profit for the period	-237	-477	-904	-515
Profit for the period	100,081	74,666	99,455	74,788

Parent company (EUR thousands)	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Profit for the period	100,081	74,666	99,455	74,788
Other comprehensive income	-	-	-	-
Other comprehensive income, net after tax	-	-	-	-
Total comprehensive income for the period	100,081	74,666	99,455	74,788

Condensed Parent Company balance sheets

Parent company (EUR thousands)	31/12/2019	31/12/2018
Assets		
Intangible assets	828	438
Property, plant and equipment	65	40
Participating interest in Group companies	206,000	206,000
Other non-current receivables	40	33
Total non-current assets	206,933	206,511
Receivables from Group companies	137,451	69,539
Other current receivables	219	272
Prepaid expenses and accrued income	228	76
Cash and cash equivalents	1,112	504
Total current assets	139,010	70,391
TOTAL ASSETS	345,943	276,902
Equity and liabilities		
Share capital	545	540
Retained earnings including profit for the period	343,031	275,179
Total equity	343,576	275,719
Accounts payable	128	160
Current tax liabilities	1,399	479
Other current liabilities	173	158
Accrued expenses and prepaid income	667	386
Total current liabilities	2,367	1,183
TOTAL EQUITY AND LIABILITIES	345,943	276,902

Notes to the financial statements

Note 1. Accounting principles

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

12 new game titles launched at ICE 2020 – increasing the gap to competition
Extra General Meeting was held on 16 January 2020 – resolved on the establishment of an incentive programme as well as on authorisation for the board of directors to resolve to issue shares, warrants and convertible debt.

Note 3. Incentive programme

The company has two incentive programmes. Upon full exercise of the warrants within the programme 2018/2021 (adopted by the Annual General Meeting in 2018), the dilution effect will be approximately 0.97 percent. Upon full exercise of the warrants within the programme 2020/2023 (adopted by the Extra General Meeting on 16 January 2020), the dilution effect will be approximately 2.20 percent. More information about the programmes are available on the company's website.

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-Dec 2019	Actual Jan-Dec 2018
Operating expenses		
Depreciations, right of use assets ¹⁾	-3,508	-
Other costs	3,584	-
Financial expenses in respect of right of use assets ²⁾	-76	-
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-Dec 2019	Actual Jan-Dec 2018
EBITDA margin including IFRS 16	50.0%	-
EBITDA margin excluding IFRS 16	49.1%	-

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 a consideration of USD 12 million and possible additional consideration of a maximum of USD 6 million, in which USD 1.5 million has been paid during the fourth quarter. 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 final. The underlying currency of the Group Goodwill is USD.

Group (EUR thousands)	Fair value reported in the group
Trademark	261
Customer agreements	2,875
Tangible fixed assets	975
Other long-term receivables	75
Current receivables	1,496
Liquid funds	186
Deferred tax liability	-157
Long-term liabilities	-228
Current liabilities	-1,952
Net identifiable assets and liabilities	3,531
Group Goodwill	12,438
Consolidated acquisition value/price	15,969

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

In the fourth quarter 2019 and the full-year 2019, Ezugi has contributed to the Group's net revenues with EUR 3.7 thousand and EUR 11.9 thousand respectively but has not had any significant impact on the Group's profit.

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.

Stockholm, 12 February 2020

Martin Carlesund
CEO

For further information, please contact CFO Jacob Kaplan, +46 708 62 33 94, ir@evolutiongaming.com.

Evolution Gaming Group AB (publ)
Hamngatan 11
SE-111 47 Stockholm, Sweden

e-mail: ir@evolutiongaming.com
Website: www.evolutiongaming.com
Corporate ID number: 556994-5792

Presentation for investors, analysts and the media

CEO Martin Carlesund and CFO Jacob Kaplan will present the report and answer questions on Wednesday, 12 February 2020 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 8 505 58 350 / +44 3333 00 92 61 / +1 833 526 8395. Follow the presentation at <https://tv.streamfabriken.com/evolution-gaming-group-q4-2019>

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 12 February 2020, at 7.30 am CET.

Definitions of key ratios

Key ratios	Definition	Purpose
Operating profit (EBIT)	Profit before tax excluding net financial items.	This key ratio is used by management to monitor the earnings trend in the Group.
Operating margin (EBIT)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/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.
Average number of full-time employees	The average number of full-time employees during the period. Full-time equivalents include part-time positions.	This key ratio is used by management to monitor the Group's number of employees' growth.
Per share		
Earnings per share before dilution	Profit for the period in relation to the average number of shares outstanding before dilution during the period.	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 before dilution	Cash flow from operating activities in relation to the average number of shares outstanding before dilution 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 before dilution 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.