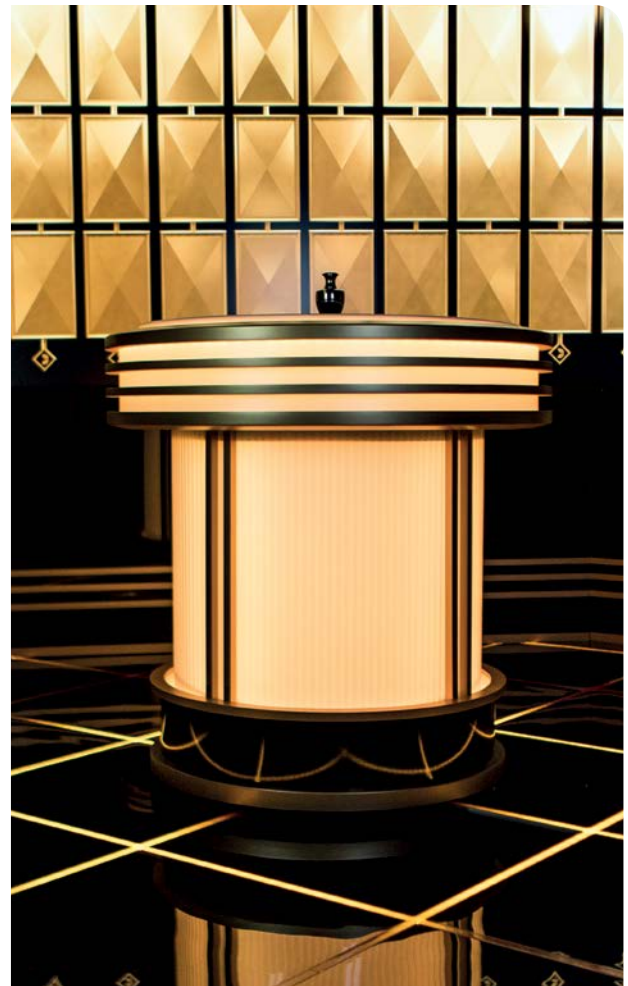






# Table of contents

The year in brief	04
Group CEO comments	06
<b>STRATEGIC REPORT</b>	
Our business model, vision and strategy	10
Our strategy for growth	12
Our marketplace	14
Our operations	16
Our global locations	18
Case study: Our first USA landmark studio	20
Case study: Lightning Roulette	22
Our Live Casino portfolio	24
Our growing customer base	30
<b>SUSTAINABILITY THROUGH INTEGRITY</b>	
Dialogue with stakeholders	34
Sustainability policies	35
Responsible gaming	35
Licenses	36
Security	37
Fair and admirable employer	38
Work environment	38
Evolution Academy	39
A unique record of innovation and growth	42
The Evolution share	44



## GOVERNANCE

48	Directors' report
54	Corporate governance report
64	Our Board of Directors
66	Our management team

## FINANCIAL STATEMENTS

70	Financial reports
78	Notes
96	Declaration by the Board of Directors
97	Auditor's report
102	Glossary

# The year in brief

A summary of another outstanding year in Evolution's history.

## ►► THE YEAR IN FIGURES

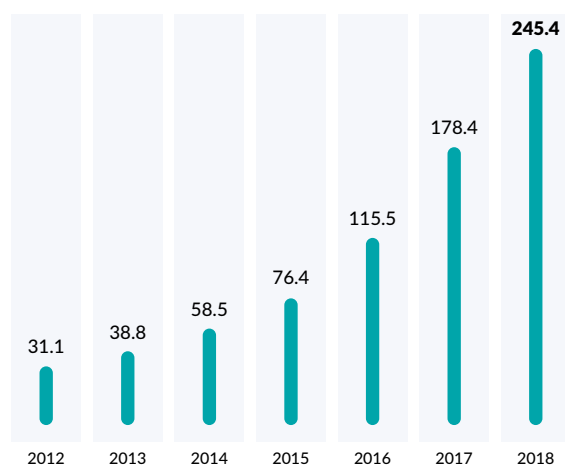
Revenues amounted to €245.4 million and EBITDA was €107.7 million

The EBITDA margin was 44%

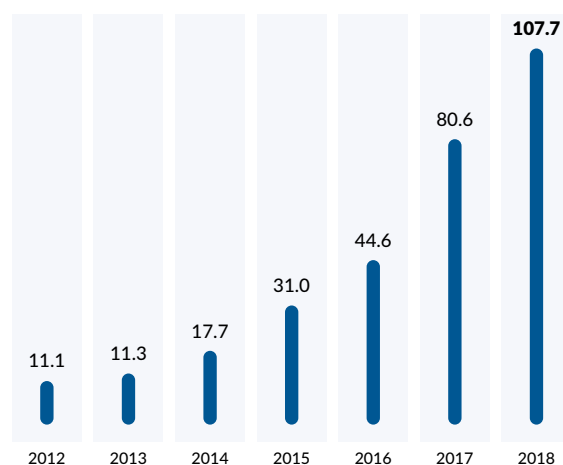
Earnings per share amounted to €2.32

The Board proposes a dividend of €1.20 per share

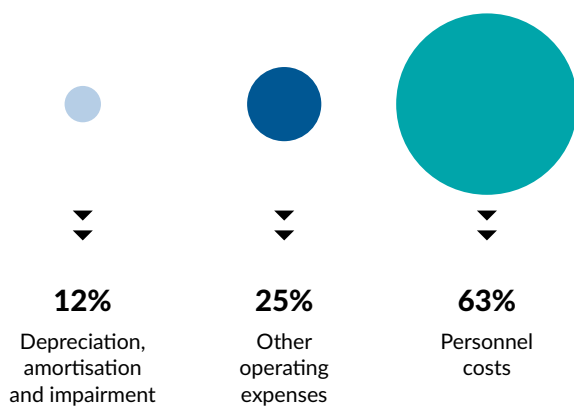
Total Operating Revenues (EUR MILLION)



EBITDA (EUR MILLION)



Cost Structure



EBITDA



INCREASE: ►► **+44%**

## ►► HIGHLIGHTS



### Success for new innovations

2018 signified a landmark year for Evolution in terms of product innovations with the launch of Lightning Roulette, which garnered significant popularity among operators and end users alike and really paved the way for future innovations of a similar kind with the inclusion of RNG elements into more and more table games. Evolution's First Person range, its first RNG product line, also launched.



### Acquisition of Ezugi

In November, Evolution announced that it had entered into an agreement to acquire the business of Ezugi, a live dealer gaming provider. The acquisition will accelerate Evolution's growth through additional market shares, as well as product development and operational capability in existing Evolution markets such as Romania and the USA.



### Construction of New Jersey studio

Evolution's entry into the US market has been a carefully considered long-term project. Having closely monitored US market developments over the past few years, while reinforcing Evolution's position as Live Casino market leaders in Europe, 2018 proved to be the right time to launch with a fully-fledged studio facility in the USA.



**SVENSKA  
SPEL**

### Re-regulation of the Swedish market

In June, Evolution entered into agreements to provide Live Casino games for Swedish gaming giants ATG and Svenska Spel, following the approval by Sweden's national legislature, the Riksdag, of legislation for the re-regulation of Sweden's gambling market. The partnership marks yet another achievement for Evolution's first-to-market strategy.



### Recognition through industry awards

At the EGR B2B Awards in June, Evolution was named Live Casino Supplier of the Year for the ninth year in a row, as well as being crowned Multi-Channel Supplier of the Year for its Dual Play convergence solution. Lightning Roulette was also awarded Product Innovation of the Year at the GGA Awards, across both the digital and land-based sectors and two other Game of the Year titles.

## Group CEO comments

2018 was another historic year in the Evolution history, where we achieved one strategic achievement after another. We have primarily put a large focus on preparing the company for continued growth and market leadership for the coming years, and have entered 2019 being stronger than ever before.



### Continuous expansion

2018 was characterised by high expansion pace, perhaps most clearly manifested in the launches of no less than 3 new studios. A milestone was reached already in January when we opened Evolution's first overseas studio in Vancouver, Canada. The Canadian gaming market is regulated and subdivided into provincial Crown corporation operators that operate non-competitively, allowing us to provide a scalable studio with generic tables that serve multiple provinces, in addition to dedicated tables for those operators who so desire. We are currently the only Live Casino provider that has established itself in the market. As of today, we provide our services to three provinces: British Columbia, Manitoba and Quebec.

Our North American presence was strengthened in August when we opened a studio in Atlantic City, New Jersey. Market-entry in the USA has been a long-term project that was initiated several years ago, and we now assessed the time to move was right. The response among the New Jersey licensed operators and their players has been positive throughout, and our offering in the market has outperformed our expectations. We expect more US states to allow online gaming in the upcoming years, and we are now well positioned to capitalise on the opportunities that will open up.

In Europe, where we have been the market leader for many years, demand for Live Casino was high throughout the year. In April, we opened our third European production hub in Tbilisi in Georgia. With the facility, we have significantly extended Evolution's capacity to handle growth in the coming two to three years. The studio has exhibited fast growth since the start, and at year-end it was our second largest operation after Riga. In total, we now have 550 tables live in all of Evolution's studios.

The growth in number of tables also entails a heavy expansion in the number of employees, and at the end of 2018 we were close to 6,000 people working in the group.

We want to attract the best talents and put a lot of resources in being a modern and agile employer, which is an ambition I think we are fulfilling.

### Product innovation on a new level

To have the capacity to handle demand is a condition for growth, but it is the operational delivery and the products that create demand. During the year, we accelerated our innovation effort with the aim to take Live Casino to the next level, using the latest technology and adapting to more target audiences than ever before. Two new games from 2018 that have gained particular interest are Lightning Roulette and Infinite Blackjack. Lightning Roulette is an extended Roulette experience with a mix of RNG features that give the traditional game a whole new dimension; it received industry recognition last year winning several awards, including being named Product Innovation of the Year at the Global Gaming Awards at G2E Las Vegas, as well as EGR's Game of the Year at the EGR Operator Awards. Infinite Blackjack is a fully scalable Blackjack, which already shortly after launch was the world's most popular Blackjack table in player counts.

Strengthened by these successes, we have invested great resources in more product launches ahead of 2019. With titles like MONOPOLY Live and Deal or No Deal Live, we will take the entire Live Casino industry to the next level.

Our focus is on providing world-class entertainment, where we see services like YouTube and Netflix as our main competitors.

### Growing customer base — and more services to existing licensees

In line with the high demand for Live Casino, we have both extended existing customer deals and entered new partnerships. Among all our new customers, I can highlight the two previously regulated operators Svenska Spel and ATG, which since 1 January 2019 have launched dedicated Live Casino offerings to their players in the new Swedish gaming market. We have also signed contracts with several New Jersey licensed operators such as Ocean Resort Casino, Hard Rock Hotel & Casino Atlantic City, 888casino and PokerStars Casino New Jersey, in connection with the already mentioned studio launch.

I would also like to mention all Dual Play tables that have been launched for land-based casinos in several markets during the year, as well as the exclusive Salle Privée studio that has been built at Les Ambassadeurs Club in London.



What is common for all customers, no matter if they use generic tables or customised environments, is that they require the absolute highest quality in service.

We manage tens of thousands of concurrent players for nearly 200 operators via nine studios in Europe and North America, which puts our operational excellence to the test daily.

I am very impressed by what our teams accomplish every day, and that we constantly succeed in optimising and improving the delivery even more.

### **Extending the gap is our top priority**

Everything we do is about one thing: to extend the gap to the competition and strengthen our market leadership. This perpetual mission is the common thread in our studio expansion as well as in product development, operational excellence and recruitment. I am proud of what we have achieved in 2018, but see no reasons to slow down. We shall continue to grow, continue to create new gaming experiences and continue to strengthen our global position. I would like to take the opportunity to thank all employees, customers, end users, partners and shareholders for the past year — together we will reach new heights!



# STRATEGIC REPORT

Evolution offers a market-leading Live Casino platform that simultaneously handles hardware, software, video, employees and user data, giving the operators a complete Live Casino offering and the end users a unique gaming experience.

**OUR BUSINESS MODEL, VISION  
AND STRATEGY**

**OUR STRATEGY FOR GROWTH**

**OUR MARKETPLACE**

**OUR OPERATIONS**

**OUR GLOBAL LOCATIONS**

**CASE STUDIES**

**OUR LIVE CASINO PORTFOLIO**

**OUR GROWING CUSTOMER BASE**



# Our business model, vision and strategy

With a scalable business model and a market-leading offering, Evolution is leading the way for the development of the Live Casino segment on a global basis.

## Mission

To make operators successful and provide an excellent gaming experience for their end users.

## Vision

To be the leading Live Casino provider in the world.



## Business model

Evolution develops, produces, markets and licenses fully integrated Live Casino solutions for gaming operators. The gaming operators then market and offer the products to their end users. Evolution's customers include the majority of the largest online gaming operators in Europe and the USA, as well as a growing number of land-based casinos that have begun to offer games online.

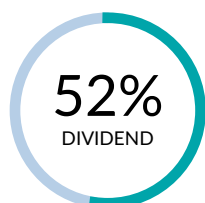


The chart shows the distribution of created economic value to employees in the form of salaries, suppliers for purchases of products and services, shareholders in the form of dividends and society in general by taxes and fees.

## Value creation

Through its operations, Evolution creates economic value for its various stakeholders. The company's overarching aim is to create value for its shareholders by providing stable returns over time. In addition, Evolution contributes with value to the local communities where it has a presence, as well as to its employees — who are crucial to the company's success — across Europe and North America. Evolution also has close and long-term relations with its suppliers to ensure quality in the service offering.

## Medium to long-term objectives



### Dividend

To distribute a minimum dividend of 50% of net profit over time.

✓ Outcome 2018: Proposal of **52%**



### Growth and profitability

To grow faster than the total European Live Casino market with a sustainable EBITDA margin of at least 35 percent.

✓ Outcome 2018: **38%** compared with **32%\*** for the market, margin of **44%**

\*Statistics from H2GC.



### Revenue model

The most basic agreements normally include access to, and streaming from generic tables, while more complex agreements can include dedicated tables and environments, VIP services, native speaking dealers and other customisations to produce a Live Casino experience that is as unique as possible for the end end user and helps the operator stand out from the crowd.

The majority of Evolution's revenues consist of commission fees and fixed fees for dedicated tables, which are paid monthly by operators. Commission is calculated as a percentage of the operators' winnings generated via the company's Live Casino offering. Through commission, Evolution gains beneficial exposure to the general growth of the Live Casino market.

Dedicated table fees are monthly service charges to operators who have opted to provide dedicated tables for their end users. Dedicated tables are reserved and used exclusively by the operator, and can be customised completely to the operator's requirements as regards studio environment, graphics, brand attributes and language. The fee varies from customer to customer depending on factors such as the type of game, number of tables and active hours.

In addition to commission and dedicated table fees, there are other smaller sources of income such as set-up fees, which are invoiced to new customers in conjunction with the launch of their Live Casino offering.

### Cost structure

Evolution's largest cost items are personnel costs and costs relating to facilities and production studios. Personnel costs are primarily related to staff and recruitment within operations, as well as IT and product development.

The cost of adding an additional gaming operator to the company's Live Casino platform or expanding an existing customer's offering varies depending on the extent of the agreement. Set-up fees cover some of the cost for new studios and environments.

Product innovation and development also constitutes a material cost item, both directly in terms of operating expenses, and indirectly, through depreciation of capitalised development costs.



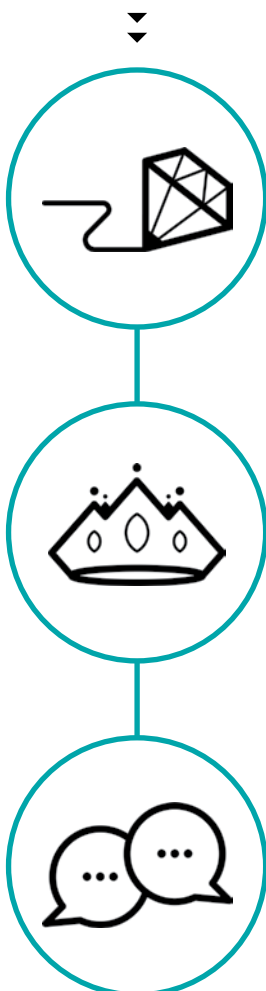
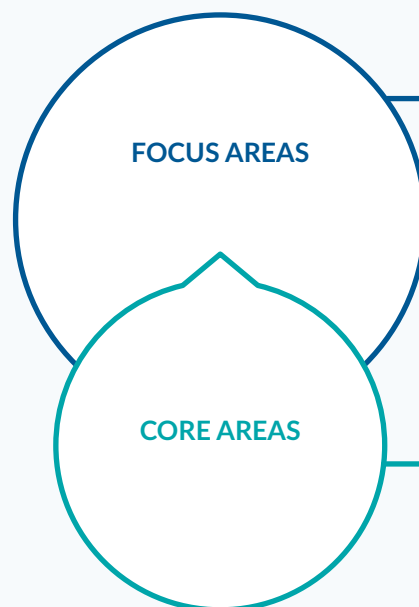
## Our strategy for growth

The six strategic pillars of our world-leading Live Casino services see Evolution constantly pushing the boundaries of innovation and ever-increasing the gap to the competition.

### Core areas

Evolution shall continue to strengthen its leading position in the European Live Casino market, as well as establish leading positions in new geographic markets, with a clear focus on activities that promote the operations and the offering. The growth derives partly from an increased share of the operators' total revenue from casino services that stem from Live Casino, as operators invest increasing resources in their live offering, as well as through the online casino market's share of the total casino market.

The company has three core areas that are considered particularly important to further widening the lead over other players in the market and laying a solid foundation for continued growth.



#### Product innovation

Evolution strives to continuously improve its offering while, at the same time, developing the entire Live Casino market by means of cutting-edge product innovation. Since its inception, the company has successfully launched innovative games and solutions that are attractive both to operators and their end users.

In 2018, Evolution launched more new games than ever before, including Lightning Roulette and a First Person Gaming range which is aimed to redefine RNG tables games by combining the very best of the RNG and Live Casino worlds.

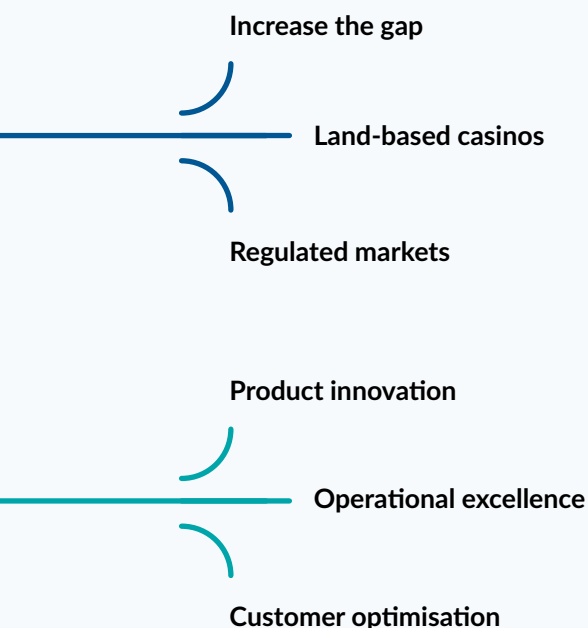
#### Operational excellence

Evolution's market-leading position is mainly based on the competitive advantage that derives from the company's operational excellence in offering Live Casino solutions since 2006. Live Casino is a highly complex product, and, to function, it requires effective collaboration between people and systems. Over its years in business, Evolution has been able to amass a collective body of experience that is unique among suppliers. The company has a sophisticated platform that simultaneously handles software, hardware, video, employees and user data.

The platform provides scalability and allows Evolution to expand with new studios without having to replicate software locally. It also provides easy adaption for new geographic markets, such as the USA.

#### Customer optimisation

Through its existing portfolio of customers, Evolution enjoys considerable opportunities to further develop, expand and refine each operator's Live Casino solution. Given the strong growth of the Live Casino market, an increasing number of operators are choosing to broaden their offerings and invest in dedicated environments. Using the analysis of game data, Evolution optimises each individual environment to that specific customer's conditions and needs with the aim of strengthening the loyalty between the operator and the end user. With its technical expertise, Evolution also develops solutions that strengthen end user engagement through an optimal user experience supported by cross sales between different game segments.

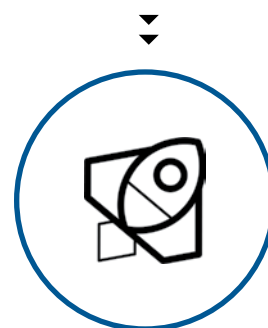


## Focus Areas

Both the total online gaming market, as well as the market for Live Casino are constantly evolving. Evolution is continuously exploring new opportunities to grow and fulfil its vision to be the global leader in Live Casino. From a strategic perspective, the company has identified a number of focus areas that are considered particularly important to work with in the short-term.

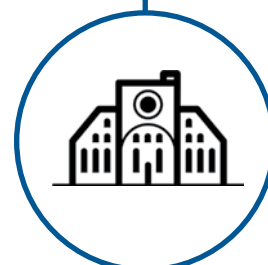
As Live Casino has grown in popularity, more providers have launched live products. Evolution has a big lead and aims to keep its growth momentum and continue to expand its leading position in the Live Casino market. This is done by a clear collaboration between the company's different units, where product development, sales and marketing and the operational departments work closely together to offer the best possible product. According to Evolution's assessment, the company has strengthened its market share in 2018 and sees clear possibilities to continue to increase the gap in the coming years, supported by the launch of several new games and studios as well as the possibility for strategic acquisitions.

### Increase the gap



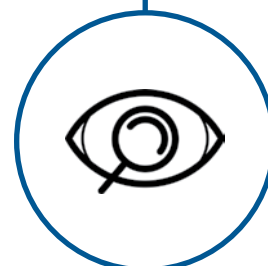
Traditional land-based casinos constitute a large part of the total casino market. These operators often have strong brands and loyal customers, many of whom are high rollers. At the same time, growth for land-based casinos is low and an increasing number are seeking to migrate online to be able to grow their business. In cases like these, Live Casino can be seen as the natural bridge connecting land-based and online operations. Evolution aims to be the self-evident partner for land-based casinos seeking to expand online. Currently, the company has land-based casino customers in Spain, Belgium, Malta, UK, the USA and Romania. Demand from land-based casinos is expected to continue to increase over the coming years.

### Land-based casinos



Many countries have regulated or re-regulated their gaming markets in recent years — a trend that is expected to continue. When a market is regulated, new end users explore different casino games and naturally tend to become aware of Live Casino, which is adapted to local markets, with game presenters who communicate in users' own languages. Consequently, for gaming operators, Live Casino is an important product in new markets. Evolution's stated strategy is to be the first Live Casino provider in regulated markets and it has successfully entered countries including Italy, Denmark, Spain, Belgium and Romania. In 2018 the company also entered the regulated markets in Canada and the USA. The company's strong performance demonstrates the positive impact, in terms of earnings and growth, that establishing operations early entails.

### Regulated markets



## Our marketplace

Live Casino continues its strong performance in the online gaming market.

### Gaming market in Europe

According to market estimates from H2GC, the total European gaming market had an estimated value of EUR 102 billion (101) in 2018, measured in gross gaming revenues.

Roughly 77 percent (79) of this figure comprised land-based gaming, primarily via monopolised state-owned lottery operations and land-based casinos.

The market for online gaming has grown significantly faster than the total gaming market in recent years. For the past five years (2014-2018), online gaming achieved a compound annual growth rate of around 12 percent compared with just 3 percent for the market as a whole.

This strong growth has been fuelled by underlying factors, which mainly include various kinds of technical advances. People now have constant access to the internet, both via desktop computers and mobile devices, while there has been a substantial increase in data capacity.

This has paved the way for higher-quality gaming experiences, which have attracted more players. Improved payment solutions and increased regulation have also boosted confidence and led to more players feeling secure about playing online.

Online casino has been one of the fastest growing segments in the market for online gaming, with an annual growth rate of 13 percent between 2014 and 2018.

Evolution operates within Live Casino, which in turn is the fastest growing segment within online casino, with an annual growth rate of 33 percent in the same period. In 2018, the online gaming market grew by 11 percent (11) and the total gaming market by 2 percent (3).

### Live Casino

According to H2GC, the European Live Casino market had an estimated value of EUR 2,529 million (1,917) at the end of 2018, representing growth of 32 percent (38) compared with the year before. Share of Live, i.e. Live Casino's share of the total online casino market, was 34 percent (29).

As for the overall online gaming market, technical progress and new distribution channels, but above all, strong demand from the gaming operators and their end users were behind this growth. Live Casino is today seen as a highly strategic important product for operators that want to differentiate themselves in the highly competitive marketplace. Since online gaming can be perceived as relatively generic between different operators, Live Casino offers considerable opportunities to completely customise both the backdrop and content, providing a unique experience for both operators and end users.

The growth of Live Casino is also underpinned by new regulated markets. Live Casino has proven to be a product that is well suited to recently regulated markets, where interaction with real people who speak your own language builds trust among end users. The development among land-based casinos to expand their offering online also contributed to the strong growth for Live Casino. Evolution estimates its market share in Europe to be more than 50 percent and growing.

Evolution also provides its services in Canada and the USA. The North American Live Casino market had an estimated value of EUR 159 (145) million at the end of 2018. New Jersey is currently the only US state allowing Live Casino, and in Canada only a few of the provincial Crown corporation operators include Live Casino in their offering to the end users.

### LIVE CASINO MARKET 2018 (EUR MILLION)

EUROPEAN LIVE CASINO  
MARKET VALUE:

**€ 2,529M**

▲  
**+32%**

NORTH AMERICAN LIVE  
CASINO MARKET VALUE:

**€ 159M**

▲  
**+10%**



## Competition

The Live Casino market in Europe is fragmented, but its strong trend over recent years has encouraged more systems providers to develop Live Casino solutions. The barriers to entry are relatively low, while the barriers to success are considerably higher.

Live Casino is a highly complex product that, in addition to a technical solution, requires both a certain volume and outstanding operational excellence to be profitable and perform satisfactorily.

Evolution's market positions and industry-leading platform therefore mean that the company primarily encounters competitors offering operators an entire portfolio of casino products, of which Live Casino is only part of the offering. To date, Evolution has not lost any customers to another niche provider of Live Casino.

## Regulation

The gaming industry in Europe and within the EU is regulated at national level, and there is yet no common European or international gaming legislation. This situation is not expected to change over the next few years.

Many countries have regulations for land-based casinos that are not applied to online gaming. Some countries have a gaming monopoly, in which only one operator is permitted, while others have established systems in which several operators can be licensed to offer online games.

In some cases, gaming operators that are licensed in one EU country offer games in other member states.

An increasing number of countries have therefore introduced national regulations. This means that gaming operators, and in some cases also providers, must apply for country-specific licences, pay local taxes and be subject to national monitoring.

Regulation is an important growth factor for the Live Casino market, because it brings more potential end users and gives operators greater opportunities to promote the product. Since Evolution is a provider, new legislation tends to affect the company indirectly. In 2019, the Dutch and Swedish markets have introduced new regulation.

In addition, the US state of New Jersey has regulated its market for online gaming products. Additional states are assessed to open their markets in the coming years.

## Our operations

Evolution offers a market-leading Live Casino platform that simultaneously handles hardware, software, video, employees and user data, giving the operators a complete Live Casino offering and the end users a unique gaming experience.



### Technical platform

Evolution continually invests in the technical platform that forms the basis of the company's operations. Investments relate to servers and adapted hardware such as video recording devices, card scanners and dealer computers.

The company has a stable and reliable technical system that manages all data traffic and integration with the gaming operator's system. The technology is designed to be able to handle large amounts of data, while being scalable. Evolution has also built its own video coding solution with the aim of ensuring continuous video streaming in HD or the format that best fits the end users' capacity. In 2018, system availability was 99.92 percent, excluding scheduled maintenance.

### SYSTEM AVAILABILITY

▼

**2018**  
**+99.92%**

### Mission Control Room

Mission Control Room (MCR) is the heart of Evolution's operations. MCR is responsible for ensuring operational excellence, system availability, security and regulatory compliance.

All active games at all studios run by the company are monitored and controlled 24 hours a day, in real time – often with thousands of simultaneous gamers. Key areas that are monitored include equipment, Game Presenters and gaming patterns – all with the aim of optimising security and providing protection against fraud. MCR's central hub is based at the production studio in Latvia. Secondary MCRs are also available at other studios as part of the company's continuity planning. MCR ensures the scalability of Evolution's business, as several studios can be monitored from one place. Some markets, like New Jersey, however required a locally present MCR.



### Customised services

The Live Casino product is a strategically important tool for operators that want to achieve brand differentiation and strengthen loyalty to their players.

Evolution has many years of experience of offering completely dedicated tables and environments, where virtually everything can be customised to the preferences of the individual operator.

### Distribution channels

Evolution offers end users simple access to Live Casino games via all major platforms.

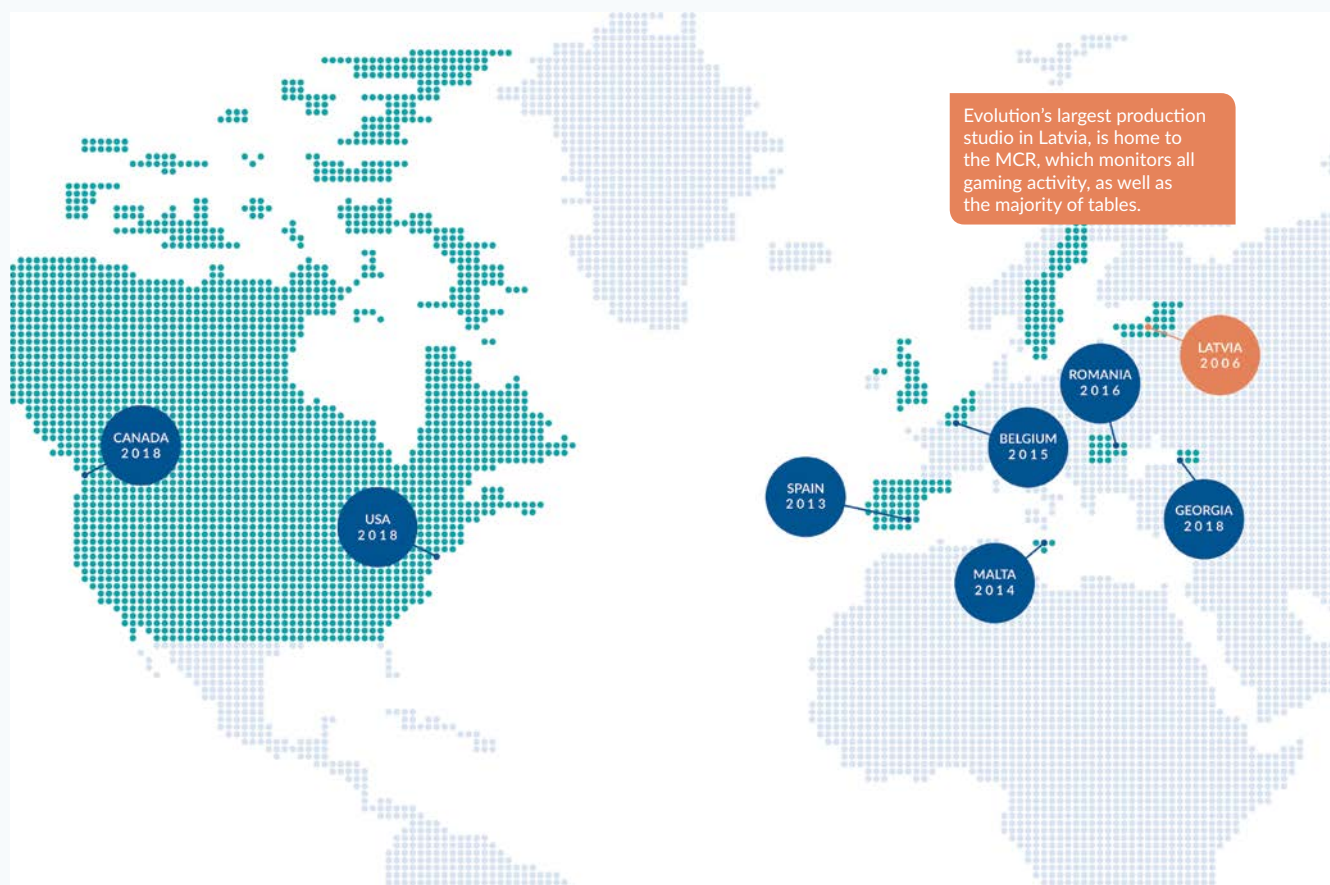
Over recent years, mobile gaming has increased significantly, and in 2018, 61 percent of gaming revenues generated via Evolution's platform stemmed from mobile devices.

Mobile devices are expected to continue gaining in popularity. All mobile games are built in HTML5 to ensure smooth integration with the operator's mobile websites and apps.

## Our global locations

In 2018, Evolution made its first footprint outside Europe with its new studios in Vancouver, Canada and Atlantic City, New Jersey.

### STUDIOS AND PRESENCE WORLDWIDE



#### STUDIOS

Belgium  
Canada  
Georgia  
Latvia  
Malta  
Romania  
Spain  
USA

#### OFFICES

Canada  
Estonia  
Georgia  
Latvia  
Malta  
Netherlands  
Romania  
Sweden  
United Kingdom



### The art of studios

Evolution provides its services through Live Casino studios across Europe, and since 2018 also from Canada and the USA. The company has three main production studios, which serve as hubs for a clear majority of the markets where Evolution's games are offered. One is located in Riga, Latvia, one is in Luqa, Malta, and another one is located in Tbilisi, Georgia. The latter was opened in 2018 to meet the high demand in Europe and ensure continued expansion over the next 2-3 years. The operations in Riga are conducted with primarily English-speaking game presenters serving both generic and dedicated tables. In Malta, there are mainly international game presenter teams serving regulated markets such as Denmark and Sweden. In Tbilisi, a mix of English-speaking and international game presenter teams are working. Together they provide approximately 550 tables for Evolution's customers.

Besides the production studios, Evolution also operates satellite studios in Belgium, Romania and Spain. They have been built to meet the national gaming regulations requiring a land-based presence in each market.

Evolution also operates on-premise dedicated studios for customers in Belgium, as well as Dual Play tables built at the premises of land-based casinos in the United Kingdom, Malta, Romania, Georgia and the USA.

In 2018, Evolution opened two new studios outside Europe, one in British Columbia, Canada and one in New Jersey, USA. The studios have been built to cater for growth in North America and will be able to serve operators in additional provinces and states in the future.

## Case study: Our first USA landmark studio

# Evolution live with first USA Live Casino studio, Atlantic City, New Jersey

The new purpose-built Live Casino production studio for the US market is Evolution's ninth Live Casino studio worldwide. From launch, the studio served end users of several strong online casino brands, including 888casino, Resorts Casino Hotel, Hard Rock Hotel & Casino Atlantic City, and Rush Street International.

### HIGHLIGHTS



**10 TABLES  
STREAMING  
LIVE**



**6 GAME  
TYPES**



**1<sup>ST</sup> DUAL  
PLAY**

AVAILABLE FROM US  
FOR WHOLE NETWORK





The New Jersey studio launch is another significant milestone in Evolution's growing North American presence, which also includes a dedicated Live Casino studio for Canada — opened in Vancouver in January 2018 — as well as a number of Evolution Dual Play (on-premise and online) Roulette tables for the Atlantic City gaming floors of Resorts Casino Hotel and Hard Rock Hotel & Casino Atlantic City.

The studio and supporting infrastructure provide a state-of-the-art B2B Live Casino solution for multiple operators wishing to offer world-class Live Casino gaming to online players on desktop, tablet and smartphone. Initially the studio offers a wide range of Evolution game variants: American (Double Zero) Roulette, Blackjack with side bets and Bet Behind, Baccarat, Three Card Poker and Ultimate Texas Hold'em Poker, plus Auto Roulette.

Further game launches and additional tables, including dedicated tables that can be used by operators for live sporting event promotions and to cross-promote land-based casino attractions, for example, all form part of the studio's expansion plans.

So far, employment opportunities have been created for 100+ people. Recruitment continues, and further jobs will be created as studio operations expand.



“We are now extremely well placed to support our licensees as they acquire and grow market share in the exciting new US Live Casino market.”

**MARTIN CARLESUND**  
Group CEO Evolution Gaming

## Case study: Lightning Roulette

# Adding 500x multipliers to the classic game has resulted in record breaking results

Lightning Roulette is a unique extended online Live Roulette game that has proved to be immensely popular with end users across Evolution's operator network. This game represents a new take on Roulette with seamless blending of high-payout random RNG (Random Number Generator) elements, up to 500x multipliers and the live wheel. It has been Evolution's fastest growing game in the history of the company.

## HIGHLIGHTS



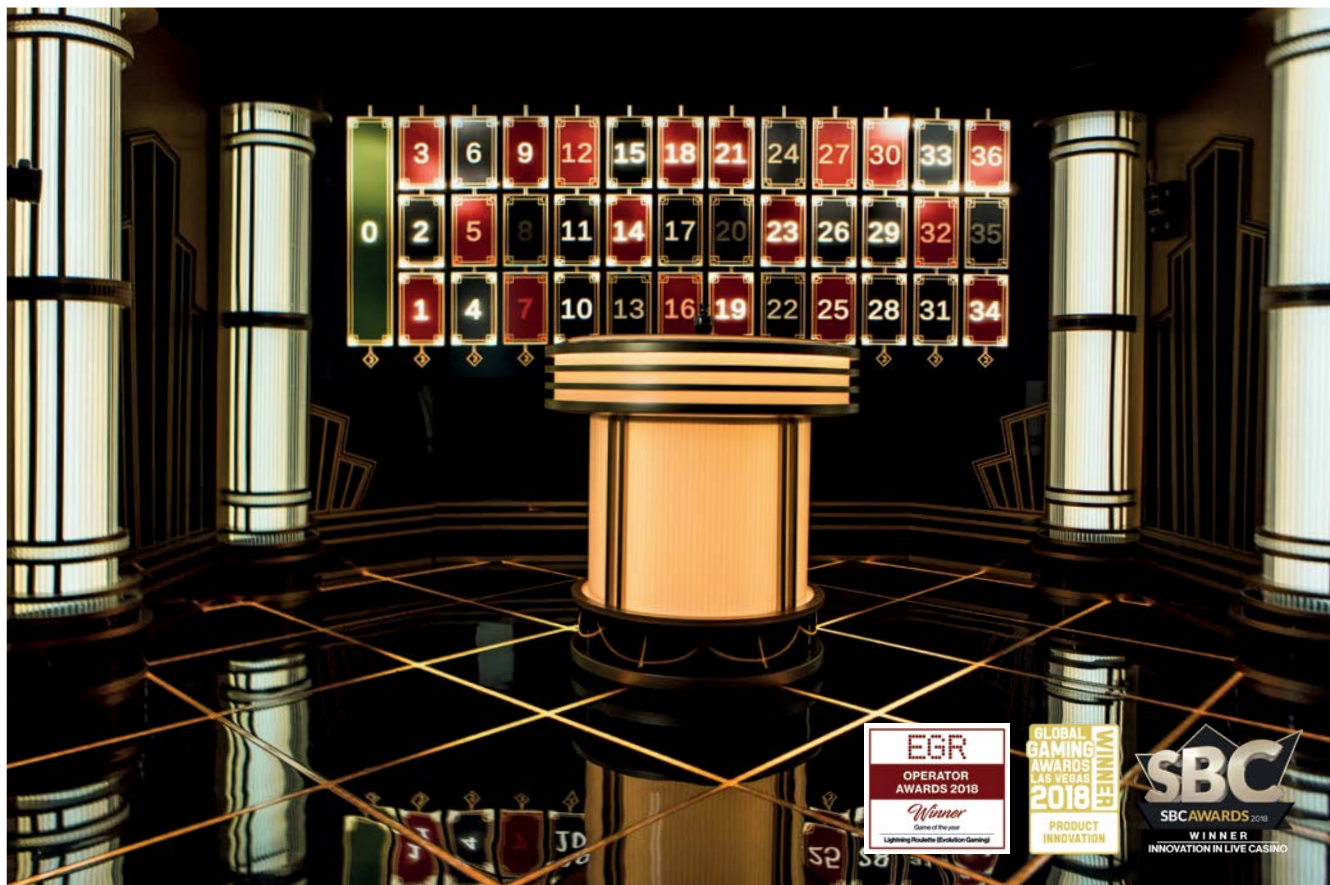
**RNG  
ELEMENTS**



**GAME SHOW  
STYLE STUDIO  
DESIGN**



**50X TO  
500X  
MULTIPLIERS**





Lightning Roulette is an example of how Evolution is continuously renewing the Live Casino vertical and is at the absolute forefront of innovative development. Within four months of launching, Lightning Roulette, which is unique to Evolution's platform, became one of the most popular games in the market and Evolution's top performing table across the network.

The reason for this is the multipliers. In every game of Lightning Roulette, one to five numbers are randomly struck by lightning and those lucky numbers then offer payouts from 50x to 500x if the ball falls in that number. This game uses a normal Roulette wheel, and then employs the use of a RNG to determine which numbers are the lucky "Lightning Numbers" and how big their payouts will be. This seamless blending in of high-payout RNG elements with the live wheel keeps all the familiar elements of classic Roulette and adds in massive payouts, proving to provide a gaming experience that players love.

During the course of 2018, Lightning Roulette received industry recognition where it won three awards, including Game of the Year at the EGR Operator Awards, voted for by operators shortlisted for an award themselves; Product Innovation of the Year at the Global Gaming Awards held during the G2E exhibition in Las Vegas, the award targeted the best innovation in both the online and land-based categories; and finally Innovation in Live Casino at the Sports Betting Community (SBC) Awards.



"Combining digital random number generators with the Live Roulette wheel, has never been done before and in doing so gives players the possibility to win up to 500x their bet, which has proven to be immensely popular."

**TODD HAUSHALTER**

Chief Product Officer and Games Operations,  
Evolution Gaming

## Our world-leading Live Casino games portfolio

Every Evolution Live Casino game is 'as real as it gets', offering end users an online live gaming experience that's just like playing in a real casino.



### ►► NEW GAME 2018

#### Infinite Blackjack

Infinite Blackjack is Evolution's first totally scalable Live Blackjack table, providing an innovative solution that guarantees players a Blackjack seat at all times, in contrast to traditional Blackjack tables where only seven seats are available at each table.

A limitless number of players are dealt the same initial two-card hand, but thereafter each player can make their own betting decisions and end with a different hand. This is achieved through advanced software which combines the live dealing of both physical and virtual cards to each individual player. This enables the dealing of individual hands for each player at the table, irrespective of how many players there are at any given time.

Infinite Blackjack has proven to be very popular with players and will be added to Evolution's New Jersey offering during 2019 to service players in the US market.

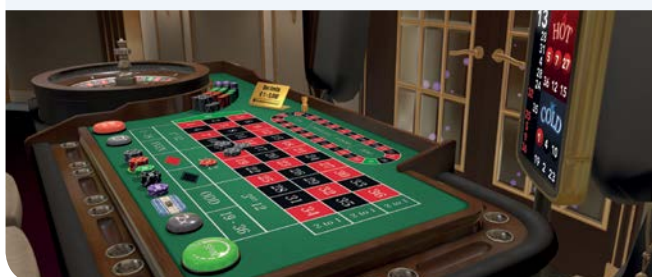
This game has provided Evolution with a platform for launching further Blackjack innovations, which can be seen in the recently announced new game Free Bet Blackjack, which will be rolled out during 2019.



### ►► NEW GAME 2018

#### Dragon Tiger

Dragon Tiger is a scalable, fast, simple game often described as a two-card version of Baccarat. Designed to fit into Evolution's Baccarat suite, the Dragon Tiger environment exemplifies Evolution's attention to detail with the visually rich studio design and light and sound effects, which are synchronised to game outcomes.



### ►► NEW GAME RANGE 2018

#### Salon Privé

Salon Privé is a collection of single-player Roulette, Blackjack and Baccarat games dedicated to super-VIP players. Entry is subject to minimum bankroll requirement with players receiving the highest levels of personal one-to-one service. The unique enhanced player control at the tables, allows players to request a new dealer or a new shuffle and determine when the deal/spin happens, so they can play at their own pace.

### ►► NEW GAME RANGE 2018

#### First Person Roulette and Blackjack

The First Person range of games are Evolution's first RNG (Random Number Generator) product offering and combine the best of the RNG and Live Casino worlds. Each First Person game features a 'Go LIVE' button that allows players to go directly to an Evolution Live Casino game with a consistent UI and rules across the First Person and Live games.

The games blend superior 3D rendering and animation to deliver an immersive RNG gaming experience. There are also significant opportunities for operators to fully customise these games to their own brand's look-and-feel.



### ►► NEW GAME 2018

#### Football Studio

Football Studio is a simple two-card game set in a live football-themed studio with a video-animated bluescreen backdrop. Game Presenters host the game in a sports commentator style and discuss live football fixtures in real-time.



## ►► PLAYER FAVOURITE

### Dream Catcher

Launched in 2017, Dream Catcher quickly became a player favourite across the network and the first game in the then-new Money Wheel category. The vertically mounted, super-sized wheel was custom-made and includes unique 2x and 7x multiplier segments.

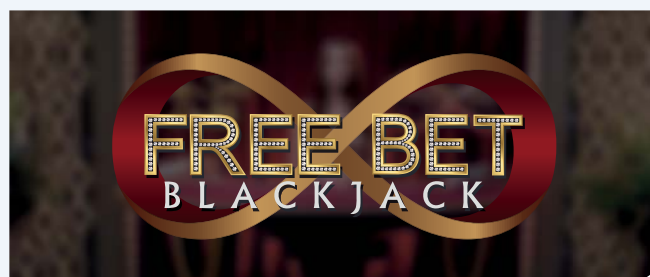
It is intentionally simple and friendly to play, and with the potential for the 2x and 7x multipliers to keep hitting sequentially, players can win thousands of times their initial bet, just like in slots.

This game is targeted at enabling operators to cross-sell live into other player verticals. It also fits into Evolution's Game Show category of games, with engaging hosts providing a unique gaming experience for players, where they can enjoy playing along at home.

## ►► EVOLUTION GAMING INNOVATIONS

### 2019 releases

A whole host of new games are scheduled for rollout during 2019, including some well-known household names and in-house developed innovations.





## ►► CLASSIC GAME

### Live Roulette

A classic that has been part of Evolution's offering since inception. A dealer throws a ball against the rotational direction of the wheel and the end user bets on a number, colour or combination of both. In addition to the original game, Evolution offers several derivatives:

IMMERSIVE ROULETTE

SPEED ROULETTE

IMMERSIVE LITE

AMERICAN ROULETTE DOUBLE ZERO

SALON PRIVÉ ROULETTE

13 NATIVE SPEAKING ROULETTES

DOUBLE BALL ROULETTE

MINI LIVE ROULETTE

SLINGSHOT AUTO ROULETTE

## ►► CLASSIC GAME

### Live Blackjack

Another classic in which the end user tries to get a hand of cards that adds up closer to 21 than the dealer's hand.

Evolution's Bet Behind allows additional end users to participate by betting on those sitting at the table. Available in several derivative formats, including:

SALON PRIVÉ BLACKJACK

BLACKJACK PARTY

MULTIPLE VIP VARIANTS

NEW JERSEY BLACKJACK



## ►► CLASSIC GAME

### Live Baccarat

Evolution offers the market's most casino realistic Baccarat experience with bean-shaped tables, dark cards, roads and the squeeze — which can be controlled by the end users themselves.

SALON PRIVÉ BACCARAT

BACCARAT SQUEEZE

BACCARAT CONTROL SQUEEZE

SPEED BACCARAT

NO COMMISSION BACCARAT



## ►► CLASSIC GAME

### Poker Suite

With a wide range of Poker variants, including exclusive titles not available from any other Live Casino provider through partnerships with Scientific Games and Games Marketing, Evolution's Poker portfolio offers players the ultimate Poker selection.

LIVE CASINO HOLD'EM

LIVE ULTIMATE TEXAS HOLD'EM

LIVE THREE CARD POKER

LIVE TEXAS HOLD'EM BONUS POKER

LIVE CARIBBEAN STUD POKER

### Progressive Jackpots

Three unique shared Progressive Jackpots are available — Jumbo 7 Jackpot on Live Casino Hold'em, a Progressive Jackpot on Live Caribbean Stud Poker and the First Five Jackpot on Live Texas Hold'em Bonus Poker.

The Progressive Jackpots on each table offer players extra chances to win with progressively increasing top prizes and no cap on prize values, as well as lower-level fixed prizes on offer in every game round.



## ►► LAND-BASED OFFERING

### Dual Play

Streaming live games from a live studio in a land-based casino is another exciting way to harness the power of Evolution's world-leading live games. Such a solution extends the gaming floor and provides the basis for a seamless service (including a single loyalty and bonusing system) that brings together and co-promotes the traditional club and online services.



Our Dual Play installations include:

LIVE AT DRAGONARA CASINO, PORTOMASO, MALTA

LIVE AT THE HIPPODROME CASINO, LONDON, UK 2 TABLES

LIVE AT GRAND CASINO, BUCHAREST, ROMANIA

LIVE AT GENTING CASINO INTERNATIONAL, BIRMINGHAM, UK

LIVE AT GENTING CASINO MANCHESTER, MANCHESTER, UK

LIVE AT THE PALM BEACH CASINO, LONDON, UK

LIVE AT GROSVENOR VICTORIA CASINO, LONDON, UK 2 TABLES

LIVE AT SL (SHANGRI LA) CASINO, TBILISI, GEORGIA

LIVE AT CASINO MALTA, ST. JULIAN'S, MALTA

LIVE AT LES AMBASSADEURS CLUB, LONDON, UK 2 TABLES

LIVE AT CASINO AVIATOR, TBILISI, GEORGIA

LIVE AT RESORTS CASINO HOTEL, ATLANTIC CITY, NEW JERSEY

LIVE AT HARD ROCK HOTEL &amp; CASINO ATLANTIC CITY, NEW JERSEY

## Our growing customer base

Evolution's customer portfolio includes the majority of Europe's largest online operators and a growing number of land-based casinos. The main growth will derive from the existing customer portfolio, since operators generally extend the scale of their live offerings. Evolution can also follow existing customers into new markets as more countries become regulated.



### Customer portfolio

Evolution's customer portfolio consisted of approximately 200 customers at the end of 2018, and comprises online operators and land-based casinos. The online operators can be divided into sportsbook operators and online gaming operators.

Sportsbook operators focus primarily on games and betting on various sports, but they also offer casino products, where the conversion between Live Casino and live betting is high. Sportsbook operators often run successful campaigns and specific activities within the framework of their live offerings in connection with major sports events, such as the FIFA World Cup which took place in 2018.

Online gaming operators often provide a broad portfolio of RNG games, such as slots, as well as casino games with Live Casino comprising a crucial role to differentiate the offering from other operators.

The land-based casinos have begun to a greater extent to expand online and Evolution strives to be the natural partner in this transition. At the end of 2018, Evolution's customer portfolio included 12 (9) land-based casinos.

In addition to customers for whom Evolution provides direct integration, there are also several platform partnerships in which the company's Live Casino product forms part of a total solution with several product verticals. Evolution is included among platforms at Microgaming, EveryMatrix, BetConstruct and SBTech.

### New customers in 2018

Evolution announces all new customers classified as Tier 1, i.e. customers of strategic, financial or other significance.

In 2018, agreements were signed with British Columbia Lottery Corporation (BCLC), Global Gaming, ATG, Svenska Spel, Ocean Resort Casino, Hard Rock Hotel & Casino, Les Ambassadeurs Club, and Palm Beach Casino, to name a few.

### Growth among existing customers

A key aspect of the company's strategy is to increase its 'share of live' among existing customers via new product launches, services and adaptations. Evolution also follows existing customers to new regulated markets, such as the USA. 2018 was yet another record-breaking year in terms of the number of dedicated tables and environments, and many customers chose to expand with more environments with different content and themes.



### Customer dependency

A majority of Evolution's largest customers have strengthened their focus on Live Casino in recent years, although 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 7 (9) percent of revenues in 2018, and the five largest customers accounted for roughly 32 (38) percent of revenues.

#### Customer dependency (% of revenues)

YEAR	2016	2017	2018
TOP 1-5	47%	38%	32%

### Risk assessment for new customers

As a B2B provider, Evolution's revenues are generated via gaming operators and casinos. The company has stringent monitoring processes in place to detect attempts at fraud and money laundering, but it is the operators that handle all monetary transactions with their end users.

To satisfy regulatory requirements and further minimise the risks, the company has established due diligence processes for when new agreements are signed and to continually evaluate existing customers. Evolution is always able to discontinue its services to operators that fail to comply with the relevant regulations, or that in some other way jeopardise Evolution's market position and/or gaming licences.



# SUSTAINABILITY THROUGH INTEGRITY

DIALOGUE WITH STAKEHOLDERS

SUSTAINABILITY POLICIES

RESPONSIBLE GAMING

LICENSES

SECURITY

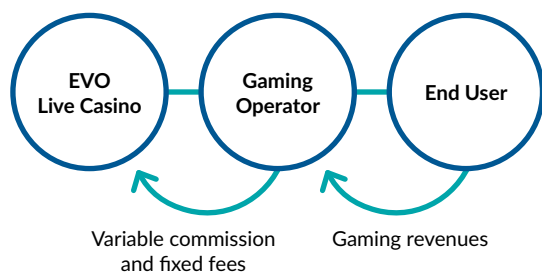
FAIR AND ADMIRABLE EMPLOYER

WORK ENVIRONMENT

EVOLUTION ACADEMY



# Sustainability report

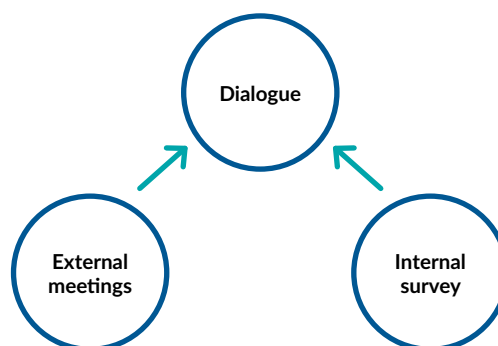


## Business model

Evolution develops, produces, markets and licenses fully integrated Live Casino solutions for gaming operators.

The gaming operators then market and offer the products to their end users.

For a detailed description of the company's business model, please refer to page 10.



## Stakeholders and stakeholder dialogue

Evolution continuously engages in dialogues with the company's stakeholders, primarily through meetings with customers, suppliers and shareholders.

Internally, a yearly employee survey is carried out to identify strengths and improvement areas.

## DIALOGUE WITH STAKEHOLDERS

 Business partners	Stakeholder	Type of dialogue	Key topics 2018
	<ul style="list-style-type: none"> <li>Current customers</li> <li>Future customers</li> <li>Suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Individual meetings</li> <li>Exhibitions</li> </ul>	<ul style="list-style-type: none"> <li>New products</li> <li>Expansion with a new studio in Georgia and New Jersey</li> <li>Due diligence and Code of Conduct</li> </ul>
 Capital markets	Stakeholder	Type of dialogue	Key topics 2018
	<ul style="list-style-type: none"> <li>Shareholders</li> <li>Investors</li> <li>Analysts</li> </ul>	<ul style="list-style-type: none"> <li>Individual meetings</li> <li>Quarterly presentations in connection with financial reports</li> <li>Seminars and conferences</li> <li>AGM</li> <li>E-mail</li> </ul>	<ul style="list-style-type: none"> <li>Expansion to New Jersey</li> <li>Growth from other markets</li> <li>Acquisition of Ezugi</li> <li>Code of Conduct implementation</li> <li>Product development</li> <li>Regulation</li> <li>Diversity and employer responsibility</li> </ul>
 Employees	Stakeholder	Type of dialogue	Key topics 2018
	<ul style="list-style-type: none"> <li>Current employees</li> <li>Future employees</li> </ul>	<ul style="list-style-type: none"> <li>Intranet</li> <li>Employee workshops and town halls</li> <li>Employee survey</li> <li>Performance meetings</li> <li>Training</li> <li>Interviews</li> </ul>	<ul style="list-style-type: none"> <li>Introduction of a global Employer Branding and Internal Communications function</li> <li>Code of Conduct implementation</li> <li>Recruitment for new studios in Canada, Georgia and New Jersey</li> <li>Work environment</li> <li>Competence development</li> <li>GDPR implementation</li> </ul>

## Sustainability policies

Evolution's Board of Directors has implemented a group-wide Code of Conduct. The purpose of the Code of Conduct is to ensure that the company and its employees comply with applicable laws and regulations and put the company's core values into action in everyday work situations.

The Code of Conduct is applicable to all employees of Evolution worldwide and is available on Evolution's website and Intranet.

Moreover, Evolution expects its customers, suppliers and business partners to adhere to standards similar to those reflected in the Code of Conduct in the conduct of their own businesses.

The Code of Conduct includes guidance in the following areas:

- Anti-bribery and anti-corruption
- Competitors and community
- Employer and employee responsibilities and expectations
- Environment
- Insider information and insider trading
- Responsible gaming
- Responsibility to shareholders

The company has also introduced a whistleblower function, through which employees can report any suspicions about potential breaches of the Code of Conduct.

In addition to the Code of Conduct, Evolution has the

following group-wide policies covering sustainability related topics :

- Data protection and privacy policy
- Communication policy
- Risk Management policy
- Financial policy
- Work environment policy
- Global HR policy
- Discrimination policy
- Equality plan

The company's policies are implemented through communication and trainings. The policies are reviewed annually and the result of the objectives of the policies are part of the company's risk assessment process.

## Sustainability risks

Evolution's operations are exposed to certain risks that are associated with the sustainability area. These risks are:

- Political decisions and other legal aspects
- End users
- Dependence on key personnel and skilled employees
- Risk management
- Tax situation

For a detailed description, please refer to page 50.

# SUSTAINABILITY ASPECTS IN EVOLUTION'S OPERATIONS

## Responsible gaming

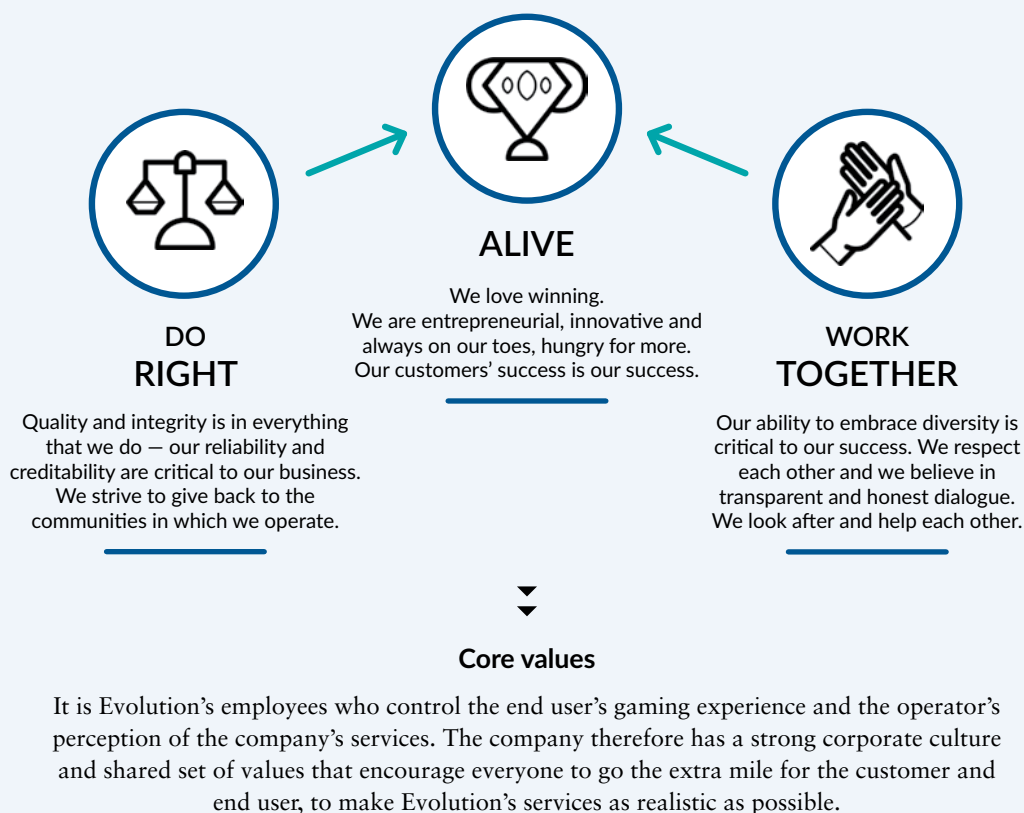
Evolution is committed to promoting responsible gaming practices as well as highlighting the awareness of gambling problems, and the company has extensive experience from working together with regulatory bodies when entering regulated markets, where the issue often is of high priority.

Even though Evolution as a B2B provider does not have a direct business relationship with the end users, the company wants the end users to have a positive experience with its products, while being aware of the social and financial risks that can be associated with gambling-related problems.

Evolution requires its licensees to adhere to responsible gaming practices through its agreements, and also provides training for all relevant categories of employees on how to detect high-risk behaviour and other issues related to responsible gaming. Evolution can also provide technical support to help the operator offer gaming limits, in which end users can restrict how much money they play for, or set a limit as to how much they can lose.

Evolution's game integrity and risk department consists of around 80 people. All tables, games, transactions, volumes and behaviour patterns are monitored in real time, 24 hours a day. With tens of thousands of concurrent players and millions of bets each day, heavy requirements are put on Evolution's internal systems and processes. One of the most important strategic objectives is to offer a safe gaming environment without compromising the in-play experience.

Evolution donates funds every year to the Responsible Gambling Trust, a support organisation to tackle gambling dependency in the UK which is the company's largest market measures in gaming revenues. The company also wants to promote the responsible marketing of Live Casino games and supports the Code of Advertising Gaming and Gambling developed by the UK sector organisation CAP (Committee of Advertising Practice).



## Licenses

Evolution endeavours to be the most reliable and transparent Live Casino provider in the market and therefore holds all the licences and certifications Evolution considers to be necessary to maintain the highest international standards in terms of regulatory compliance and security.

Evolution is licensed and regulated by:

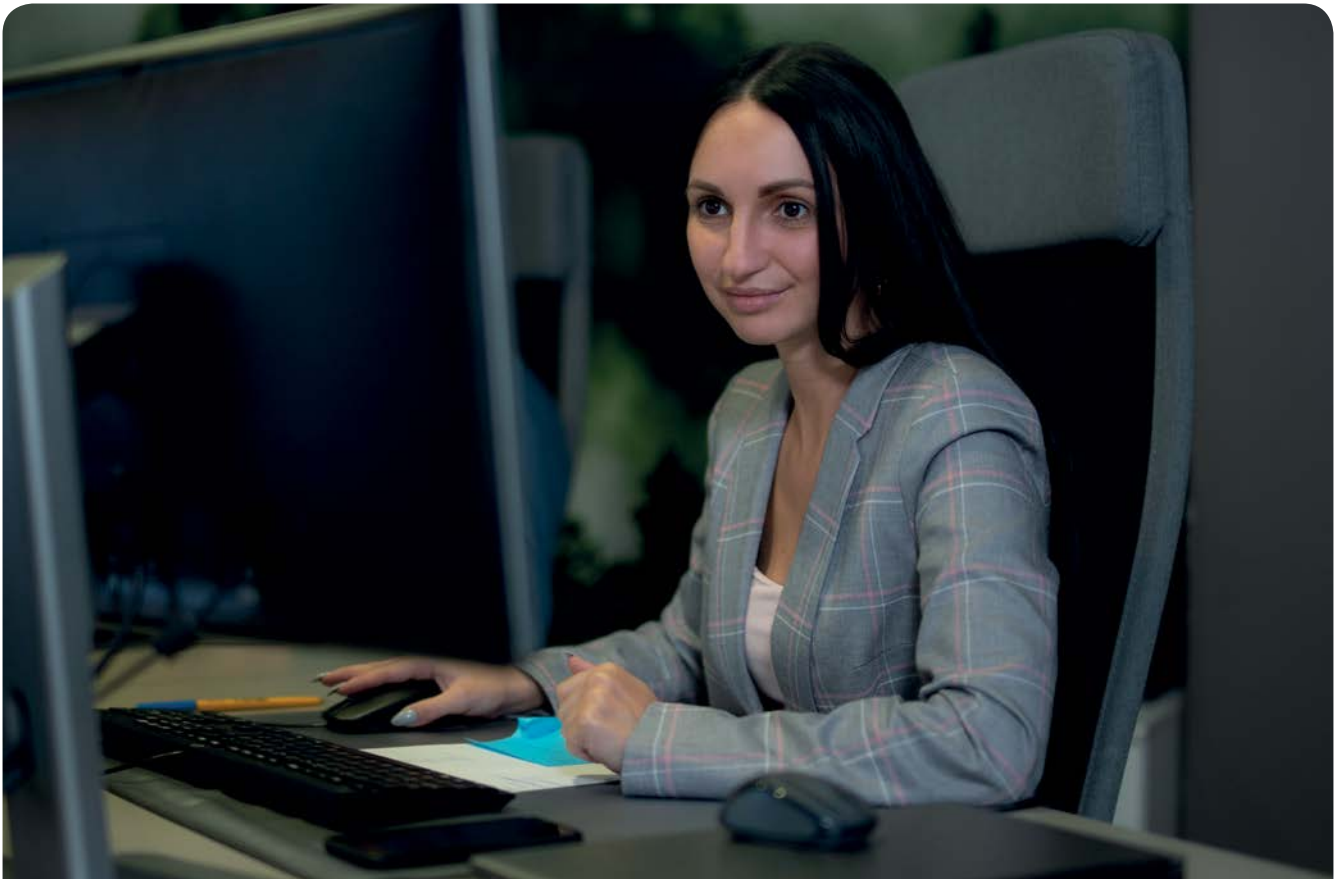
- Malta Gaming Authority – Critical Gaming Supply License
- Alderney Gambling Control Commission – Category 2 eGambling License
- Alderney Gambling Control Commission – Core Services Associate Certificate
- UK Gambling Commission – Remote Operating License (to operate a casino)
- UK Gambling Commission – Remote Gambling Software License (to manufacture, supply, install or adapt gambling software)
- Division of Gaming Enforcement, State of New Jersey, USA – Transactional waiver for Evolution Gaming's CSIE license application in New Jersey, USA
- Kansspel Commissie (Belgium Gaming Commission) – Vergunning klasse E (Class E License)
- Romania National Gambling Office – Class II License

- Gaming Policy and Enforcement Branch (British Columbia, Canada) – Gaming Services Provider (Class B Supplier)
- The Lotteries and Gambling Supervisory Inspection of Latvia – License for rendering gambling services

The licensors perform regular reviews to ensure that Evolution complies with the licensing requirements.

In addition, Evolution is certified by AMS (Amministrazione Autonoma Monopoli di Stato) in Italy, SKAT (the Danish tax authority) and DGA (Danish Gaming Authority) in Denmark, and DGOJ (Dirección General de Ordenación del Juego) in Murcia, Spain.

In addition to licenses and certifications with a direct impact on the company's capacity to offer its services, Evolution has, since 2015, also been part of the Latvian government's In-Depth Cooperation Programme and is ranked as Gold level (out of Gold, Silver and Bronze). The programme is an initiative aimed at increasing cooperation between the government and industry. To be included in the programme, a company must meet certain criteria on matters relating to financial position, number of employees, wage levels and tax payment history.



### **Anti-bribery, anti-corruption and anti-money laundering**

Through the Code of Conduct, Evolution has clear guidelines on how to prevent corruption, bribery and money laundering. Relevant employees undergo mandatory training related to these issues. In addition, background checks are carried out on employees, customers and larger suppliers.

As Evolution doesn't manage any monetary flows from end users, the practical anti-money laundering work primarily lies with the operators. Regardless, Evolution remains committed to the global effort to combat money laundering and the financing of terrorism and has established processes to prevent Evolution's products to be used for money laundering. The company monitors all game activities around the clock (as described in the section Responsible gaming). This proactive approach allows Evolution to identify potential irregular activities and inform the operators. This in turn allows operators to take immediate steps to prevent their service from being used for fraud or money laundering purposes.

### **Information Security**

Gaming security is of the utmost importance for Evolution to maintain confidence in the market. Evolution holds a, ISO 27001:2013 certification, the highest ISO standard for IT security. The audit process was carried out in Latvia, since most of the company's operations and its platform are based there, and is a confirmation that Evolution has successfully organised its processes in a way that safeguards confidentiality, integrity and availability of information and data.

### **Data Protection and Data Privacy**

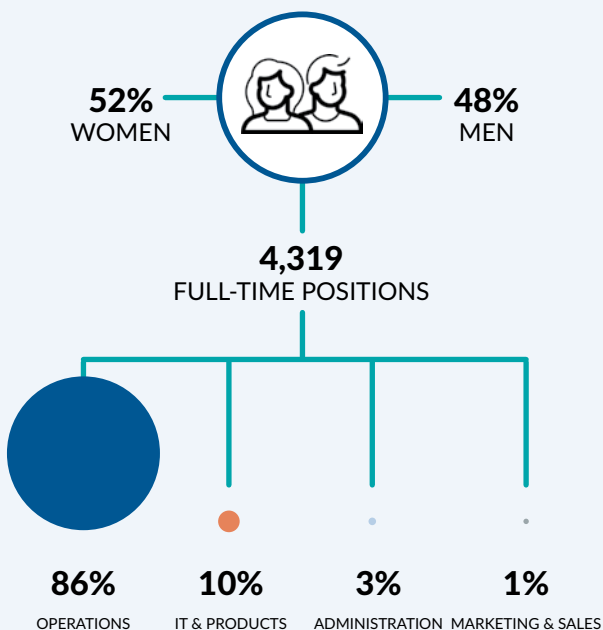
Evolution's operations demand a worldwide coordinated response to data protection and data privacy related issues. Evolution has implemented processes for compliance with Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data ('GDPR') and other applicable local laws relating to data protection and data privacy. Evolution has appointed a Data Protection Specialist for ensuring compliance with applicable laws. During 2018 no substantiated complaints regarding data breaches were reported.

### Fair and admirable employer

Evolution strives to be an attractive employer offering competitive salaries and benefits programs, a challenging and social working environment and considerable development opportunities. The company operates under the notion that a strong corporate culture, which promotes both a positive employee experience and keeps the customer and the end user at the core, is what ultimately brings the unique Live Casino experience that Evolution offers.

Evolution employees are based at the company's studios and offices in Latvia, Georgia, Malta, Belgium, the United Kingdom, the United States, Estonia, Romania, the Netherlands, Sweden, Spain and Canada. Newcomers join a fast-paced international environment with a wealth of career paths. The vast majority work within the operative gaming side of the business, with game presenters, i.e. dealers, comprising the largest group. Evolution is also an attractive employer to software engineers thanks to its innovative profiling and advanced pioneer technology. The company's IT units, of about 400 people, comprise of highly skilled experts across multiple technology fields. Many employees, particularly on the operations side, are part-time students, who when they have completed their studies they can opt to seek challenges as full-time employees within the company.

To fulfill the constant recruitment need driven by the increase in demand of service, Evolution undertakes a number of activities directed to potential employees, including cooperation with the universities in key markets, job fair hosting and presence, IT-conference hosting and presence as well as various digital and OOH campaigns.



### Engaging work environment

Building on the company's core values and the central premise that all employees play a strategic important role in the business, Evolution is committed to providing a working environment where people want to work, challenge themselves, perform and develop a rewarding career.

Equality and diversity efforts are an integral part of day-to-day operations and throughout all aspects of employment. Evolution offers an inclusive workplace where every individual is valued and has similar access to working conditions, compensation and benefits as well as possibilities and career opportunities regardless of age, disability, ethnicity, gender, nationality, religion or other belief system, sexual orientation or transgender identity or expression.



### Evolution Academy

Evolution Academy is located in the production studios and is responsible for the recruitment and initial and ongoing training of all gaming personnel — from game presenters to card shufflers and customer service personnel.

The Academy is set up just like a real Live Casino studio, to provide training that is as realistic as possible. The normal training period for a new game presenter is roughly 100 hours, after which a three-month trainee period begins.

Each newly recruited employee is assigned a mentor and continues to undergo training after the trainee period has come to an end, in order to further develop their skills and minimise the risk of gaming mistakes. Throughout their employment, all personnel continue to undergo training based on their results, but also in conjunction with the launch of new games or other new technical features. Training in gambling addiction awareness, legislation, money laundering and other areas of control form a key part of the training activities.



### Human rights and compliance with labour law

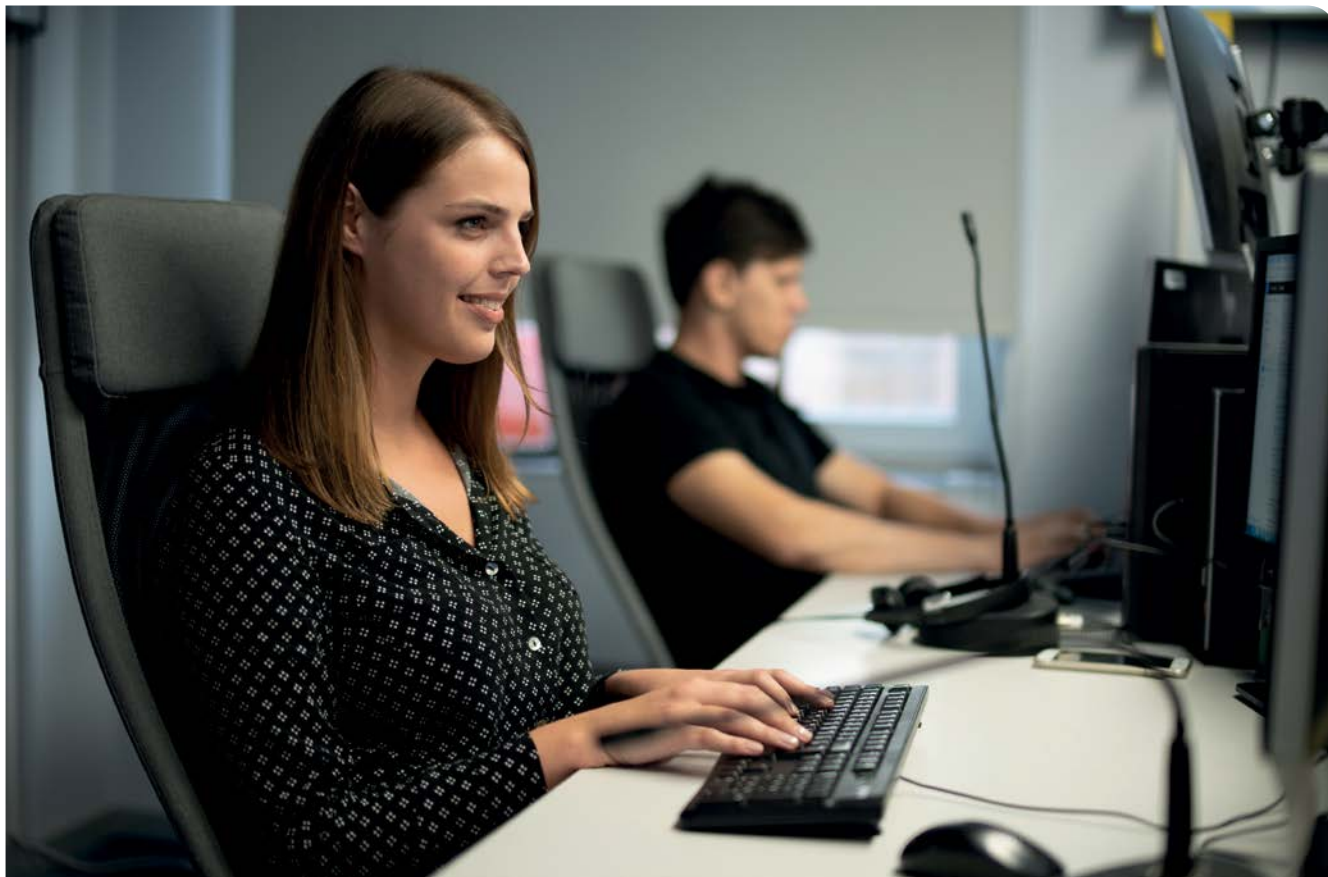
Evolution supports and respects the protection of human rights. Through appropriate due diligence checks, the company secures that it is not co-operating with parties that violate human rights. Evolution further commits to full compliance with labour laws and rights, laws on fees and taxes and occupational health and safety laws.

### Dialogue with community

Evolution engages in various activities to the benefit of the community where it has its main studio activities and majority of employees. In 2018, Evolution's employees across multiple sites took part in reoccurring blood donation days, clothes donations initiatives and around Christmas, the company engaged in activities directed to children in need, in collaboration with organisations like Family Support Centre "Lejasstrazdi" and Valsts Sociālais Aprūpes Centrs.

### Environmental responsibility

Through its digital nature, Evolution's operations have a relatively limited environmental impact and the company has therefore not implemented any specific environmental targets. However, the company is committed to minimising its environmental impact and contributing to a more sustainable community through optimisation of energy consumption e.g. by virtualisation of servers and using videoconferencing instead of travel where possible, changing to LED technology and motion sensors, adhering to energy efficient IT technology purchasing and implementation, recycling of materials used in the business and conducting awareness trainings and communications in energy efficiency to the employees. Evolution's largest office in Riga, Latvia is ISO 50001 certified. Apart from energy consumption in the company's studios, business travel constitutes Evolution's largest footprint; however, only a limited group of employees (group management and sales team) travel on a regular basis as part of their work duties.



## AUDITOR'S REPORT ON THE STATUTORY SUSTAINABILITY REPORT

To the general meeting of the shareholders in Evolution Gaming Group AB, corporate identity number 556994-5792.

### Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2018 on pages 34-41 and that it has been prepared in accordance with the Annual Accounts Act.

### The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12. The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

### Opinion

A statutory sustainability report has been prepared.

Stockholm, 28 March 2019

Öhrlings PricewaterhouseCoopers AB

Niklas Renström

Authorised Public Accountant

## A unique record of innovation and growth

From a small studio with only a handful of co-workers in Riga in April 2006, Evolution has grown into a leading provider with the majority of European tier 1 operators as customers, 550 tables in studios and environments in nine countries and with game experiences for all types of end users — from high rollers to mass market.

### 2006

- Evolution is founded
- Launch of production studio in Riga
- Launch of Live Roulette, Blackjack and Baccarat

### 2007

- First licence agreements with Gala Coral, Rank, Expekt, Victor Chandler and William Hill

### 2012

- First Live Casino provider to be certified in the newly regulated Danish market
- Fourth core game Live Casino Hold'em is launched

### 2011

- First Live Casino provider to be certified in the newly regulated Italian market
- Moved to a larger studio in Riga
- Started streaming in HD quality

### 2013

- Games launched on smartphones and tablets
- Evolution certified and offers games from a land-based casino in the Spanish market

### 2014

- Launch of Live Three Card Poker
- New production studio opened in Malta
- Immersive Roulette is named EGR Game of the Year

### 2016

- Launch of Live Ultimate Texas Hold'em
- Satellite studio opened in Romania
- Dual Play Roulette tables launched at two casinos in London
- Evolution has more than 100 customers and 300 live tables

### 2017

- Dream Catcher money wheel launched with instant success
- Build of a third European central studio in Georgia
- Start of construction of a studio in Canada, its first outside Europe
- The company's shares are moved from First North to the Nasdaq Stockholm main market, immediately joining the large cap segment

**2009**

- An operator moves Live Casino to its website's top navigation
- Popularity among end users increases quickly
- A larger production studio is built in Riga to meet growing demand

**2010**

Named Live Casino Supplier of the Year for the first time and Rising Star Software Provider at the EGR B2B Awards in London

**2015**

- Launch of Live Caribbean Stud Poker
- Dual Play Roulette became a key product in the marketing to land-based casinos
- Satellite studio opened in Belgium
- The company's shares are listed on Nasdaq First North

**2018**

- Launch of studios in Canada, Georgia and New Jersey



Crowned Live Casino Supplier of the Year for ninth successive year, and awarded Multi-Channel Supplier of the Year for the first time at the EGR B2B Awards

- Launch of Lightning Roulette and Infinite Blackjack



Lightning Roulette wins three Game of the Year awards at the EGR Operator Awards, Global Gaming Awards and Sports Betting Community Awards

- Acquisition of Ezugi

**EXPANSIONS AND LAUNCHES****Evolution's expansion in regulated markets**

**2011** Italy



**2012** Denmark



**2013** Spain



**2014** Malta



**2015** United Kingdom



**2015** Belgium



**2016** Romania



**2018** Canada



**2018** Georgia



**2018** USA

**Evolution's game launches**

**2006** Live Roulette

Live Blackjack

Live Baccarat

**2012** Live Casino Hold'em

**2014** Live Three Card Poker

**2015** Live Caribbean Stud Poker

**2016** Live Ultimate Texas Hold'em

**2017** Dream Catcher

Live Casino Hold'em Jumbo 7 Jackpot

Live Caribbean Stud Poker

Progressive Jackpot

**2018** Lightning Roulette

Salon Privé range

Live Dragon Tiger

Live Infinite Blackjack

Football Studio

First Person Roulette

First Person Blackjack

Live Texas Hold'em Bonus Poker

First Five Jackpot

# The Evolution share

Evolution Gaming is listed on Nasdaq Stockholm in the large cap segment with the ticker EVO.

## Listing

Evolution's shares commenced trading on the Nasdaq First North Premier exchange on 20 March 2015. The company was approved for listing on the main market of Nasdaq Stockholm in June 2017, with the first day of trading on 7 June 2017.

## Share capital

On 31 December 2018, the share capital amounted to EUR 539,555.655, divided between a total 35,970,377 shares, each with a nominal value of EUR 0.015. All shares belong to the same class of shares, with equal voting rights and shares of the company's capital and profit.

## Trade in the share

The closing price on the last trading day of the year, 28 December 2018, was SEK 509.50, corresponding to a market capitalisation of about SEK 18.3 billion. A total 38,243,495 shares were traded during the year, corresponding to a value of SEK 22.1 billion. The average number of shares traded per trading day was 152,974. At the close of trading on the final trading day of the year, the share price had declined by SEK 71 since year-end, corresponding to a decrease of 12 percent. Total return amounted to negative 11 percent based on EUR exchange rate of SEK 10.00.

## Analyst coverage

At year-end 2018, analysts from ABG, Barclays, Carnegie, Danske Bank, DnB, Handelsbanken, Kepler Cheuvreux, Nordea, Pareto and SEB had an active coverage of the Evolution share.

## Shareholders

On 31 December 2018, Evolution had 12,875 known shareholders, compared with 14,310 at the end of 2017. The company's ten largest shareholders accounted for 60 percent of the share capital and votes. Shareholders disclosed as based in Sweden accounted for 45 percent of the capital.

## Dividend

The company's Board of Directors proposes that the 2019 Annual General Meeting approve a dividend of EUR 1.20 (0.90) per share for the 2018 financial year, representing a payout ratio of 52 percent (52). The company's dividend policy is to distribute at least 50 percent of the annual consolidated net profit over time.

## Investor Relations

Evolution's financial communication shall be characterised by correct, clear and relevant information that facilitates the understanding of the company's business model, strategy and financial development. Evolution provides its shareholders and other stakeholders with identical information simultaneously in matters that may affect the valuation of the company's shares. The company publishes interim reports, annual reports and press releases that are available on: [www.evolutiongaming.com/investors](http://www.evolutiongaming.com/investors).

It is also possible to subscribe to news via the website.

## 2019 Financial Calendar

Interim report January-March: 25 April 2019

Annual General Meeting: 26 April 2019

Interim report January-June: 19 July 2019

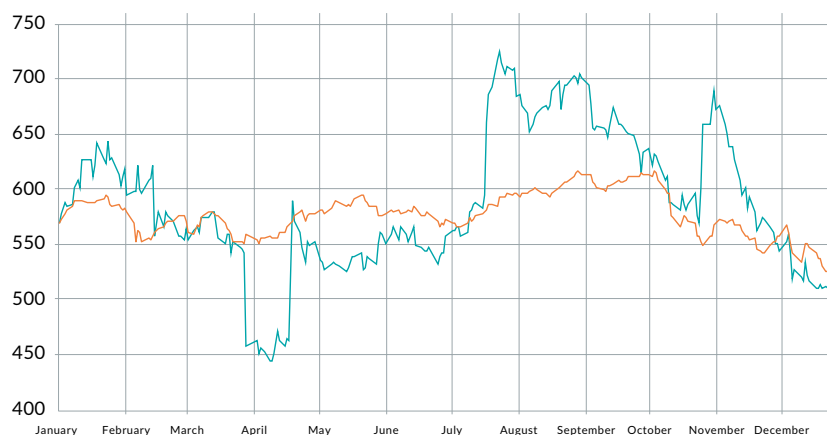
Interim report January-September: 24 October 2019

Year-end report: February 2020

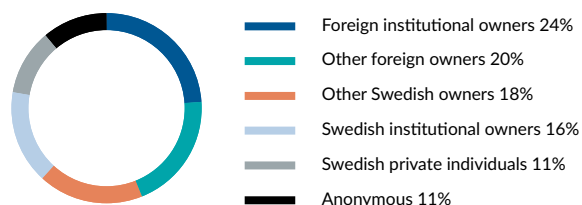
## SHARE PRICE PERFORMANCE 2018

Evolution Gaming Group

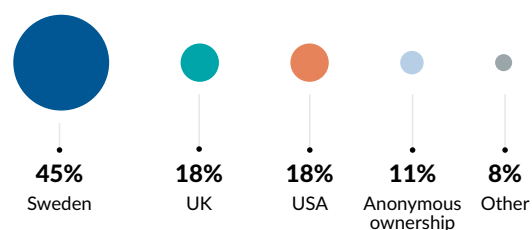
OMXS



## TYPE OF OWNERS



## OWNERSHIP DISTRIBUTION BY COUNTRY



## 10 LARGEST SHAREHOLDERS AS OF 31 DECEMBER 2018

Shareholder	Number of shares	Capital and votes
Richard Livingstone	5,950,032	16.5%
Österbahr Ventures AB	5,457,944	15.2%
Capital Group	3,696,506	10.3%
Swedbank Robur Funds	3,133,741	8.7%
1832 Asset Management	682,488	1.9%
Vanguard	653,377	1.8%
Avanza Pension	536,552	1.5%
SEB Funds	518,649	1.4%
Henric Wiman	488,711	1.4%
Norges Bank	474,861	1.3%
<b>Total, 10 largest shareholders</b>	<b>21,592,861</b>	<b>60%</b>
<b>Other shareholders</b>	<b>14,377,516</b>	<b>40%</b>
<b>GRAND TOTAL</b>	<b>35,970,377</b>	<b>100%</b>

## SHARE DATA

Share data	2018	2017	2016
Earnings per share (EUR)	2.32	1.73	0.88
Dividend (EUR per share)	1.20	0.90	0.45
Payout ratio	52%	52%	51%
Shares outstanding at the end of the year	35,970,377	35,970,377	35,970,377
Average number of shares outstanding	35,970,377	36,337,046	36,178,211
Share price on the last closing day of the year	509.50	580.5	259.5
Dividend yield	2.36%	1.55%	1.60%
Total return	-10.7%	125.4%	-14.3%
Number of shares traded	38,243,495	23,766,674	20,495,321
Market capitalisation at year-end	18,327	20,881	9,334
Number of shareholders	12,875	14,310	9,189

Source: Evolution Gaming and Monitor by Modular Finance AB. Compiled and processed data from various sources, including Euroclear, Morningstar and the Swedish Financial Supervisory Authority (Finansinspektionen).



# GOVERNANCE

DIRECTORS' REPORT

CORPORATE GOVERNANCE REPORT

OUR BOARD OF DIRECTORS

OUR MANAGEMENT TEAM



## Directors' report

The Board of Directors and the Group CEO of Evolution Gaming Group AB (publ) 556994-5792 ("Evolution") hereby present the annual accounts for the Group and the Parent Company for the 2018 financial year.

### Operations

Evolution develops, produces, markets and licenses fully integrated Live Casino solutions to gaming operators. In Live Casino, a game presenter, i.e. dealer, runs the game from a casino gaming table that is followed in real time via a video stream. End users, i.e. the players, make betting decisions on their devices (computers, smartphones, tablets, etc.).

Evolution is a B2B supplier and, at the end of 2018, the Company had approximately 200 customers, including a majority of the foremost online casino operators in Europe and the USA as well as a number of land-based casinos. The operators market the products to the end users.

Evolution's Live Casino platform is unique in its kind and covers all aspects required by a gaming operator – from the recruitment and training of game presenters and other staff to streaming, production, supervision, customer services and follow-up. Operators are offered a fully customised solution with a high degree of adaptability such as standard and VIP tables, control of how the environment looks and dedicated dealer teams. The Company has a broad portfolio of core games including both classic table games and new innovative casino games. Various game derivatives are also available, i.e. variations of the core games with new technical solutions and new content.

Evolution has production studios in Riga, Latvia, Tbilisi, Georgia and Luqa, Malta, where a majority of the operations are conducted. In addition, the Company has studios in Atlantic City, USA and Vancouver, Canada. The Company also runs on-premise studios at land-based casinos in Belgium, Romania, the UK and Spain. The Parent Company of the Group is located in Stockholm, Sweden.

Additional offices are located in London, United Kingdom, Amsterdam, Netherlands and Tallinn, Estonia.

Evolution's revenues consist of fixed and variable consideration from the Company's customers. A majority of the revenue derives from commission, which is calculated as a percentage of the customer's profit generated by the Company's Live Casino platform. Through commission, Evolution gains beneficial exposure to the general growth of the European Live Casino market. In addition to commission, a proportion of the Company's revenue derives from fees for dedicated tables. These are invoiced to customers who have chosen to offer their end users dedicated tables.

### Business concept and vision

Evolution's business concept is to offer gaming operators in regulated markets an unparalleled, locally adapted Live Casino service for all digital platforms. Its mission is to make operators successful and provide an excellent gaming experience for their end users. Evolution's vision is to be the leading Live Casino provider in the world.

### Significant events in 2018

- High expansion throughout the year
- Launch of several new games, including Lightning Roulette and Infinite Blackjack
- Launch of three new studios; Vancouver, Canada, Atlantic City, USA and Tbilisi, Georgia
- Agreements with ATG and Svenska Spel in Sweden
- Expanded partnerships with existing customers, as well as new customer deals with both online and land-based casinos across all markets
- Announcement of acquisition of the Live Casino operations of Ezugi
- The Board proposes a dividend of EUR 1.20 per share (0.90).

### Market

The European Live Casino market developed strongly in 2018 and, according to independent institute H2 Gambling Capital, it had an estimated value of EUR 2,529 million at year-end. The North American Live Casino market had an estimated value of EUR 158.7 million at year-end. Just like the total online gaming market, this development is underpinned by technological progress and new distribution channels, as well as strong demand from gaming operators and their end users. Live Casino has traditionally been an add-on product in operators' online casino interface, but it has now become an integrated and strategically important product since it provides opportunities for brand differentiation.

The growth of Live Casino is also underpinned by new regulated markets. As players in such markets are less used to online gaming, there is generally less confidence in games based on random number generators. Human game presenters who speak the local language improve confidence. Live Casino has therefore turned out to be a good entry-level product when gaming operators launch their brands in new markets.

The tendency among land-based casinos to expand their offering online has contributed to the strong growth of Live Casino.

Evolution has a leading position among Live Casino operators in Europe. The Company intends to continue strengthening its leading position in the market by having a clear focus on activities that promote the business and the offering. The Company envisages the greatest growth coming from an increased proportion of Live Casino revenue from the operators' total casino revenues. The three strategic core areas — product innovation, customer optimisation and operational excellence — are considered to be of particular importance for a continued expansion of the advantage held compared to other players in the market and the creation of a stable foundation for continued growth.

### **New agreements and customers**

In 2018, agreements were signed with, for example, Svenska Spel, ATG, Ocean Resorts Casino, Hard Rock Hotel & Casino Atlantic City, 888casino, PokerStars Casino New Jersey and Les Ambassadeurs Club. Agreements were also concluded with a number of smaller operators and platforms, while many existing agreements were expanded to cover additional services and tables.

### **Revenues and profit**

#### **Revenues**

Evolution's total operating revenues amounted to EUR 245.4 million (178.4) in the financial year ending on 31 December 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 and profit**

Total operating expenses amounted to EUR 155.9 million (111.5). The Company's personnel expenses rose to EUR 97.7 million (72.1), mainly driven by higher expenses for personnel in connection with the launch of new tables in the Company's studios.

Depreciation, amortisation and impairments amounted to EUR 18.2 million (13.8), an increase explained primarily by the expansion of the Company's studios. Other operating expenses rose to EUR 40.1 million (25.6), driven by expenses for premises, consumables and communications. Operating profit for the year amounted to EUR 89.5 million (66.9) with an operating margin of 36.5 percent (37.5).

Financial items only had marginal impact on the profit and amounted to EUR -0.2 million (-0.2).

The Group's effective tax rate for the year amounted to 6.6 percent (6.8). The effective tax rate is chiefly affected by the countries in which Evolution conducts operations and generates profit, which may vary between reporting periods.

Profit for the year amounted to EUR 83.5 million (62.1).

#### **Investments**

The Group's investments in intangible assets amounted to EUR 15.04 million (10.6) in 2018. Investments in intangible assets refer to the development of new games and technical improvements of the platform, such as new functionality. Development projects during the year included the development of new games that will be launched in 2019, but also exclusive content rights.

Investments in property, plant and equipment amounted to EUR 16.26 million (10.2). Investments in property, plant and equipment primarily comprised new studio space and premises, new gaming tables, servers and other computer equipment to meet new technical requirements and maintain capacity and performance in connection with new platform launches.

Investments in computer equipment were also made to meet needs in connection with the organisation's expansion, as well as in studio equipment in the Company's production studio.

#### **Cash and cash equivalents, financing and financial position**

Cash flow from operating activities amounted to EUR 100.0 million (62.5) over the year. The increase is primarily due to an improved profit. Cash flow from investing activities was negative in the amount of EUR 31.6 million (negative 22.4). A description of the investing activities is provided in the Investments section above. Cash flow from financing activities was negative in the amount of EUR 32.6 million (negative 16.9) and primarily consisted of a transfer to the shareholders. Cash and cash equivalents amounted to EUR 85.0 million (49.3) at year-end.

#### **Employees**

As of 31 December 2018, Evolution employed 5,847 (4,014) people, corresponding to 4,319 (3,085) full-time equivalents. The average number of full-time equivalents for the full-year was 3,565 (2,638).

#### **Parent company**

The Parent Company is a holding company that was formed in December 2014. Operating revenues for the 2018 full-year amounted to EUR 6.2 million (6.2) and expenses to EUR 6.0 million (6.1). Operating profit amounted to EUR 0.2 million (0.1). Profit for the period amounted to EUR 74.8 million (49.7). The Parent Company's cash and cash equivalents amounted to EUR 0.5 million (1.0) at the end of the year and equity amounted to EUR 275.7 million (232.1). No significant investments were made in intangible or tangible assets.

During the year, the Company received dividends from the Maltese subsidiary amounting to EUR 75.0 million (50.0).

## Risk factors

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, sustainability and financial risks. When assessing the Company's future development, it is important to take into account the risk factors alongside any opportunities for profit growth. The risk factors are not set out in any particular order, importance or potential impact on the Group's revenue, profit or financial position.

Neither should these be seen as exhaustive, but rather as representing risks that are applicable to Evolution and that are monitored and evaluated by the executive management. In addition, the risks below are not the only risks to which the Group may be exposed. The Company may be unaware of certain risks. Financial risks are described in Note 23 Financial risk management.

### Political decisions and other legal aspects

Evolution generates a majority of its income through the licensing and supply of its software and technology to gaming operators. The Group's business is therefore strongly dependent on the laws and regulations relating to the supply of gaming services. These laws and regulations are complex and inconsistent across jurisdictions and are subject to change as various jurisdictions regulate, deregulate and/or re-regulate the gaming industry. Direct enforcement actions may be taken against a member of the Group or any of its officers or directors, particularly in instances where the provision of the Group's services to a gaming operator is critical to the underlying gaming transactions. Should any of these events occur, the impact could have a material adverse effect on Evolution's business, financial position and profit.

Although the gambling laws and regulations of many jurisdictions do not specifically apply to the supply of services by licensors of gaming software, certain jurisdictions have sought to regulate or prohibit the supply of such services. While Evolution currently holds all licences and certifications deemed necessary to carry out its business, national gambling laws are under review and changing in European countries. The Company may be subject to such laws, directly or indirectly, insofar as it supplies services to customers that are subject to such laws. Changes in the regulatory frameworks of different jurisdictions could impact the Group's business in that such changes may lead to an increase in the number of market participants and competitors, result in customers losing their licences and permits to operate in such jurisdictions or break up monopolistic gaming operators, which could impact the Group's underlying contractual relationships.

Further, many jurisdictions have not updated their laws to address the supply of remote gaming services from other countries, and courts may interpret older legislation unfavourably or determine that the activities of the Group and/or its customers are illegal. For example, a court or

regulator may order that certain equipment be located in the jurisdiction in which products and services are offered, which could materially and adversely impact Evolution's operations and the business of its customers. Furthermore, several European countries have introduced, or are in the process of introducing, new online gaming regulations, which will require online gaming operators, and in some cases even providers, to hold, e.g., a country specific licence, pay gaming taxes, operate from a country domain and report gaming statistics in order to bring operators (and end users) under supervision. Although Evolution monitors the regulatory environment, legislation could be interpreted in an unfavourable or unanticipated manner. If regulatory or enforcement actions are brought against any of Evolution's customers, the Group's revenue streams from such customers may be frozen or traced by authorities, even if no Group entity is made a party to any legal proceedings against such customers. As a result, end users may face problems transferring funds in and out of certain jurisdictions, which may impact payments to gaming operators and hence Evolution.

In addition to gaming laws and regulations, Evolution is subject to a wide variety of laws and regulatory requirements. For example, the Group must comply with anti-money laundering regulations, market abuse regulations, data protection and privacy regulations (including GDPR), and is required to share bet and other transactional data with local regulators in certain markets. Compliance with all such laws and regulations is complex and expensive. The Company's non-compliance or deemed non-compliance with any of these other laws and regulatory requirements could result in sanctions. Any failure by Evolution to comply with these other laws and regulatory requirements could have a material adverse effect on the Group's business, financial position and profit.

### Operations subject to official approval

Evolution has obtained and is obliged, given the nature of the software, services and technology it supplies, to maintain its licences and certifications in a number of jurisdictions, and may in the future be required to obtain licences and/or certifications in other jurisdictions. If any of these are withdrawn or are not renewed on equivalent terms (e.g. where there is change in view as to what equipment needs to be located locally), the Company may not be able to continue to operate and offer services in certain jurisdictions. Additionally, to the extent that Evolution is unable to obtain requisite licences and/or certifications in jurisdictions, particularly with respect to jurisdictions that fall within or are comprised of newly regulated markets, the Company may not be able to follow customers into these jurisdictions and newly regulated markets. In such an event, customers may turn to competitors that are licensed and/or certified in the applicable jurisdiction, or that become licensed and/or certified before Evolution does. Any failure to renew or obtain any such licence or certification could have a material adverse effect on the Group's business, financial position and profit.

Evolution's customers operate in a regulated industry, the laws and regulations of which are in a constant state of change. Various jurisdictions have implemented changes to their markets by introducing regulatory frameworks and licensing requirements. In addition to complying with local laws governing general business operations, the Company's customers may be required to adapt to new licensing regimes and conditions, such as the requirement to establish real-time data interfaces with the local regulator or pay retrospective taxes as a condition for the granting of a licence to operate in a particular jurisdiction. If the Company's customers refrain from entering newly regulated markets, or decide to exit markets in which they currently operate, due to changes in the local regulatory or licensing framework thereof, the Company's growth strategy and customer base could be adversely impacted.

#### **Disruptions to operations and information security breaches**

Evolution's ability to provide its software to gaming operators depends upon the integrity, reliability and operational performance of its systems. The functioning of the IT systems within the Group's operations, or that of its providers or partners, could be disrupted for reasons beyond its control. Furthermore, there may be technological challenges in rolling out new products and services.

Any such disruption or event may lead to customer claims against the Group or otherwise negatively impact the Group's ability to sell products and services to its customers due to reduced confidence. Any interruption in the systems could have a negative effect on the quality of products and services offered by Evolution and, as a result, on demand from customers and their end users. The Group's success depends, in part, on providing secure products and services to customers for use by their end users. Attempts to penetrate security measures may come from various combinations of customers, end users, employees and others. The Group's IT systems are ISO-27001:2013 certified and the ability to monitor and ensure the quality and integrity of Evolution's products and services is continuously reviewed and evaluated.

#### **End users**

Although Evolution does not provide its services directly to end users, people who play Live Casino games with an operator via the Company's platform could sue the Company in its capacity of a developer and facilitator of games. While such claims against Evolution are likely to be dismissed, they could give rise to expenses and reduce confidence in the Group or impact its customers.

#### **Dependence on key personnel and skilled employees**

The majority of Evolution's employees operate, organise and oversee operations at the gaming tables. Approximately 80 percent of the Group's full-time employees working on tables as hosts and dealers. These employees possess language, dealer and other trade skills that are essential to the day-to-

day operations. Evolution aims to be an attractive employer and invests significantly in the training and development of its staff. In the ordinary course of operations, the Company experiences employee turnover with respect to employees working on tables, and such turnover can at times be significant. The loss of a significant number of its employees or any of its key employees, or any increased expenses that the Group may incur in order to retain any such employees or hire and train new employees, could have a material adverse effect on the Group's business, financial position and profit.

In addition, Evolution's business is dependent on a number of key individuals, senior executives and persons with specialist skills. These key individuals have established good relationships with market participants and have a thorough understanding of the complex environment in which the Group operates. Accordingly, these key individuals are central to the successful development of Evolution's business. If any of these individuals terminate their relationships with the Group, or materially change or reduce their roles within the Group, Evolution may not be able to replace them or their services on a timely basis with other professionals capable of making comparable contributions to operations.

#### **Dependence on major customers**

In 2018, the top five customers (in terms of revenue generated) contributed 32 percent of Evolution's revenue.

The Group's revenue stream from these sources may be adversely impacted by any deterioration or decline in the business of these five customers, or if one or more of these customers opted to use a competitor of the Company for its Live Casino solutions. The reduction in revenue generated from, or loss of, one or more of these five customers could have a material adverse effect on the Group's business, financial position and profit.

#### **Counterparty risk**

Evolution is subject to counterparty risks, primarily the risk of payment default by operators. Although the Group conducts credit checks for new customers and has historically experienced low levels of payment default by its customers, the rate of customer default may rise or increase in the future. In particular, such risk may increase if Evolution were to expand into new markets where customers are less financially stable. Any payment defaults by operators could have a material adverse effect on the Group's business, financial position and profit.

#### **Competition**

Evolution operates in a competitive industry. Competition is expected to continue to intensify as new Live Casino providers enter the market and existing providers improve and expand their product and service offerings. If Evolution fails to compete effectively, it may result in a loss of customers and an inability to attract new customers, which could have a material adverse effect on the Group's business, financial position and profit. The Company's objective is to strengthen

its leading market position and retain existing and attract new customers by developing its successful Live Casino platform further while focusing on a number of areas considered to be of strategic importance for continued growth.

### Intellectual property rights

Evolution's ability to compete effectively depends, amongst other things, on its ability to protect, register and enforce its intellectual property rights. The Group also faces the risk that the use and exploitation of its intellectual property rights, including, in particular, rights relating to its software, may infringe the intellectual property rights of a third party. The expenses incurred in bringing or defending possible infringement actions may be substantial, regardless of the merits of the claim, and an unsuccessful outcome for the Company may result in royalties or damages being payable and/or the Company being required to cease using any infringing intellectual property or embodiments of any such intellectual property. The Group is also dependent on know-how and trade secrets, and it strives to protect such information by, for example, maintaining confidentiality agreements with employees, consultants and partners.

However, it is not possible to ensure total protection against unauthorised distribution of information and competitors, and others may gain access to such information, which may lead to the value of such information diminishing or competitors gaining an advantage, which in turn could have a material adverse effect on the Group's business, financial position and profit.

### Risk management

Evolution is exposed to the risk of money laundering and fraudulent activities by its customers, end users and third parties, as well as the potential collusion by operators and end users. The Group has implemented internal control systems and established a primary mission control centre in Latvia that monitors transactions, volumes and patterns, but these systems may not always succeed in protecting the Group from money laundering and fraud. To the extent that the systems are not successful in protecting the Group from money laundering or fraud, or if Evolution fails to comply with applicable regulations, the Group and its directors could be subject to criminal sanctions or administrative and civil fines and could directly suffer loss, the revocation of concessions and licences, operational bans, or lose the confidence of the customer base, all of which could have a material adverse effect on the Group's business, financial position and profit. In addition, effective internal controls are necessary for Evolution to provide reliable financial information and effectively prevent fraud. While the Group applies procedures and a system of internal control whereby internal risks are assessed, and the Group's Risk Committee meets on a quarterly basis to discuss and address potential risks, it is possible that the Group will not successfully manage internal risks or identify areas requiring improvement in the internal controls.

### Tax situation

Evolution primarily conducts its business through subsidiaries that are active in the geographic markets in which it operates. The business, including intra-Group transactions, is conducted in accordance with the Company's interpretation of applicable laws, tax treaties and other regulations concerning taxes and the practice of tax authorities in the relevant countries.

Evolution has obtained advice from independent tax advisors in this respect, but there is a risk that tax authorities in relevant countries may make decisions that deviate from the Group's interpretations and the advice received from independent tax advisors. In addition, the Group's interpretation of applicable laws, tax treaties, regulations and administrative practice may be incorrect and such rules may change, possibly with retroactive effect (in particular with regard to Maltese VAT legislation and the right of companies to deduct VAT). Furthermore, the Company has been advised that, to the extent that an individual ordinarily resident and domiciled in Malta acquires 5 percent or more of the Company, although the tax refunds in Malta should not be limited, certain Maltese withholding tax obligations may be imposed in respect of dividends attributable to such individuals. Regulatory or legislative changes, or decisions by tax authorities, may impair the present, future or previous tax position of Evolution, which could have a material adverse effect on the Group's business, financial position and profit.

### Events following the balance sheet date

On 9 January 2019, Evolution completed the acquisition of the business of Ezugi, a live dealer gaming provider. The all-cash deal was carried out with an initial consideration of USD 12 million and possible additional consideration of a maximum of USD 6 million. It 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.

### Proposed appropriation of profits

The Board of Directors proposes that the 2018 Annual General Meeting approve the transfer to shareholders of EUR 43,164,452 (32,373,339), corresponding to EUR 1.20 (0.90) per share.

#### The following earnings are at the disposal of the Annual General Meeting

Statutory reserve	200,390,761
Profit for the year	74,787,978
<b>Total</b>	<b>275,178,739</b>

#### The Board of Directors proposes the following appropriation

Dividend to shareholders	
EUR 1.20 per share (35,970,377 x 1.20), totalling	43,164,452
To be retained	232,014,287
<b>Total</b>	<b>275,178,739</b>

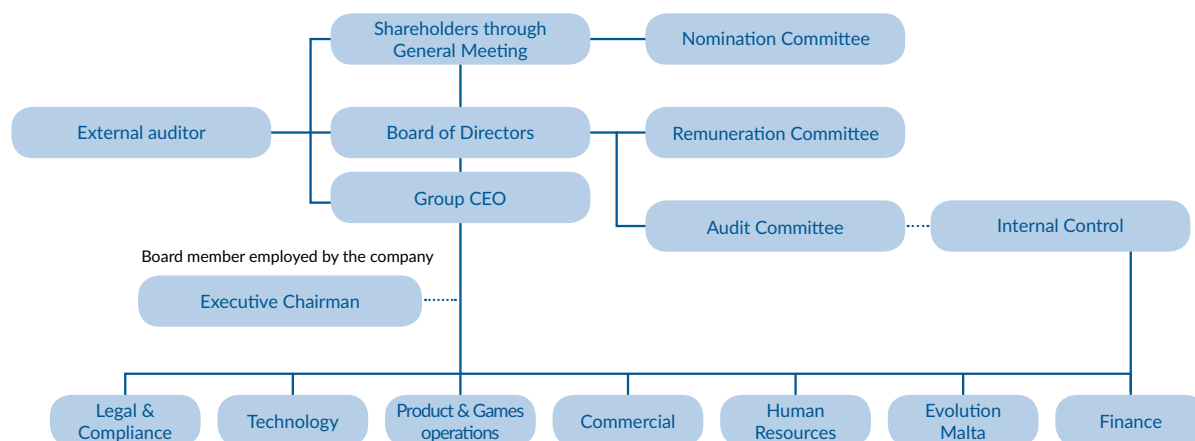
With reference to the above and to what has otherwise come to the Board of Directors' knowledge, the Board of Directors believes that a comprehensive assessment of the Parent Company and the consolidated financial position indicated that the dividend is justified taking into account the demands that scope and risks of the operations place on the scope of equity in the Parent Company and the Group and on the consolidation needs, liquidity and financial position in other regards of the Parent Company and the Group.

The Group's and the Parent Company's positions as at 31 December 2018 and the profit of the operations for the 2018 financial year are stated in the following income statements and balance sheets, cash flow statements, statements of changes in equity and notes to the financial statements.

# Corporate governance report

Evolution Gaming Group AB (publ) ("Evolution") is a Swedish public limited company that was formed in December 2014 and that is listed on the Nasdaq Stockholm exchange. Evolution applies the Swedish Companies Act, EU Market Abuse Regulation, the Swedish Code of Corporate Governance (the "Code") and other regulations and rules applicable to companies listed on the Nasdaq Stockholm exchange including Nasdaq Stockholm's Rule Book for Issuers. The current Code is available at the Swedish Corporate Governance Board's website [www.bolagsstyrning.se](http://www.bolagsstyrning.se).

## Evolution's corporate governance model



## Ownership and voting rights

At the end of 2018, the share capital in Evolution amounted to EUR 539,555.655, divided between a total 35,970,377 shares with a nominal value of EUR 0.015 each. All shares belong to the same class of shares, with equal voting rights (one vote per share) and shares of the company's capital and profit. On 31 December 2018, there were 12,875 shareholders. At the same point in time, the company's largest shareholders were Richard Livingstone with 16.5 percent of the share capital and votes, Jens von Bahr and Fredrik Österberg (through Österbahr Ventures AB) with 15.2 percent of the share capital and votes, and Capital Group with 10.3 percent of the share capital and votes.

The ten largest shareholders represented 60 percent of the share capital and votes. Further information about the company's share and shareholders is presented under "The Evolution share" on page 44 and on the company's website.

## General Meetings

The Annual General Meeting is Evolution's highest decision-making body, at which shareholders exercise their influence on the company. All shareholders registered in the company's CSD register who notify the company in time of their attendance are entitled to attend the General Meeting and vote for all of their shares. The company's Annual General Meeting is held in the spring. The date and venue are announced in

connection with third interim report at the latest. Information on how shareholders can have a matter considered at the meeting, and when, at the latest, such a request must be received is detailed on the company's website in connection with the publication of the third interim report at the latest. Notice of the Annual General Meeting is published no later than four weeks prior to the meeting through an advertisement in Post- och Inrikes Tidningar (official Swedish gazette) and by posting the notice on the company's website. The company will place an advertisement in Swedish financial daily Dagens Industri that the notice has been issued.

The Annual General Meeting's mandatory duties include making decisions on:

- Adoption of the income statement and balance sheet
- Appropriation of profits and dividend
- Discharge from liability for the Board of Directors and the Group CEO
- Election of the Board of Directors and auditors
- Determination of fees for the Board members and the auditors
- Nomination Committee

At the Annual General Meeting, decisions are normally made by a simple majority of the votes cast. On certain decision matters, however, the Swedish Companies Act requires a proposal to be approved by a larger proportion of the votes

cast. Extraordinary General Meetings may be held when necessary.

### Annual General Meeting 2018

The 2018 Annual General Meeting was held on 20 April 2018 at Strandvägen 7A in Stockholm. At the meeting, 51.1 percent of all shares and votes were represented. A majority of the members of the Board, the auditor and the Group CEO attended the meeting. In addition to customary matters, the Annual General Meeting resolved to amend the articles of association of the company, inter alia to include a possibility to elect the company's auditor for a shorter term than four financial years and make the object of the company more precise to better correspond with the operations of the company. Further the Annual General Meeting resolved to establish an incentive programme involving resolutions on a directed issue and transfers of warrants in the company. The minutes of the meeting, as well as other documentation from the meeting, are available on the company's website.

### Annual General Meeting 2019

The 2019 Annual General Meeting will take place on 26 April 2019, at 2 p.m. at Strandvägen 7A in Stockholm. Notification of the meeting will be issued on the company's website, where requisite documents, such as information providing the basis for decisions, will also be made available prior to the meeting.

### Nomination Committee

The Annual General Meeting determines how the Nomination Committee should be appointed. At the 2018 Annual General Meeting, it was decided that the Chairman of the Board of Directors is to contact the three largest shareholders in terms of votes based on Euroclear Sweden AB's list of registered shareholders on the last business day of August. The three largest shareholders will be given the opportunity to elect one representative each to form the Nomination Committee along with one of the members of the Board of Directors who is independent in relation to the Company's management. If any of these shareholders chooses to waive their right to elect a representative, their right is transferred to the shareholder who, after these shareholders, has the largest share ownership. In preparation for the Annual General Meeting, the Nomination Committee is tasked with presenting proposals regarding:

- The chairman for the Annual General Meeting
- Number of Board members
- Board members and Chairman of the Board
- Board remuneration
- Possible remuneration for committee work
- Auditors and auditors' fees if such a decision is to be made
- Process for establishing the ensuing Nomination Committee.

The proposals of the Nomination Committee are presented in the notice of the Annual General Meeting and on the company's website. The Nomination Committee's mandate period runs until a new Nomination Committee has been appointed under the decision establishing the new Nomination Committee at the 2019 Annual General Meeting.

Member	Appointed by	Independent in relation to the company and its senior management	Share of votes as per 31 December 2018
Ian Livingstone	Richard Livingstone	Yes	16.5%
Peter Ihrfelt (Chairman)	Österbahr Ventures AB	Yes	15.2%
Mats Holmer	Joel Citron	Yes	1%
Cecilia Lager	Board of Directors of Evolution Gaming Group AB	Yes	Nil

### Board of Directors

#### Responsibilities and duties of the Board of Directors

The Board of Directors bears the overall responsibility for the organisation of the company and the management of its affairs and is to work in the interests of the company and all of its shareholders. The mandatory tasks of the Board of Directors include determining the company's overall targets and strategies, evaluating the Group CEO, ensuring that there are systems in place for monitoring and controlling the operations and the risks associated with them, ensuring that there is satisfactory control of the company's regulatory compliance and ensuring that the information issued by the company is characterised by openness and is accurate, relevant and reliable.

#### Instructions and policies

The Board of Directors annually reviews and adopts the following corporate governance related instructions and policies:

- Rules of procedure of the Board of Directors
- Instructions for the Group CEO
- Rules of procedure of the Audit Committee
- Rules of procedure of the Remuneration Committee
- Code of Conduct

## Composition of the Board of Directors

The Board of Directors is appointed by the shareholders at the Annual General Meeting for the period until the end of the next Annual General Meeting and, in accordance with the Articles of Association, shall consist of at least three and at most eight members with no deputies. The Annual General Meeting determines the precise number of members.

At the 2018 Annual General Meeting, Jens von Bahr (Chairman), Joel Citron, Jonas Engwall, Cecilia Lager, Ian Livingstone and Fredrik Österberg were elected as members of the Board of Directors. For further details of each Board Member, see page 64.

In addition to being Board Member, Jens von Bahr is also employed by the company as the Executive Chairman. He is not a member of the company's senior management. Under the terms of his employment, Jens von Bahr shall, in addition to, and separately from, his duties as Chairman of the Board, focus on strategic issues and establish and implement the Group's future growth plans in cooperation with the management team, customers and shareholders. As one of the founders of the Group, Jens von Bahr has special insight into the operations and the Live Casino industry and the markets in which the Group operates or may operate in the future. He also has long-term and valuable relationships with

customers and business partners. Consequently, having access to this experience at both the Board level and in the ongoing operations benefits both the company and its shareholders.

As an employee, the Executive Chairman reports to the Group CEO. The division of responsibilities between the Group CEO and the Executive Chairman is well regulated in the Board's rules of procedure and the company's instructions for the Group CEO. Jens von Bahr does not receive any remuneration for his duties as a member of the company's Board of Directors. In accordance with what was communicated in connection with the listing of the company on Nasdaq Stockholm in June 2017, the company expects that Jens von Bahr's employment also will be re-considered in the future but that the intention is that Jens von Bahr's employment as executive chairman shall continue after the annual general meeting 2019.

Fredrik Österberg has previously been employed by the company as Group Chief Strategy Officer but resigned from this position in April 2018.

Member	Fees and salaries 1)			Independent 3)	Attendance 2)		
	Board fee	Committee fee	Salary		Board meetings	Audit Committee	Remuneration Committee
Jens von Bahr			SEK 4,200,000	No/No	14/14		
Joel Citron	EUR 10,000			Yes/Yes	14/14	4/4	1/1
Jonas Engwall	EUR 10,000			Yes/Yes	13/14	3/4	1/1
Cecilia Lager	EUR 10,000	EUR 20,000		Yes/Yes	14/14	4/4	
Ian Livingstone	EUR 10,000			Yes/No	12/14		1/1
Fredrik Österberg	EUR 6,667		SEK 1,200,000	No/No	14/14		

1. Fees refer to the amounts approved by the 2018 Annual General Meeting. For Board Members who are or have been employees, the stated figure refers to annual salary.
2. Attendance refers to meetings during the 2018 financial year.
3. Independent in relation to the company and the company's management/to the largest shareholders.

## Independence

The number of Board members who are independent in relation to the company is four (67 percent) and the number of Board members who are independent in relation to major shareholders is three (50 percent). Ian Livingstone is not independent in relation to major shareholders as he is closely related to the company's largest shareholder Richard Livingstone who owns approximately 16.5 per cent of the shares and votes in the company. Jens von Bahr and Fredrik Österberg together own approximately 15.2 per cent of the shares and votes in the company (through Österbahr Ventures AB) and are therefore not independent in relation to major shareholders. Since Jens von Bahr is employed by the company as Executive Chairman and Fredrik Österberg has been employed by the company during the previous year they are also not independent in relation to the company or its senior management.

A Board member may not take part in decisions where a conflict of interest may exist. This comprises decisions regarding agreements between a Board member and the company, agreements between the company and third parties in which the Board member has a material interest that could constitute a conflict of interest for the company, as well as agreements between the company and the legal entity that the Board member represents.

## Working procedures and meetings

In addition to laws and recommendations, the work of the Board of Directors is governed by its rules of procedure. The rules of procedure have been adopted by the Board of Directors and include instructions concerning, among other things, Board meetings and their contents, the division of duties within the Board and information to the Board.

## Chairman of the Board in 2018

The Chairman of the Board is appointed by the Annual General Meeting. Jens von Bahr was elected Chairman of the Board by the 2018 Annual General Meeting for the period until the end of the next Annual General Meeting. Jens von Bahr is the Executive Chairman of the Board, meaning that he is employed by the company. See the Composition of the Board of Directors section for further details of what this employment entails.

The Chairman's role is to organise the work of the Board so that it is run efficiently and generates conditions for optimum performance of the Board's commitments.

## Work of the Board of Directors in 2018

The Board of Directors held 14 meetings in 2018, of which one was a statutory meeting, three to approve interim reports and one to approve the year-end report. The Board of Directors was in full attendance at all meetings except two, for further information see table on page 56. All meetings

followed an agenda that, on relevant points, was addressed with documentation provided to members prior to the meetings. As a rule, the meetings are also attended by the company's chief legal counsel as secretary, the Group CEO and CFO.

At each meeting, the Group CEO updates the Board Members on the company's operational and financial development. In addition, various senior executives and the auditor participate if necessary, to present various factual matters. The principal points addressed by Board meetings in 2018 included matters regarding, as well as the approval of the business plan, budget, key policies, and annual, year-end and interim reports.

*The matters addressed by the Board of Directors at the Board meetings in 2018 include:*

- **February**  
Adoption of proposal for the Annual General Meeting to establish an incentive programme directed towards certain employees of the company  
Adoption of interim report for the fourth quarter of 2017
- **March**  
The company's auditor participated in part of the meeting without the presence of CEO or any other member of company management  
Approval of the annual accounts for 2017  
Evaluation of the work of the Board of Directors and the Group CEO  
Approval of the documentation for the 2018 Annual General Meeting
- **April**  
Decision concerning the new studio in New Jersey, USA  
Adoption of interim report for the first quarter of 2018  
Statutory Board meeting
- **July**  
Adoption of interim report for the second quarter of 2018
- **October**  
Adoption of interim report for the third quarter of 2018  
Adoption of various policies
- **December**  
Approval of 2019 budget

## Assurance of quality in financial reporting

The formal work plan adopted annually by the Board includes detailed instructions about which financial statements and what financial information is to be provided to the Board. The Group CEO is responsible for the Board receiving, in addition to the year-end report, interim reports and annual accounts, regular information about the company's financial performance including its financial position and liquidity. The Board of Directors also examines, primarily through its Audit Committee, the most significant accounting principles applied

within the Group in respect of its financial reporting, as well as significant changes in the reporting principles. All Audit Committee meetings are recorded and the minutes kept available to all Board Members and the auditors.

#### **Evaluation of the work of the Board of Directors**

Through a systematic and structured process, the Board shall annually assess its work and the division of labour between individual members. The Chairman of the Board informs the Nomination Committee of the outcome of the evaluation. The Board continuously evaluates the work of the Group CEO and Group management. This evaluation shall be discussed at least once a year at a meeting of the Board without the Group CEO or any other member of Group Management being present.

#### **Remuneration to the Board of Directors**

Remuneration to the Board of Directors is proposed by the Nomination Committee, approved by the Annual General Meeting and paid to Board Members who are not employees of the company. At the 2018 Annual General Meeting, it was decided that a fee of EUR 10,000 should be paid to each Board Member not employed by the company. In addition, fees of EUR 20,000 are payable to the chairman of the Board's Audit Committee. No specific compensation is paid for other committee work.

Jens von Bahr is employed by the company and does therefore not receive any Board fee. Jens von Bahr receives an annual salary of SEK 4,200,000 from the company (including applicable retirement benefits and without entitlement to variable compensation). Fredrik Österberg has not received any Board fee during the time he was employed by the company. During the period of 2018 that Fredrik was still employed by the company he received a total salary of SEK 1,200,000 (including applicable retirement benefits and without entitlement to variable compensation). The fees paid to Jens von Bahr and Fredrik Österberg for their respective positions in the company were approved by an Extraordinary General Meeting on 24 January 2017.

#### **Diversity policy**

The company's Board of Directors has adopted a diversity policy applicable to its own composition. According to this policy, the Board of Directors shall, taking into account the company's operations, stage of development and circumstances, be appropriately composed and characterised by versatility and breadth in terms of the expertise, experience and background of the members elected by the Annual General Meeting. The objective is to seek an even gender distribution on the Board of Directors. Evolution considers diversity important in ensuring that Board Members' profiles provide the necessary range of perspectives, experience and skills required to achieve effective governance. In preparing its proposal for the composition of the Board of Directors, the Nomination Committee takes into account the Code and the Board's Diversity Policy, seeking to achieve diversity on the Board of Directors.

### **Board committees**

The Board of Directors has established a Remuneration Committee and an Audit Committee.

#### **Remuneration Committee**

The Remuneration Committee consists of Joel Citron (chairman), Ian Livingstone and Jonas Engwall. The Remuneration Committee's duties include preparing the following matters for decision by the Board:

- Salary, other remunerations and pension benefits for the Group CEO
- Salary, other remuneration and pension benefits for the Executive Chairman
- The company's remuneration policy and other terms of employment for the company's senior management
- Share option programmes and similar arrangements, as well as other rewards or forms of compensation referred to, target a wider range of Group employees

The Remuneration Committee shall also monitor and evaluate both current and completed variable remuneration programmes for the company's senior management. In addition, the Committee shall monitor and evaluate the application of guidelines for remuneration to senior executives, as well as current remuneration structures and levels in the company. During 2018, two meetings were held, at which all members attended.

#### **Audit Committee**

The Audit Committee consisted in the beginning of 2018 of Cecilia Lager (chairman), Joel Citron and Jonas Engwall. Cecilia Lager resigned from the Audit Committee in July 2018. Joel Citron acceded as chairman as from that date and Fredrik Österberg was appointed as a new member of the Audit Committee. The Audit Committee's tasks include:

- Preparing the Board's work with regard to quality in the financial reporting and processes for managing the business risks of the company and the Group
- Monitoring the company's financial reporting and assisting the Board in assuring the effectiveness of the company's internal control, internal audit and risk management
- Regularly meeting the company's auditors and being briefed on the statutory audit, focus and scope of the audit, as well as discussing the coordination between the external and internal audit as well as the view of the risks in the company
- Establishing guidelines for which services, beyond audit services, the company may purchase from the auditors, as well as evaluating and monitoring the independence of the company's auditors and, in connection with this, paying particular attention to whether the auditor provides additional services to the company beyond auditing

- Evaluating the audit and informing the company's Nomination Committee of the outcome of this evaluation.

The Audit Committee shall also organise a selection process to prepare recommendations of auditors to the Nomination Committee when so required by applicable rules and assisting the Nomination Committee in preparing its proposals on auditors and compensation for auditing. During 2018, four meetings were held with full plenary save from one, during which Jonas Engwall was absent.

### **Division of labour between the Chairman of the Board and the Group CEO**

The company has an Executive Chairman working mainly in the following areas: preparing long-term strategic issues beyond the Group CEO's strategic work within current business plans, ongoing evaluation of strategic partnerships and acquisitions, as well as assisting Group Management in strategic projects and in connection with the recruitment of key competencies. The Group CEO's instructions clarify that the duties of the Executive Chairman as an employee should not interfere with the duties of the Group CEO and that the Executive Chairman may not perform any ongoing management tasks. The Board of Directors' rules of procedure state that the work performed by the Chairman of the Board as an employee is separate from, and in addition to, his work as Chairman of the Board. In addition to duties explicitly in line with his employment contract and the Group CEO's instruction, he may not perform any assignments for the company that go beyond the work of the Chairman of the Board, unless approved by the Board of Directors.

### **Auditors**

Auditors are elected by the Annual General Meeting. The auditor shall examine the company's annual report and accounts as well as the management by the board of directors and the managing director. The auditor shall also examine the group accounts, as well as the relationship inter se of group companies. In accordance with the Articles of Association, Evolution shall have one or two auditors. The auditors shall be appointed for the time period until the end of an annual general meeting held not later than during the fourth financial year after the election. The Annual General Meeting held in 2018 re-elected Öhrlings PricewaterhouseCoopers AB as the company's auditors up until the close of the Annual General Meeting held in 2019. The auditor in charge is Niklas Renström, who was born in 1974 and is an authorised accountant.

### **CEO and Group Management**

Evolution's Group Management has extensive experience and works to achieve long-term profitable growth in line with the company's strategy and vision. The Group CEO is appointed by, and receives instructions from, the Board of Directors. In turn, the Group CEO appoints the other

members of Group Management and is responsible for the ongoing administration of the Group in accordance with the Board's guidelines and instructions. The Group CEO reports to the Board of Directors, ensuring that it receives the information needed to make informed decisions. The Group CEO shall also ensure that matters to be addressed by the Board in accordance with applicable legislation, the Articles of Association and internal policies and guidelines are presented to the Board of Directors. The Group CEO attends, and reports to, all Board meetings, except on those occasion when the Group CEO is evaluated by the Board, such as when the Board meets the company's auditor without management attending. Group Management embodies expertise covering all key areas of the company's business and strategy, including the CEO of Evolution's operating subsidiary Evolution Malta Limited. Evolution Malta Limited has a management team that addresses matters related to the operational activities.

### **Working instructions for the Group CEO**

The Board of Directors has developed and adopted instructions covering the Group CEO's responsibilities and tasks, as well as entitlement to represent the company. Within the framework of applicable laws, the Articles of Association, the Board of Director's formal work plan, the Group CEO's instructions and other instructions issued by the Board, the Group CEO is responsible for overseeing the company's day-to-day operations. The Group CEO is also responsible for ensuring that the Board receives information regularly to be able to monitor the company's financial position, financial planning and development. Prior to each regular Board meeting, the Group CEO shall submit information as requested by the Board in assessing the company's financial situation, including reports, metrics, proposed business plan and budget, forecasts, interim reports, financial statements and annual reports.

### **Remuneration to senior executives**

The 2018 Annual General Meeting established guidelines for senior executives for the period up until the Annual General Meeting held in 2019. Senior executives refer to the Group CEO and the management of Evolution and the Group. For information on the composition of Group Management, see page 66-67.

The objective of the guidelines is to ensure that the company can attract, motivate and retain senior executives with the expertise and experience required to achieve company's operating goals. The remuneration shall be based on conditions that are market competitive and at the same time aligned with shareholders' interests. Remuneration to the senior management shall consist of a fixed and, for some senior executives, variable salary. These components shall create a well-balanced remuneration reflecting individual competence, responsibility and performance, both short-term and long-term, as well as company's overall performance.

**Fixed salary**

The senior executives' fixed salary shall be competitive and based on each senior executive's individual competences, responsibilities and performance. A review of the fixed salary shall be carried out on an annual basis for each calendar year.

**Variable compensation**

The senior management (however not the board member employed by the company) may receive variable remuneration in addition to fixed salary.

Annual variable remuneration is to be cash based and be based on predetermined and measurable performance criteria for the relevant senior executive aimed at promoting the company's long term value creation. The performance criteria are to be established and documented annually. Depending on the level of performance achieved, annual variable remuneration can vary from no variable payment up to fifty percent of the annual base salary (however, one senior executive is entitled to variable compensation up to a hundred percent of his annual base salary under his existing employment agreement).

**Incentive programmes**

The shareholders' meeting shall be able to decide on long-term share and share-price related incentive programmes directed to, among others, the senior management (however not to board members who are employees of the company). Such incentive programmes are to be designed with the aim of achieving increased alignment between the interests of the participating individual and the company's shareholders and so that a personal holding of shares in the company is promoted. For further information on existing incentive programmes, see page 60.

**Other benefits**

The company provides other benefits to senior executives in accordance with local practice. Such other benefits can include, for example company health care. Occasionally, housing allowance, paid schooling for underage children or travel allowances could be granted.

**Notice of termination and severance pay**

The maximum notice period for senior executives during which salary is paid is 12 months. Severance compensation may be paid in an amount not greater than 12 months' fixed salary.

**Deviations from guidelines**

The Board of Directors may deviate from the above guidelines where special cause exists in an individual case. In the event the Board of Directors deviates from the guidelines, it shall explain the reason for the deviation at the following Annual General Meeting.

**Incentive programmes****2018/2021 programme**

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).

If all 617,702 warrants 2018/2021 are exercised for subscription of 617,702 shares, the dilution effect will be approximately 1.7 percent. Upon full exercise of these 617,702 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. 984,371 warrants in total), the dilution effect will be approximately 2.7 percent.

**2016/2019 programme**

The Annual General Meeting on 28 April 2016 resolved to issue a maximum of 547,000 warrants. Each warrant entitles the holder to subscribe for one new share in the company for SEK 354.20 during the period from the day after the publication of the interim report for the second quarter of 2019 until 30 September 2019.

The company's subsidiary, Evolution Malta Limited has subscribed for 547,000 warrants, and Evolution Malta Limited has, in turn, transferred 366,668 of the warrants to a number of key individuals (including consultants) 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 PwC.

**Risk management and internal control**

Evolution's control system has been developed to ensure accurate, reliable financial reporting and accounting in accordance with applicable laws and rules, accounting standards and other requirements for listed companies. The foundation of the control environment is defined through policies, routines and manuals, and is upheld with the help of the company's organisational structure with clearly defined responsibilities.

**Control environment**

The Board of Directors bears the ultimate responsibility for an effective system of internal control and risk management being in place. Critical accounting issues and issues related to financial reporting are addressed by the Board and in the Board's Audit Committee. To ensure a well-functioning control environment, the Board of Directors has established a number of policies relevant to corporate governance and financial reporting. These include the Board's rules of

procedure, CEO instructions and reporting instructions for financial reporting. The company also has a financial handbook, which includes principles, guidelines and process descriptions for accounting and financial reporting. At the statutory Board meeting following the Annual General Meeting, a formal work plan is established for the Board and instructions for the work of the Group CEO are determined, in which responsibilities and powers are further defined.

The Board has appointed an Audit Committee, tasked with preparing the Board's work with regard to quality in the financial reporting and processes for managing the business risks of the company and the group, as well as monitoring the company's financial reporting and assisting the Board in assuring the effectiveness of the company's internal control, internal audit and risk management.

The CFO regularly reports to the Audit Committee and works together with the company's finance function to develop and improve the internal control with regards to the Group's financial reporting, both proactively with a focus on the internal control environment, and by reviewing the effectiveness of internal control.

Responsibility for the daily work of maintaining the control environment rests primarily with the Group CEO. The Group CEO reports regularly to the company's Board of Directors.

The Board of Directors in its entirety or any one Board Member together with the Chairman of the Board may sign on behalf of the company. In addition, the company's CFO and CLO together are entitled to sign on behalf of the company.

In accordance with the Swedish Companies Act, the Group CEO may sign alone on behalf of the company regarding duties which the Group CEO is obliged to carry out pursuant to section 29 of the Swedish Companies Act.

## Risk assessment

The Group has established a Risk Management Committee, in which representatives of various relevant parts of the organisation meet quarterly to assess, discuss and mitigate potential risks. The Group has also adopted procedures and established internal risk management control systems, including an annual risk analysis for all business areas within the Group, where the purpose is to identify, evaluate and manage risks threatening the Group's objectives and strategies. The risk analysis is divided into strategic, operational, compliance, legal and financial risks. To ensure a relevant level of control, each business area has established a number of control activities counteracting the most significant risks identified in the risk analysis. A self-assessment of these control activities is performed annually and reported to the Risk Management Committee, which compiles and evaluates the results and reports to the Audit Committee and the Board of Directors.

## Risk assessment directly related to the provision of gaming services

As certain jurisdictions have laws that explicitly consider the offering of, and participation in, gaming services conditional on particular licences or a criminal offence, the Group continuously undertakes precautionary measures, including Know Your Customer (KYC) checks of licensees and requiring, in its agreements, that operators comply with the laws and regulations applicable to them.

These provisions in the agreements constitute a form of legal protection and prevent certain end users from accessing the Group's products and services. The Group's customers (i.e. the casino operators) are responsible for the end users' access to their online gaming platforms at the local level and in accordance with local laws and regulations.

## Monitoring

Monitoring of control activities is conducted continuously to ensure that risks have been satisfactorily observed and addressed. This includes tracking of results in relation to budget and plans, analyses and key figures. The Board of Directors continuously evaluates the information provided by the company's management team. The process includes both reconciliation of monthly financial reports against budgets and goals and reporting at Board meetings. Through the Audit Committee, the Board of Directors reviews and assesses the internal control organisation and function. The company's policies and instructions are evaluated and updated annually at a minimum or when needed.

The company's CFO presents the results of internal control work as a standing agenda item at Audit Committee meetings. The results of the Audit Committee's work in the form of observations, recommendations and proposals for decisions and measures are continuously reported to the Board of Directors.

## Information and communication

The company has information and communication channels to promote the accuracy of the financial reporting and to facilitate reporting and feedback from the operations to the Board of Directors and the Group Management, for example by making governing documents such as internal policies, guidelines and instructions regarding the financial reporting available and known to the employees concerned.

The company is subject to the provisions of the EU Market Abuse Regulation No. 596/2014 (MAR). MAR sets out requirements on how inside information is to be published to the market, under which conditions the disclosure may be delayed and in what way the company is obliged to keep a list of persons working for the company and who has access to inside information. The company has assigned a digital and semi-automated tool to ensure that its handling of inside information meets the requirements of MAR and its insider policy. Only authorised persons in the company have access to the tool.

The company's financial reporting complies with Swedish laws and regulations and the local rules in each jurisdiction where operations are conducted. The company's information to shareholders and other stakeholders is provided through the interim reports, press releases and annual report according to the Group's Communication Policy.

**Internal audit**

The company has no separate review function (internal audit). The Board does not consider there to be special circumstances in operations or other conditions that would warrant such a function.



## Our Board of Directors

### JENS VON BAHR

#### Chairman of the Board

Born 1971. Elected 2015, Chairman since 1 November 2016.

#### Other assignments:

Jens is a Board member in JOvB Investment AB and Österbahr Ventures AB.

#### Experience:

Jens is co-founder of Evolution Gaming. Before founding the company, Jens was CEO of Oriflame Sri Lanka. He has also started several entrepreneurial companies. Jens holds a BSc in business from Stockholm University and an MBA from University of Western College.

#### Shareholding:

2,725,646 shares through Österbahr Ventures AB (jointly owned with Fredrik Österberg). Not independent in relation to the company, the company's management or major shareholders of the company.

### JOEL CITRON

#### Board member

Born 1962. Elected 2015.

#### Other assignments:

Joel is CEO of Tenth Avenue Holdings LLC and Chairman of Tenth Avenue Commerce LLC.

#### Experience:

Joel has vast experience from various management positions in investment and operating companies in Europe and the US. He holds a B.Sc Business Administration and M.A. Economics from University of Southern California.

#### Shareholding: 375,471 shares.

Independent in relation to the company, the company's management and major shareholders of the company.

### JONAS ENGWALL

#### Board member

Born 1970. Elected 2015.

#### Other assignments:

Jonas is CEO of Knoxville AB. Among other assignments, he is Chairman of ExOpen Systems AB, Occasion AB, Takkei Trainingsystems AB and Telefonshoppen Norden AB, and Board member in E. Svenssons i Lammhult AB and Loccasion Property Development AB.

#### Experience:

Jonas was previously Chairman of Risenta AB. He has also founded several entrepreneurial companies, such as Skruf Snus AB. He holds a Master of Business Administration from Stockholm School of Economics.

#### Shareholding: 61,926 shares.

Independent in relation to the company, the company's management and major shareholders of the company.

### CECILIA LAGER

#### Board member

Born 1963. Elected 2017.

#### Other assignments:

Cecilia is Chairman of Navigera AB and Board member in Elanders AB, Greengold Group AB, Altor Fund Manager AB, Collector AB, Capacent Holding AB and Clemondo Group AB.

#### Experience:

Cecilia has vast experience from various senior executive positions in the financial sector. Among previous positions she has been Marketing Director of Alecta and CEO of SEB Fonder. She has studied Business Administration at Lund University.

#### Shareholding: -

Independent in relation to the company, the company's management and major shareholders of the company.

**IAN LIVINGSTONE****Board member**

Born 1962. Elected 2015.

**Other assignments:**

Ian is Executive Chairman of London+Regional Properties Limited. He also holds various Board assignments within the London+Regional Properties group.

**Experience:**

Ian has vast experience from various senior positions in property development and retail.

**Shareholding:** 100,000 shares.

Ian is a close relative to the largest shareholder in the company and not independent in relation to the major shareholders of the company, but independent in relation to the company and the company's management.

**FREDRIK ÖSTERBERG****Board member**

Born 1970. Elected 2015.

**Other assignments:**

Fredrik is a Board member in FROS Ventures AB and Österbahr Ventures AB.

**Experience:**

Fredrik is cofounder of Evolution Gaming. Before founding the company, Fredrik was CEO of Sportal Nordic. He holds a BSc in Business Administration and Economics from Stockholm University.

**Shareholding:**

2,725,646 shares through Österbahr Ventures AB (jointly owned with Jens von Bahr). Not independent in relation to the company, the company's management or major shareholders of the company.

**The company's auditors****ÖHRLINGS PRICEWATERHOUSECOOPERS AB**

Niklas Renström

Authorised Public Accountant

## Our management team



### **MARTIN CARLESUND** **Group CEO**

Born 1970. Employed by the group since 2015.

**Shareholding:**  
30,000 shares through Carlesund Investment & Consulting AB.

**Warrants:** 70,000

#### **Other assignments:**

Martin is Chairman of Carlesund Investments & Consulting AB and Sandstjärna Holding.

#### **Experience:**

Martin has been CEO of Highlight Media Group, Eniro Sverige, Eniro Finland and 3L System AB. He holds an MSc in finance together with courses in computer science, law and mathematics at University of Borås, Gothenburg School of Economics and Linköping University.



### **JESPER VON BAHR** **Chief Legal and Risk Officer**

Born 1970. Employed by the group since 2011.

**Shareholding:**  
128,105 shares through wholly-owned Paper Street Soap Company AB and Bombinous Ltd.

**Warrants:** 48,500

#### **Other assignments:**

Jesper is a board member of Fusilli HoldCo AB and Paper Street Soap Company AB and a deputy board member in Swedish Hasbeens AB and OOF AB.

#### **Experience:**

Jesper has been a lawyer at Advokatfirman Cederquist KB, lawyer/partner at Lofalk Advokatbyrå AB, General Counsel at Rebtel Networks and a management consultant at McKinsey & Co. He holds a LLB from Stockholm University and has studied at University of California.



### **DAVID CRAELIUS** **Chief Technology Officer**

Born 1974.  
Employed by the group since 2016.

**Shareholding:**  
1,000 shares through pension insurance.

**Warrants:** 23,000

#### **Other assignments:**

David is a board member of Stravito AB, Hivemind AB, Craelius & Hansson AB and Försäkringsbolaget Avanza Pension.

#### **Experience:**

David has been CTO of Klarna, Head of Banking at Avanza and CIO of Nordnet. He has studied at Royal Institute of Technology in Stockholm.



### **TODD HAUSHALTER** **Chief Product Officer and Games Operations**

Born 1978.  
Employed by the group since 2015.

**Shareholding:** -

**Warrants:** 48,500

#### **Experience:**

Todd has been Vice President of Gaming Operations at MGM Resorts International, Global Director of Product Development at Shuffle Master and Vice President of Business Strategy at Bally Technologies.

He holds a MBS from University of Nevada, Las Vegas.



**OLESYA IVANOVA**  
**Chief Operating Officer**  
**Latvia & Romania**

Born 1983.  
 Employed by the group  
 since 2006.

**Shareholding:** 3,923 shares

**Warrants:** 15,000

**Experience:**

Olesya joined Evolution Gaming as Game Presenter and has since then held several positions with managerial responsibilities at the Riga production studio. She holds an EMBA from the Stockholm School of Economics in Riga.



**SEBASTIAN JOHANNISSON**  
**Chief Commercial Officer**

Born 1978. Employed by the  
 group since 2008.

**Shareholding:** 191,490  
 shares through endowment  
 insurance.

**Warrants:** 63,500

**Experience:**

Sebastian has been Head of Account Management at Evolution Gaming. He holds a Master of Business Administration from Uppsala University.



**JACOB KAPLAN**  
**Chief Financial Officer**

Born 1973. Employed by the  
 group since 2016.

**Shareholding:** 4,000 shares  
 through pension insurance.

**Warrants:** 48,500

**Experience:**

Jacob has been CFO of Nordnet AB (publ) and Vice President, Finance Director at Nasdaq OMX Transaction Services Nordics. He holds a MSc in Industrial Engineering and Business Management from the Royal Institute of Technology in Stockholm and a BSc in Business Administration from Stockholm University.



**JOHAN NORDSTROM**  
**CEO Evolution Malta**

Born 1970. Employed by the  
 group since 2016.

**Shareholding:** 9,000 shares  
 together with closely-related  
 persons.

**Warrants:** 48,500

**Experience:**

Johan has held various leading positions in the EF group, including President Asia and European Director. He holds a BSc in Business Administration from Stockholm University.



**LOUISE WIWEN-NILSSON**  
**Chief Human Resources**  
**Officer**

Born 1972. Employed by the  
 group since 2016.

**Shareholding:** -

**Warrants:** 9,000

**Other assignments:**

Founder and owner of Strong Brands Sweden AB.

**Experience:**

Louise has held several leading HR positions within Viacom/ MTV, Nike and Walt Disney. She has a degree in Social and Behavioural studies at Lund University.



# FINANCIAL REPORTS

The Board of Directors and the CEO of Evolution Gaming Group AB (publ) 556994-5792 ("Evolution") hereby present the annual accounts for the Group and the Parent Company for the 2018 financial year.

## CONSOLIDATED INCOME STATEMENT

## COMPREHENSIVE INCOME STATEMENT

## CONSOLIDATED BALANCE SHEET

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## CONSOLIDATED CASH FLOW STATEMENT

## INCOME STATEMENT – PARENT COMPANY

## BALANCE SHEET – PARENT COMPANY

## STATEMENT OF CHANGES IN EQUITY – PARENT COMPANY

## CASH FLOW STATEMENT – PARENT COMPANY

## NOTES



## Consolidated income statement

(EUR thousands)	NOTE	2018	2017
Revenues	2	245,350	178,222
Other revenues	2	68	163
<b>Total operating revenues</b>		<b>245,418</b>	<b>178,385</b>
Personnel expenses	3	-97,674	-72,122
Depreciation, amortisation and impairment	8, 9	-18,197	-13,754
Other operating expenses	17, 18	-40,063	-25,627
<b>Total operating expenses</b>		<b>-155,934</b>	<b>-111,503</b>
<b>Operating profit</b>		<b>89,484</b>	<b>66,882</b>
Financial income	4	13	6
Financial expenses	5	-171	-224
<b>Profit before tax</b>		<b>89,326</b>	<b>66,664</b>
Tax on profit for the period	6	-5,866	-4,535
<b>Profit for the period</b>		<b>83,460</b>	<b>62,129</b>
<i>Of which attributable to:</i>			
Shareholders of the Parent Company		83,460	62,129
Average number of shares before dilution	7	35,970,377	35,970,377
Earnings per share before dilution (EUR)		2.32	1.73
Average number of shares after dilution		36,525,049	36,337,046
Earnings per share after dilution (EUR)		2.29	1.71

## Comprehensive income statement

(EUR thousands)	2018	2017
<b>Profit for the period</b>	<b>83,460</b>	<b>62,129</b>
<b>Other comprehensive income</b>		
<i>Items that may be reclassified to profit</i>		
Exchange differences arising from the translation of foreign operations	-63	-37
<b>Other comprehensive income, net after tax</b>	<b>-63</b>	<b>-37</b>
<b>Total comprehensive income for the period</b>	<b>83,397</b>	<b>62,092</b>

## Consolidated balance sheet

(EUR thousands)	NOTE	2018	2017
<b>Assets</b>			
Intangible assets	8	21,344	16,567
Land and buildings	9	12,167	12,390
Other property, plant and equipment	9	27,452	17,073
Other long-term receivables		952	2,431
Deferred tax receivable	6	180	78
<b>Total non-current assets</b>		<b>62,095</b>	<b>48,540</b>
Accounts receivable	11	47,622	39,492
Tax receivables	12	41,042	26,581
Other receivables	12	1,729	1,247
Prepaid expenses and accrued income	13	3,218	2,206
Cash and cash equivalents	14	84,951	49,272
<b>Total current assets</b>		<b>178,562</b>	<b>118,798</b>
<b>TOTAL ASSETS</b>		<b>240,657</b>	<b>167,337</b>
<b>Equity and liabilities</b>			
Share capital		540	540
Other capital contributed		5,867	4,698
Reserves		-108	-45
Retained earnings including profit for the period		155,971	104,688
<b>Total equity</b>		<b>162,270</b>	<b>109,881</b>
		-	-
Deferred tax liability	6	-	565
Long-term debt to credit institutions	20	5,619	6,693
<b>Total long-term liabilities</b>		<b>5,619</b>	<b>7,259</b>
Accounts payable		3,190	3,951
Current liabilities to credit institutions	20	950	950
Current tax liabilities		49,939	31,898
Other current liabilities	15	11,521	8,094
Accrued expenses and prepaid income	16	7,168	5,305
<b>Total current liabilities</b>		<b>72,768</b>	<b>50,198</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>240,657</b>	<b>167,337</b>

## Consolidated statement of changes in equity

2018 (EUR thousands)	Share Capital	Other capital contributed	Reserves	Retained earnings including profit for the period	Total equity
Opening equity 01/01/2018	540	4,698	-45	104,689	109,882
<b>Comprehensive income</b>					
Profit of the year	-	-	-	83,460	83,460
<b>Other comprehensive income</b>					
Movement in translation reserve	-	-	-63	-	-63
<b>Total comprehensive income</b>	-	-	-63	83,460	83,397
<b>Transactions with shareholders</b>					
Dividend	-	-	-	-32,373	-32,373
Incentive programme, options	-	1,169	-	195	1,364
<b>Closing equity 31/12/2018</b>	<b>540</b>	<b>5,867</b>	<b>-108</b>	<b>155,971</b>	<b>162,270</b>

2017 (EUR thousands)	Share capital	Other capital contributed	Reserves	Retained earnings including profit for the period	Total equity
Opening equity 01/01/2017	540	4,698	-8	58,667	63,896
<b>Comprehensive income</b>					
Profit of the year	-	-	-	62,129	62,129
<b>Other comprehensive income</b>					
Movement in translation reserve	-	-	-37	-	-37
<b>Total comprehensive income</b>	-	-	-37	62,129	62,092
<b>Transactions with shareholders</b>					
Dividend	-	-	-	-16,187	-16,187
Incentive programme, options	-	-	-	79	79
<b>Closing equity 31/12/2017</b>	<b>540</b>	<b>4,698</b>	<b>-45</b>	<b>104,688</b>	<b>109,881</b>

## Consolidated cash flow statement

(EUR thousands)	NOTE	2018	2017
Operating profit		89,484	66,882
<i>Adjustment for items not included in cash flows:</i>			
Depreciation, amortisation and impairment	8, 9	18,197	13,754
Other		561	79
Interest received	4	13	6
Interest paid	5	-171	-224
Tax paid	6	-2,912	-2,974
<b>Cash flows from operating activities before changes in working capital</b>		<b>105,172</b>	<b>77,523</b>
Increase in accounts receivables	11	-8,129	-20,453
Increase / Decrease in accounts payables	15	-761	1,782
Increase in other working capital		3,754	3,632
<b>Cash flows from operating activities</b>		<b>100,036</b>	<b>62,484</b>
Acquisition of intangible assets	8	-15,262	-10,558
Acquisition of plant and equipment	9	-17,868	-10,191
Acquisition of property	9	-	-200
Increase of other Financial assets		1,480	-1,438
<b>Cash flows from investing activities</b>		<b>-31,650</b>	<b>-22,387</b>
Issuance of debt due to credit institutions	20	-	-
Repayment of debt to credit institution	20	-1,074	-748
Issuing of warrants		803	-
Dividends paid		-32,373	-16,187
<b>Cash flows from financing activities</b>		<b>-32,644</b>	<b>-16,935</b>
<b>Cash flow for the period</b>		<b>35,742</b>	<b>23,162</b>
Cash and cash equivalents at start of period		49,272	26,188
Cash flow for the period		35,742	23,162
Exchange rate differences		-63	-78
<b>Cash and cash equivalents at end of period</b>	<b>14</b>	<b>84,951</b>	<b>49,272</b>

Footnote: The item Other under Adjustment for items not included in cash flows refers to the option programme adopted by the 2016 & 2018 Annual General Meetings.

## Income statement – Parent Company

(EUR thousands)	NOTE	2018	2017
Net sales	2	6,195	6,194
Other external expenses	17, 18	-2,132	-2,457
Personnel expenses	3	-3,793	-3,553
Depreciation, amortisation and impairment of intangible fixed assets and property, plant and equipment	8, 9	-71	-67
<b>Operating profit</b>		<b>199</b>	<b>118</b>
Other interest income and similar income	4	75,105	50,092
Interest expenses and similar expenses	5	-1	-2
<b>Profit before tax</b>		<b>75,303</b>	<b>50,208</b>
Deferred tax	6	-515	-472
<b>Profit for the period</b>		<b>74,788</b>	<b>49,736</b>

Profit for the period agrees with total comprehensive income for the period.

## Balance sheet – Parent Company

Parent company (EUR thousands)	NOTE	2018	2017
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	8	438	66
<b>Total Intangible assets</b>		<b>438</b>	<b>66</b>
Property, plant and equipment	9	40	90
<b>Total Property, plant and equipment</b>		<b>40</b>	<b>90</b>
Participating interest in Group companies	10	206,000	206,000
Deferred tax receivable	6	-	78
Deposits		33	34
<b>Total financial assets</b>		<b>206,033</b>	<b>206,112</b>
<b>Total non-current assets</b>		<b>206,511</b>	<b>206,268</b>
<b>Current assets</b>			
Receivables from Group companies		69,539	25,222
Other current receivables	12	272	272
Prepaid expenses and accrued income	13	76	145
<b>Total current assets</b>		<b>69,887</b>	<b>25,639</b>
Cash and cash equivalents	14	504	951
<b>TOTAL ASSETS</b>		<b>276,902</b>	<b>232,858</b>
<b>Equity and liabilities</b>			
<b>Restricted equity</b>			
Share capital		540	540
<b>Unrestricted equity</b>			
Accumulated profits and profit of the year		275,179	231,595
<b>Total equity</b>		<b>275,719</b>	<b>232,135</b>
<b>Current liabilities</b>			
Accounts payable		160	156
Liabilities to Group companies		479	0
Other current liabilities	15	158	191
Accrued expenses and prepaid revenues	16	386	376
<b>Total current liabilities</b>		<b>1,183</b>	<b>723</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>276,902</b>	<b>232,858</b>

## Statement of changes in equity – Parent Company

	Restricted capital	Unrestricted equity	
2018 (EUR thousands)	Shareholders capital	Accumulated profits and profit for the year	Total equity
Opening equity 01/01/2018	540	231,595	232,135
<b>Comprehensive income</b>			
Profit of the year	-	74,788	74,788
<b>Total comprehensive income</b>	-	<b>74,788</b>	<b>74,788</b>
<b>Transactions with the owners</b>			
Dividend	-	-32,373	-32,373
Warrants		1,169	1,169
<b>Total transactions with the owners</b>		<b>-31,204</b>	<b>-31,204</b>
Closing equity 31/12/2018	540	275,719	275,719

	Restricted equity	Unrestricted equity	
2017 (EUR thousands)	Shareholders capital	Accumulated profits and profit for the year	Total equity
Opening equity 01/01/201	540	198,046	198,586
<b>Total comprehensive income</b>			
Profit of the year	-	49,736	49,736
<b>Total comprehensive income</b>	-	<b>49,736</b>	<b>49,736</b>
<b>Transactions with the owners</b>			
Dividend	-	-16,187	-16,187
<b>Total transactions with the owners</b>	0	<b>-16,187</b>	<b>-16,187</b>
Closing equity 31/12/2017	540	231,595	232,135

## Cash flow statement – Parent Company

(EUR thousands)	NOTE	2018	2017
Operating profit		199	118
<i>Adjustment for items not included in cash flows:</i>			
Depreciation, amortisation and impairment	8, 9	71	67
Interest received	4	105	92
Other	5	75,000	50,092
Tax paid		-	-
<b>Cash flows from operating activities before changes in working capital</b>		<b>75,375</b>	<b>50,369</b>
Increase in accounts payable		4	38
Increase in intra-Group receivables and liabilities, net		-43,838	-33,552
Increase in other working capital		-391	-42
<b>Cash flows from operating activities</b>		<b>31,150</b>	<b>16,813</b>
Acquisition of intangible assets	8	-393	-
Acquisition of property, plant and equipment	9	-	-56
<b>Cash flows from investing activities</b>		<b>-393</b>	<b>-56</b>
Dividends paid		-31,204	-16,187
<b>Cash flows from financing activities</b>		<b>-31,204</b>	<b>-16,187</b>
<b>Cash flow for the period</b>		<b>-447</b>	<b>570</b>
Cash and cash equivalents at start of period		951	381
Cash flow for the period		-447	570
<b>Cash and cash equivalents at end of period</b>		<b>504</b>	<b>951</b>

# Notes

## Note 1. Accounting and valuation principles

### GENERAL INFORMATION

Evolution Gaming Group AB (publ) (the “Parent Company”, 556994-5792) and its Subsidiaries (collectively, the “Group” or the “Company”) is a leading B2B provider of Live Casino systems.

The Company develops, produces, markets and licenses fully integrated Live Casino solutions to gaming operators. At the end of 2018, the Group had approximately 200 customers, including a majority of the foremost online casino operators in Europe as well as number of land-based casinos.

The operators market the products to the end users. Accordingly, Evolution is a pure operating and development company; it does not conduct any gaming operations of its own.

The Parent Company is a Swedish public limited company with registered office in Stockholm, Sweden and its head office at Hamngatan 11 in Stockholm. The Parent Company has been listed on Nasdaq Nordic Large Cap since 5 June 2017 using the ticker EVO.

On 28 March 2019, this Annual Report was approved for publication by the Board of Directors. The income statements and balance sheets are to be adopted by the Annual General Meeting on 26 April 2019.

### 1.1 BASIS OF PREPARATION

These consolidated financial statements were prepared in accordance with the Annual Accounts Act, RFR 1 Supplementary Accounting Rules for Groups, and the International Financial Reporting Standards (IFRS) and interpretations of the IFRS Interpretations Committee (IFRS IC) as adopted by the EU. The consolidated accounts have been prepared in accordance with the cost method. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the executive management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed under Accounting principles. The Parent Company’s functional currency, as well as the Parent Company’s and the Group’s presentation currency, is the Euro. Accordingly, the statements were prepared in Euro. Amounts are expressed in thousands of Euro (EUR) unless otherwise indicated. Amounts

or figures in parentheses are comparisons for the year-earlier period. Assets and liabilities are reported at historical cost. The most important principles on which the consolidated financial statements have been based are described below. These accounting principles have been applied consistently for all years presented, unless otherwise stated. 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.”

This gives rise to certain differences due to requirements in the Swedish Annual Accounts Act or the tax situation. The accounting principles of the Parent Company are described in the section “Parent Company’s accounting principles” below.

#### New or amended accounting standards applicable in 2018

New or revised standards that have been issued and that are applicable for Evolution Gaming Group in 2018 are presented below.

#### New or amended accounting standards applicable after 2018

No new or amended standards are applicable for Evolution Gaming Group after 2018.

#### IFRS 9 Financial instruments

This standard addresses the classification, measurement and recognition of financial assets and liabilities. It replaces those parts of IAS 39 relating to the presentation and measurement of financial instruments. IFRS 9 retains a mixed-measurement model, although it has been simplified in some respects. There are three measurement categories for financial assets, amortised cost, fair value recognised in Other Comprehensive Income and fair value recognised in the Income Statement.

The presentation of an instrument depends on the Company’s business model and the characteristics of the instrument. Investments in equity instruments are recognised at fair value in the Income Statement but there is also an option to recognise the instrument at fair value in Other Comprehensive Income on first-time recognition. In such cases, no reclassification to the Income Statement will occur when the instrument is sold. For financial liabilities, presentation and measurement do not change except in those cases a liability is reported at fair value in the income statement based on the fair value option. The standard is effective for financial years beginning on or after 1 January 2018. Earlier application is permitted. The Group has assessed the impact of the standard and it does not affect consolidated profit.

Based on the analysis made by Company, the Group is applying the ‘simplified approach’ to bad debts with a requirement to establish and recognise a lifetime expected loss allowance. Company has adopted the presumption that a default does not occur later than when a financial asset is 90 days past due date unless an entity has reasonable information to demonstrate that a more lagging default criterion is more appropriate.

(See Note 11 for bad debt information during the year 2018).

#### **IFRS 15 Revenue from contracts with customers**

The standard regulates revenue recognition. The principles on which IFRS 15 is based are intended to give users of financial reports more useful information about the Company’s revenue. The expanded disclosure requirements mean that information relating to revenue class, date of settlement, uncertainty associated with revenue recognition and cash flow attributable to the Company’s customer contracts must be presented. In accordance with IFRS 15, revenue shall be reported when the customer gains control of the goods or services sold and is able to use and benefit from those goods or services. IFRS 15 replaces IAS 18 “Revenue” and IAS 11 “Construction Contracts” and associated SIC and IFRIC. IFRS 15 became effective on 1 January 2017. Early adoption is permitted. The Group has assessed the impact of the standard and it will not affect consolidated profit.

Revenues, based on gain of the control by customer, should be recognised either over the time or at a point of the time. Nevertheless, set-up fees should be accounted at a point of the time due to control gaining by customer, similar to long term projects and recognised revenue as per progress, it always takes less than a year to setup an environment for customer, it is assumed to be low level of risk and immaterial volume of revenues. Splitting such project would mean big administrative effort over immaterial changes in group revenues (total set-up fees including new integrations amounting approx.3% of group revenues). That is why Management has decided not to split project by progress – revenue is recognised after go-live.

According to analysis made of current approach and rules set in IFRS 15, there are no changes to be implemented in Evolution Gaming Group accounting processes and financial reporting.

Setup fees approach should be reviewed on a regular basis (at least once a year) if the arguments on current approach are still valid and if materiality changes over time. The split

of revenues by recognition period is disclosed at Note 2(a). Recognised liabilities related to contracts with customers – Note 2(b).

#### **IFRS 16 Leases**

In January 2016, IASB published a new leasing standard that will replace IAS 17 Leases and the associated interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires that assets and liabilities attributable to all leases, with some exceptions, be recognised in the balance sheet. This recognition is based on the view that the lessee has a right to use an asset during a specific period of time and also has an obligation to pay for this right. The recognition for the lessor will be essentially unchanged. The standard is applicable for a financial year beginning 1 January 2019 or later. Early adoption is permitted. The EU has not yet adopted the standard. The Group will assess the impact during the first half of 2018. The standard requires the lessee to recognise almost all lease contracts on the balance sheet as assets and liabilities, exemptions are made for certain short-term leases and leases of low-value assets. This model reflects, that at the start of the lease, the lessee always obtains the right to use asset for a period of time and has an obligation to pay for that right.

Estimated impact on Lessee activities is mostly related to real estate and asset leases. For 2018 lease cost amount to approximately 2,8 MEUR, where of 2,3 MEUR is affected by the new standard.

#### **Estimated opening balance sheet impact of IFRS 16 (discounted)**

(EUR thousands)	Actual 2018	Adjustments per IFRS 16	Estimated under IFRS 16, 2018
<b>ASSETS</b>			
<b>Fixed assets</b>			
Tangible fixed assets	39,619	16,140	55,759
<b>TOTAL ASSETS</b>	<b>240,657</b>	<b>16,140</b>	<b>256,797</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Long-term liabilities</b>			
Other long-term debt	5,619	13,354	18,973
<b>Current liabilities</b>			
Other current liabilities	11,521	2,786	14,307
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>240,657</b>	<b>16,140</b>	<b>256,797</b>

#### **New interpretations of accounting standards**

The International Financial Reporting Standards Committee (IFRIC) has not issued any new interpretations applicable to Evolution Gaming Group.

## 1.2 CONSOLIDATION

Subsidiaries are all companies over which the Group has a controlling influence. The Group has a controlling influence over a company when it is exposed to, or is entitled to, variable returns from its holding in that company and is able to influence the return through its influence in the Company. Subsidiaries are fully consolidated from the date on which controlling influence is transferred to the Group. They cease to be consolidated from the date on which that controlling influence ceases. The acquisition method of accounting is used to account for the acquisition of operations by the Group. The cost of acquiring a subsidiary is measured as the fair value of the assets taken over, liabilities incurred by the previous owner of the acquired company, plus the shares issued by the Group. In the cost of an acquisition, fair value of all liabilities is also included as a result of an agreement of a conditioned purchase price. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

For each acquisition, i.e. acquisition by acquisition, the Group determines whether the minority interest in the acquired company is to be recognised at fair value or at the proportional share of the holding in the reported value of the acquired company's identified net assets.

Expenses attributable to acquisitions are recognised as they are incurred. Goodwill is initially valued as the amount by which the total purchase consideration, and the fair value of any non-controlling interests on the acquisition date, exceeds the fair value of identifiable acquired net assets. If the purchase consideration is lower than the fair value of the acquired company's net assets, the difference is reported directly in the income statement.

Intra-Group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated, unless the loss corresponds to an impairment loss. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

If the Group ceases to have control, any remaining holdings are measured at fair value at the time when control ceases, which is recognised as a change in value in the income statement. Fair value is used initially and forms the basis for the continued accounting of the remaining holding as an associated company, a joint venture and/or a financial asset. In addition, amounts are recognised for companies that were previously included in other comprehensive income, if the Group divested the related assets or liabilities directly. This may mean that amounts that were previously recognised in total comprehensive income has been reclassified to the income statement.

## 1.3 TRANSLATION OF FOREIGN CURRENCY

### (a) Functional currency and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated accounts are presented in Euro.

### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency for each Group company, using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange differences resulting from such transactions and from the translation of exchange rates of monetary assets and liabilities denominated in foreign currencies on the balance sheet date are recognised in the income statement.

### (c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency is translated into the Group's presentation currency as follows:

a) Assets and liabilities in all balance sheets are translated at the rate on the balance sheet date

(b) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions)

(c) All resulting exchange differences are recognised in other comprehensive income. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. All resulting exchange differences are recognised in other comprehensive income.

## 1.4 INTANGIBLE ASSETS

Acquired computer software licenses are capitalised based of the expenses incurred to acquire and bring to use the specific software. Expenses associated with maintaining computer software programs are recognised as an expense as incurred.

Development expenses that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met: than its estimated recoverable amount (Note 1.6).

It is technically feasible to complete the software product so that it will be available for use:

- The executive management intends to complete the software product and use it

- There is an ability to use or sell the software product
- It can be demonstrated how the software product will generate probable future economic benefits
- The expenditure attributable to the software product during its development can be reliably measured
- Adequate technical, financial and other resources to complete the development and to use or sell the software product is available.

Directly attributable expenses that are capitalised as part of the software product primarily includes software development employee expenses. Other development expenditures that do not meet these criteria are recognised as an expense as incurred.

Development expenses previously recognised as an expense are not recognised as an asset in a subsequent period. Computer software development expenses recognised as assets are amortised over an estimated useful life of three years.

The expense of developing Core Gaming Platform is amortised over an estimated useful life of three years. Licenses recognised as assets are amortised over an estimated useful life of five years.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1.6).

## 1.5 PROPERTY, PLANT AND EQUIPMENT

All other property, plant and equipment are initially measured at cost and thereafter at cost less deductions for depreciation and impairment. The cost includes expenses that are directly related to the acquisition of the assets. Subsequent expenses are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

The carrying amount of the replaced part is derecognised from the balance sheet. General repairs and maintenance expenses are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate expenses are allocated to their residual value over the estimated useful lives, according to the following percentages:

- Office equipment, computers and technical equipment 20–50%
- Property 2%

Expenses for improvements to property owned by another are amortised based on the lease term or estimated useful life, whichever is shorter. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's

carrying amount is greater than its estimated recoverable amount (Note 1.6).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

## 1.6 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less expenses to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets other than goodwill that previously suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period. Intangible assets that are not yet ready for use are also tested for impairment when events or changed circumstances indicate that the recognised value may not be recoverable. As at 31 December 2018, intangible assets that were not yet available for use amounted to EUR 1,077 thousand (2017: 804).

## 1.7 FINANCIAL ASSETS

### 1.7.1 Classification

The Group classifies its financial assets as loan assets or accounts receivable. The classification depends on the purpose for which the financial assets were acquired. The executive management determines the classification of its financial assets at initial recognition.

Loan assets and accounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money or services directly to a debtor without the intention of selling an asset. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. In that case, they are classified as non-current assets. The Group's loan receivables and accounts receivable comprise "Accounts receivable" and "Other receivables" and "Cash and cash equivalents" in the balance sheet (see Notes 1.8 and 1.9).

### 1.7.2 Recognition and measurement

The Group recognises financial assets in the balance sheet when it becomes a party to the instruments' contractual terms and conditions. Loan receivables and accounts receivable are initially recognised at fair value plus transaction expenses.

Loans and receivables are subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial value after adjustments for differences between the

amount reported initially and the amount due when using the effective interest method.

Financial assets are derecognised from the balance sheet when the right to receive cash flows from them has expired or been transferred and the Group has transferred nearly all risk and benefits associated with the ownership or is no longer in control of the assets.

### 1.7.3 Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. First, the Group determines whether there is objective evidence of an impairment loss. The following criteria are applied in the assessment:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The probability that the borrower will enter bankruptcy or other financial reorganisation.

For financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the income statement under Other operating expenses. If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

## 1.8 ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES

Accounts receivables are amounts due from customers for services performed in the ordinary course of business. If payment is expected in one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as non-current assets. Accounts receivables and other receivables are initially recognised at fair value and subsequently measured at amortised cost, with application of the effective interest method and a deduction for doubtful receivables (Note 1.7.3).

The recognised value of the asset is reduced by the use of an account for doubtful receivables, and the loss is recognised in

the income statement under Other operating expenses. If a bad debt loss has been established, it is written off in the account for doubtful receivables. If a previously impaired receivable is collected, it will be credited in the income statement under Other operating expenses.

## 1.9 CASH AND CASH EQUIVALENTS

Cash and cash are recognised a nominal value in the balance sheet. In the cash flow statement and balance sheet, cash and cash equivalents include cash and current accounts in banks.

### 1.10 SHARE CAPITAL

Ordinary shares are classified as equity. Transaction expenses directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### 1.11 CAPITAL CONTRIBUTIONS

Capital contributions received in addition to the original share capital are interest-free and will only be repaid at the discretion of the Group. They are therefore regarded as capital and classified in equity.

### 1.12 FINANCIAL LIABILITIES

The Group recognises financial liabilities in the balance sheet when it becomes a party to the instruments' contractual terms and conditions. The Group's financial liabilities are classified as "other financial liabilities". Financial liabilities initially measured at fair value, which is the fair value of the amount received less transaction expenses directly related to the acquisition or issue of the financial liability. Thereafter, such liabilities are recognised at amortised cost. A financial liability is removed from the balance sheet when the Group's obligations according to the agreement have been met, cancelled or expired.

### 1.13 ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable are obligations to pay for services that have been acquired in the ordinary course of business from suppliers.

Accounts payable are classified as current liabilities if payment is due within one year (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Accounts payable and other liabilities are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

### 1.14 OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset, and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

### 1.15 CURRENT AND DEFERRED TAX

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In such case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current tax charge is calculated based on the tax laws enacted or announced at the reporting date in the countries where the Group operates and generates taxable income.

The executive management regularly evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation. Where appropriate, it establishes provisions based on amounts expected to be paid to the tax authorities.

The Group's taxes are primarily affected by the allocation of profits between Malta and the other countries where the Group operates as well as the tax regulations in each country.

Significant judgement is required in determining the provisions for income taxes. For many transactions and calculations in the current operations, the ultimate tax determination is uncertain when the transactions take place or calculations are made. To ensure that taxes are handled correctly, the Company made an assessment, assisted by legal experts, of how tax regulations may affect the business. This assessment also covers indirect taxes. The Company reports the tax amounts that it believes to be correct and pays these to the tax authorities. However, these amounts may turn out to be insufficient, if the tax authorities make an interpretation of the regulations that is more restrictive than the Company's interpretation, which the Company considers to be correct.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or announced at the end of the reporting period and are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred tax assets and liabilities relate to the same tax authority, regardless of whether they relate to the same or different taxable entities, but where there is an intent to settle the balances on a net basis.

### 1.16 REVENUE RECOGNITION

The Group's revenues derive from fees from gaming operators that use the Group's solutions for Live Casino and from other associated services. Revenue is reported excluding VAT and discounts and after the elimination of intra-Group sales. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and when specific criteria have been met, as described below.

IFRS 15 should be applied for accounting of revenues, see 1.1.

#### (a) Commission income and other fees

The Group receives gaming fees from its contracted partners. These include a percentage of the gaming operators' revenue from using the Group's solution for Live Casino. These gaming fees are calculated according to the terms and conditions of each agreement and reported in the period when the gaming transactions are conducted. Fees from other closely related services, such as start-up fees for integration of Live Casino solutions, are reported when the services have been provided.

#### (b) Interest income

Interest income arising from interest-bearing instruments is recognised in the income statement when they arise, distributed over the time they refer to using the effective interest method, unless they are considered to constitute doubtful receivables.

### 1.17 OPERATING LEASES

#### When the Company is the lessee

Leasing of assets in which a significant part of the risks and benefits of ownership in practice reside with the lessor is classified as operational leasing. Payments made in the period of the lease are charged to the income statement on a straight-line basis over the period of the lease.

As of 2019 IFRS 16 should be applied to operating leases, see 1.1.

### 1.18 DIVIDENDS

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividend was approved by the Parent Company's shareholders.

### 1.19 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group CEO of the Group, who makes strategic decisions. The Group CEO of the Group considers the Group to consist of a single segment,

i.e. the provision of solutions for Live Casino and associated services to gaming operators.

## 1.20 CASH FLOW STATEMENT

Cash flow is reported using the indirect method. The reported cash flow only covers transactions involving cash receipts and cash payments. This means that there may be deviations related to changes of individual items in the balance sheet.

## 1.21 PROVISIONS

Provisions are recognised in the balance sheet when the Group has a legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimation of the amount can be made. When the discount effect is significant, provisions are determined by a present value computation of the expected value of future cash flows with a pre-tax discount rate that reflects the current market assessment of the time value of money and, in applicable cases, the risks specific to the obligation.

A provision for restructuring is made when the Group has adopted a detailed and formal restructuring plan, and the restructuring has either been started or published. No provisions are made for future operating expenses.

## 1.22 CONTINGENT LIABILITIES

A contingent liability is recognised when there is a possible obligation arising from past events and the existence of which is substantiated only by one or more uncertain future events, or when there is an obligation that is not recognised as a liability or provision because it is not likely that an outflow of resources will be required.

## 1.23 CONTINGENT OBLIGATIONS

A contingent obligation is recognised when there is a possible obligation arising from past events and the existence of which is substantiated only by one or more uncertain future events, or when there is an obligation that is not recognised as a liability or provision because it is not likely that an outflow of resources will be required.

## 1.24 EMPLOYEE BENEFITS

### Pension expenses and pension obligations

The Group has different pension schemes in different countries. These are funded by payments by each Group company, and in some cases, by the employees. As all pension schemes are defined contribution schemes, the Group has no legal or constructive obligations aside from the payment of contributions. The Group's outgoing payments for defined contribution plans are carried as expenses in the period when the employees carried out the services to which the contributions are related.

### Post-employment benefits

The Group has no obligations towards the employees after they have retired or otherwise ended their employment with the Company.

### Severance pay

Severance pay is paid when an employee is terminated by the Company before the time when the employment would normally cease or when an employee voluntarily leaves the Company in exchange for such benefits. The Group recognises severance pay as an expense when it demonstrably has an obligation to terminate employees according to a detailed, formal and definitive plan or to pay compensation for voluntary termination.

### Bonus plans

The Group recognises a liability and an expense for bonuses based on various qualitative and quantitative measures.

The Group makes provision for bonuses earned where there is a legal or constructive obligation to do so based on past practices. Bonuses are paid to employees.

### Share-related remuneration

The Group has two warrant programs which were decided upon at the 2016 and 2018 Annual General Meetings. Fair value on the work that entitles employees to allocation of warrants is expensed. The total amount expensed is based on fair value on the warrants, excluding the potential impact that the employee remains in the service of the Company during a specified period of time. The total amount expensed is reported evenly distributed over the period where all specified earnings conditions shall be met. The possible deviation from the original assessments that a re-assessment initiates is reported in the income statement and the corresponding adjustments are made in equity.

## 1.25 THE PARENT COMPANY'S ACCOUNTING PRINCIPLES

The Parent Company has prepared its financial statements in accordance with the Swedish Annual Accounts Act, the Swedish Financial Reporting Board's recommendation RFR 2 "Accounting for Legal Entities" and applicable statements by the Swedish Financial Reporting Board. According to RFR 2, the Parent Company shall in the annual report for the legal entity apply all EU-approved IFRS standards and statements as far as possible within the framework of the Annual Accounts Act, the Pension Obligations Vesting Act (SWE: Tryggandelagen) and taking into consideration the relationship between accounting and taxation.

The recommendation states which exceptions and additions should be made in relation to IFRS.

### Formats

The income statements and balance sheets follow the formats specified in the Annual Accounts Act. The statement of

changes in equity also follows the Group's format but shall include the columns specified in the Annual Accounts Act. Furthermore, this entails differences in terms, compared to the consolidated statements, primarily for financial income and expenses and equity.

#### **Participating interests in Group companies**

Participating interests in Group companies are reported at cost after deduction for possible impairment. In the cost, expenses related to the acquisition and possible earn-out considerations are included. When there is an indication that the participating interests in Group companies have decreased, a calculation of recovery value is made. If this value is lower than the reported value, impairment is recognised. Impairments are reported in "Result from participating interests in Group companies".

#### **Financial instruments**

IAS 39 is not applied in the Parent Company and financial instruments are valued at cost. Within the subsequent periods, financial assets acquired with the purpose to be retained on a short-term basis will be reported according to the lowest value principle at the lowest of cost and market value.

### **1.26 CRITICAL ESTIMATES AND ASSESSMENTS**

Estimates and assumptions are evaluated continually and are based on historic experience and other factors, including expectations for future events that are considered to be reasonable under current conditions. Except for the impairment testing of intangible assets described below, the executive management does not consider that the estimates and assessments made in the preparation of these financial reports have entailed any difficulties or that they are subjective or complicated enough to merit a description as critical in accordance with the requirements in IAS 1.

The Group has made considerable investments in the development of its gaming platform. Assets related to the development of the Group's gaming software are recognised as intangible assets in the balance sheet and Note 8 and amounted to EUR 15,570 thousand (2017: 16,209).

Every year, these assets are tested for impairment in accordance with IAS 36, and it is determined whether there is objective evidence of an impairment loss. The Group has assessed the ability to generate revenue for each one of the projects that relate to the gaming software and no objective evidence of impairment has emerged.

## Note 2. Revenues

The CEO of the Group considers the Group to consist of a single segment, i.e. the provision of solutions for Live Casino and associated services to gaming operators.

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 opposite shows the geographic markets from which end-users originate, based on the operators' gross gaming revenues (GGR) via Evolution's platform.

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

% of GGR	2018	2017
Nordic	9%	9%
UK	15%	18%
Rest of Europe	50%	55%
Rest of World	25%	18%
<b>Total</b>	<b>100%</b>	<b>100%</b>

As per IFRS 15 requirements, new reporting has been implemented — revenue recognition over period of time and point of time, as well as liabilities related to contracts with customers. There were no assets related contracts with customers during reporting year.

### 2 (a) Disaggregation of revenue from contracts with customers

	Sweden		Malta		Latvia		Georgia		North America		Other		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
(EUR thousands)														
Total revenues	6,195	6,194	244,528	217,548	92,631	73,681	6,266	824	6,786	1,076	58,407	33,325	414,813	332,647
Intercompany revenues	-6,195	-6,194	-44,419	-63,121	-92,614	-73,364	-6,195	-824	-6,785	-1,076	-13,187	-9,684	-169,395	-154,262
Revenue from external customers	0	0	200,109	154,427	17	317	71	0	1	0	45,220	23,641	245,418	178,385
Timing of revenue recognition														
At a point of time	0	0	6,026	742	9	1	65	0	1	0	1,006	8	7,107	751
Over time	0	0	194,083	153,685	8	316	6	0	0	0	44,214	23,633	238,311	177,634
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>200,109</b>	<b>154,427</b>	<b>17</b>	<b>317</b>	<b>71</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>45,220</b>	<b>23,641</b>	<b>245,418</b>	<b>178,385</b>

### 2 (b) Liabilities related to contracts with customers

	Sweden		Malta		Latvia		Georgia		North America		Other		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
(EUR thousands)														
Opening balance	0	0	1,182	348	6	6	0	0	0	0	20	0	1,208	354
Revenues recognised from opening balance liabilities	0	0	-1,182	-348	0	0	0	0	0	0	-21	0	-1,203	-348
Liabilities recognised	0	0	7,746	4,983	11	0	0	0	0	0	2,242	20	9,999	5,003
Revenues recognised	0	0	-7,235	-3,801	0	0	0	0	0	0	-1,951	0	-9,186	-3,801
<b>Closing balance</b>	<b>0</b>	<b>0</b>	<b>511</b>	<b>1,182</b>	<b>17</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>290</b>	<b>20</b>	<b>818</b>	<b>1,208</b>

## Note 3. Employees

Average number of employees	2018		2017	
	Average number of employees	of which, women	Average number of employees	of which, women
Latvia	3,562	1,928	2,870	1,419
Malta	664	325	537	274
Georgia	413	246	4	3
Romania	316	124	197	72
Canada	92	43	11	5
United States of America	52	37	0	0
Belgium	23	8	12	5
Estonia	22	4	20	3
Netherlands	20	2	8	1
United Kingdom	11	7	8	6
Sweden	10	3	9	3
Other	2	2	0	0
<b>Total Group</b>	<b>5,187</b>	<b>2,729</b>	<b>3,676</b>	<b>1,791</b>

Compensation and other benefits 2018 (EUR thousands)	Basic salary/ Board fee	Bonus	Other benefits	Pension costs	Total
Chairman of the Board: Jens von Bahr *	414	-	-	-	414
CEO: Martin Carlesund	628	-	188	-	816
Member of the Board: Joel Citron	10	-	-	-	10
Member of the Board: Fredrik Österberg	113	-	-	14	127
Member of the Board: Ian Livingstone	10	-	-	-	10
Member of the Board: Jonas Engwall	10	-	-	-	10
Member of the Board: Cecilia Lager	30	-	-	-	30
Other senior executives (total of 8 persons during the year)	1,893	634	309	81	2,918
<b>Total</b>	<b>3,108</b>	<b>634</b>	<b>497</b>	<b>95</b>	<b>4,335</b>

Remuneration and other benefits 2017 (EUR thousands)	Basic salary/ Board fee	Bonus	Other benefits	Pension costs	Total
Chairman of Board: Jens von Bahr	464	-	-	-	464
CEO: Martin Carlesund	513	-	-	-	513
Member of the Board: Joel Citron	10	-	-	-	10
Member of the Board: Fredrik Österberg	328	-	-	45	373
Member of the Board: Ian Livingstone	10	-	-	-	10
Member of the Board: Jonas Engwall	10	-	-	-	10
Member of the Board: Cecilia Lager	28	-	-	-	28
Other senior executives (total of 7 persons during the year)	1,738	478	148	75	2,439
<b>Total</b>	<b>3,100</b>	<b>478</b>	<b>148</b>	<b>120</b>	<b>3,846</b>

\*Jens von Bahr is employed by the Company. Fredrik Österberg was employed by the Company until April 2018.

Salaries and other compensations and social security expenses (EUR thousands)	2018		2017	
	Salary and other remunerations	Employee taxes (where of pension expenses)	Salary and other remunerations	Employee taxes (where of pension expenses)
Board, CEO and other Group Management (pension)	4,335	849 (-30)	3,651	774 (-34)
Other employees Latvia (pension)	49,337	11,923 (-)	40,878	9,647 (-)
Other employees Malta (pension)	19,025	1,251 (-10)	15,675	1,017 (-)
Other employees Sweden (pension)	208	61 (-16)	292	74 (-11)
Other employees other markets (pension)	12,995	1,027 (-112)	3,987	1,199 (-190)
<b>Total Group</b>	<b>85,899</b>	<b>15,111 (-168)</b>	<b>64,482</b>	<b>12,711 (-235)</b>

### Terms for the Group CEO

In his employment contract, Martin Carlesund has a term of notice of six months and severance pay for an additional six months, in case of termination by the Company otherwise than for breach of contract.

Number and proportion of women in management positions at year-end	2018			2017		
	Number of men	Number of women	Proportion of women	Number of men	Number of women	Proportion of women
Board	6	1	17%	6	1	17%
Other senior managers	9	2	22%	8	1	13%

Senior executives as per 31 December, 2017.

Martin Carlesund	CEO Evolution Gaming Group AB
Johan Nordström	CEO Evolution Malta Limited
Jacob Kaplan	Chief Financial Officer
David Craelius	Chief Technology Officer
Todd Haushalter	Chief Product Officer
Sebastian Johannisson	Chief Commercial Officer
Jesper von Bahr	Chief Legal and Risk Officer
Louise Wiwen-Nilsson	Chief Human Resources Officer
Olesya Ivanova	Chief Operating Officer Latvia & Romania

## Note 4. Financial income

(EUR thousands)	GROUP		PARENT COMPANY	
	2018	2017	2018	2017
Interest income	13	6	105	92
Dividends from subsidiaries	-	-	75,000	50,000
<b>Total</b>	<b>13</b>	<b>6</b>	<b>75,105</b>	<b>50,092</b>

## Note 5. Financial expenses

(EUR thousands)	GROUP		PARENT COMPANY	
	2018	2017	2018	2017
Interest expenses	159	182	-	2
Impairment of shares in subsidiaries	-	-	-	-
Other	12	42	1	118
<b>Total</b>	<b>171</b>	<b>224</b>	<b>1</b>	<b>120</b>

## Note 6. Income tax and deferred tax

Income tax (EUR thousands)	GROUP		PARENT COMPANY	
	2018	2017	2018	2017
<b>Current tax</b>				
Sweden	438	-	438	-
Outside Sweden	6,114	4,252	-	-
<b>Total current tax</b>	<b>6,552</b>	<b>4,252</b>	<b>438</b>	<b>0</b>
<b>Deferred tax</b>				
Sweden	77	472	77	472
Outside Sweden	-763	-189	-	-
<b>Total deferred tax</b>	<b>-686</b>	<b>283</b>	<b>77</b>	<b>472</b>
<b>Total tax expense</b>	<b>5,866</b>	<b>4,535</b>	<b>515</b>	<b>472</b>

(EUR thousands)	GROUP		PARENT COMPANY	
	2018	2017	2018	2017
<b>The difference between the actual tax expense and tax expense based on current tax rate</b>				
Profit before tax	89,326	66,664	75,303	50,180
Income tax calculated according to domestic tax rates on profits in each country	26,358	21,172	16,567	11,040
Tax effect of:				
Income not subject to tax	-16,486	-19,797	-16,500	-10,813
Expenses not deductible for tax purposes	1,041	3,445	17	13
Tax-loss carryforwards on accumulated losses	-	-85	-	232
Change in deferred tax	-763	-283	77	-
Other	-4,284	83	354	-
<b>Total tax expense</b>	<b>5,866</b>	<b>4,535</b>	<b>515</b>	<b>472</b>

The effective tax rate for the Group amounted to 6.6% for the year (2017: 6.8%).

## Deferred tax

Deferred tax assets and deferred tax liabilities refer to temporary differences and tax-loss carryforwards. Temporary differences occur in cases where the reported and fiscal tax-loss carryforwards for assets of liabilities, or other tax deductions are recognised only to the extent that it is probable that the deduction can be offset against future taxable profits. The consolidated accumulated tax loss is fully capitalised and not limited in terms of time. Deferred tax assets and deferred tax liabilities refer to temporary differences and loss carryforwards as follows:

(EUR thousands)	GROUP		PARENT COMPANY	
	2018	2017	2018	2017
<b>Deferred tax receivables</b>				
Tax-loss carryforwards	-	78	-	78
Other deferred tax assets	180	-	-	-
<b>Total deferred tax receivables</b>	<b>180</b>	<b>78</b>	<b>0</b>	<b>78</b>
<b>Deferred tax</b>				
Property, plant and equipment	-	565	-	-
<b>Total deferred tax</b>	<b>0</b>	<b>565</b>	<b>0</b>	<b>0</b>
<b>Deferred tax receivables and deferred tax liabilities, net</b>	<b>180</b>	<b>-487</b>	<b>0</b>	<b>78</b>

Over the year, the net amount of deferred tax receivables and deferred tax liabilities has changed in accordance with the following:

(EUR thousands)	GROUP		PARENT COMPANY	
	2018	2017	2018	2017
Opening balance	-487	-204	78	550
Recognised in the income statement	667	-283	-78	-472
<b>Closing balance</b>	<b>180</b>	<b>-487</b>	<b>0</b>	<b>78</b>

The amounts reported in the balance sheet include the following:

(EUR thousands)	GROUP		PARENT COMPANY	
	2018	2017	2018	2017
Deferred tax receivable that can be used early after 12 months	180	78	-	78
Deferred tax liability receivable that can be used early after 12 months	-	-565	-	-

## Note 7. Earnings per share

(EUR thousands)	GROUP	
	2018	2017
Profit after tax attributable to Parent Company shareholders (EUR thousands)	83,460	62,129
Average number of shares before dilution	35,970	35,970
Average number of shares after dilution	36,525	36,337
Earnings per share before dilution (EUR)	2.32	1.73
Earnings per share after dilution (EUR)	2.29	1.71

The Group has dilution effects regarding subscription premiums, see Note 22.

## Note 8. Intangible assets

(EUR thousands)	GROUP	
	2018	2017
<b>Gaming programme</b>		
Opening cost	37,753	27,074
Capitalisations for the year	9,355	10,679
<b>Closing accumulated cost</b>	<b>47,108</b>	<b>37,753</b>
Opening depreciation	21,544	12,947
Depreciation during the year	9,974	8,597
<b>Closing accumulated depreciation</b>	<b>31,518</b>	<b>21,544</b>
<b>Closing residual value according to plan</b>	<b>15,590</b>	<b>16,209</b>

(EUR thousands)	GROUP	PARENT COMPANY	
	2018	2017	2017
<b>Licences and patents</b>			
Opening cost	765	653	108
Acquisitions for the year	5,701	126	394
Disposals	-17	-16	-
Translation difference	-1	2	-
<b>Closing accumulated cost</b>	<b>6,448</b>	<b>765</b>	<b>502</b>
Opening depreciation	407	328	42
Depreciation during the year	304	94	22
Disposals	-16	-16	-
Translation difference	-1	1	-
<b>Closing accumulated depreciation</b>	<b>694</b>	<b>407</b>	<b>64</b>
<b>Closing residual value according to plan</b>	<b>5,754</b>	<b>358</b>	<b>438</b>

(EUR thousands)	GROUP	PARENT COMPANY	
	2018	2017	2017
<b>Cost</b>	<b>53,556</b>	<b>38,518</b>	<b>502</b>
<b>Total closing accumulated depreciation</b>	<b>32,212</b>	<b>21,951</b>	<b>64</b>
<b>Total closing residual value according to plan</b>	<b>21,344</b>	<b>16,567</b>	<b>438</b>

## Note 9. Property, plant and equipment

(EUR thousands)	GROUP	PARENT COMPANY	
	2018	2017	2017
<b>Improvements to property owned by another</b>			
Opening cost	8,328	5,056	40
Acquisitions for the year	10,513	3,430	-
Disposals	-515	-158	-40
<b>Closing accumulated cost</b>	<b>18,326</b>	<b>8,328</b>	<b>0</b>
Opening depreciation	2,917	1,729	26
Depreciation during the year	2,271	1,344	14
Disposals	-330	-156	-40
<b>Closing accumulated depreciation</b>	<b>4,858</b>	<b>2,917</b>	<b>0</b>
<b>Closing residual value according to plan</b>	<b>13,468</b>	<b>5,411</b>	<b>0</b>

(EUR thousands)	GROUP	PARENT COMPANY	
	2018	2017	2017
<b>Office, computer &amp; technical equipment</b>			
Opening cost	20,708	14,502	135
Acquisitions for the year	7,824	7,070	11
Disposals	-1,566	-784	-17
Translation difference	-55	-80	-
<b>Closing accumulated cost</b>	<b>26,911</b>	<b>20,708</b>	<b>118</b>
Opening depreciation	9,047	5,886	59
Depreciation during the year	5,086	3,496	36
Disposals	-1,195	-409	-17
Translation difference	-11	74	-
<b>Closing accumulated depreciation</b>	<b>12,927</b>	<b>9,047</b>	<b>78</b>
<b>Closing residual value according to plan</b>	<b>13,984</b>	<b>11,661</b>	<b>40</b>

(EUR thousands)	GROUP	
	2018	2017
<b>Property</b>		
Opening cost	11,173	11,173
Acquisitions for the year	-	-
<b>Closing accumulated cost</b>	<b>11,173</b>	<b>11,173</b>
Opening depreciation	446	223
Depreciation during the year	224	223
<b>Closing accumulated depreciation</b>	<b>670</b>	<b>446</b>
<b>Closing residual value according to plan</b>	<b>10,503</b>	<b>10,727</b>

(EUR thousands)	GROUP	
	2018	2017
<b>Land</b>		
Opening cost	1,664	1,447
Acquisitions for the year	-	217
<b>Closing accumulated cost</b>	<b>1,664</b>	<b>1,664</b>

(EUR thousands)	GROUP	PARENT COMPANY	
	2018	2017	2017
<b>Total closing accumulated cost</b>	<b>58,074</b>	<b>41,873</b>	<b>118</b>
<b>Total closing accumulated depreciation</b>	<b>18,455</b>	<b>12,410</b>	<b>78</b>
<b>Total closing residual value according to plan</b>	<b>39,619</b>	<b>29,463</b>	<b>40</b>

## Note 10. Participations in Group companies

Name	Corporate ID number	Main office	Ownership %	Number of shares	Carrying value 2018 (EUR thousands)	Carrying value 2017 (EUR thousands)
<b>Direct ownership</b>						
Evolution Malta Holding Ltd	C 48665	Sliema, Malta	100	2,752,353	206,000	206,000
<b>Indirect ownership</b>						
Evolution Malta Ltd	C 48666	Sliema, Malta	100	1,200	1	1
Evolution Gaming Malta Ltd	C 44213	Sliema, Malta	100	40,000	40	3
Evolution Malta Ops Ltd	C 50583	Sliema, Malta	100	100,000	100	100
Evolution Latvia SIA	40003815611	Riga, Latvia	100	100	3,977	3,977
Evolution Gaming Ltd	05944946	London, Great Britain	100	100	863	863
Evolution New Jersey LLC	5362945	Atlantic City, USA	100	0	-	-
Evolution Latvia Properties SIA	50103931761	Riga, Latvia	100	1	3	3
Evolution Belgium SPRL	0638.824.479	Brussels, Belgium	100	18,550	19	19
EvoGame Estonia OU	14035717	Tallinn, Estonia	100	1	3	3
Evolution Netherlands BV	66682452	Hilversum, Netherlands	100	1	-	-
Evo Gaming Studios RO S.R.L.	36034853	Bucharest, Romania	100	1,000	1	1
EG Overseas Services B.V.	135218	Curacao	100	3,000	-	-
Evolution Georgia LLC	405209689	Tbilisi, Georgia	100	1	-	-
Evolution Alderney Ltd	1963	Inchalla, Le Val, Alderney	100	1	-	-
Evolution Canada Gaming Inc	BC1114063	Vancouver, Canada	100	1	-	-

## Note 11. Accounts receivable

(EUR thousands)	GROUP	
	2018	2017
<b>Maturity analysis of past due but not impaired accounts receivable</b>		
1-30 days	15,014	10,669
31-90 days	5,512	3,715
91-180 days	1,600	2,230
More than 181 days	0	2,504
<b>Total</b>	<b>22,126</b>	<b>19,118</b>
<b>Provision for uncertain receivables</b>		
As at 1 January	33	216
Provision for bad debt	5	33
Reversal of bad debt	0	-154
Customer losses in the income statement	803	-62
<b>Closing reserves</b>	<b>841</b>	<b>33</b>

Historically, the Group's customer losses have been low. The Group's customers operate in a growth market with strong balance sheets.

## Note 12. Prepaid expenses and accrued income

(EUR thousands)	GROUP		PARENT COMPANY	
	2018	2017	2018	2017
Prepaid licence fees, software and IT services	1,876	1,295	19	32
Other prepaid expenses	575	489	-	23
Accrued revenues	433	35	-	-
Prepaid rent	142	165	-	33
Prepaid marketing	129	78	-	6
Prepaid insurance	53	59	44	51
Prepaid maintenance expenses	10	85	13	-
<b>Total</b>	<b>3,218</b>	<b>2,206</b>	<b>76</b>	<b>145</b>

## Note 13. Other receivables

(EUR thousands)	GROUP		PARENT COMPANY	
	2018	2017	2018	2017
Tax receivables	41,042	26,581	48	43
Stock	845	-	-	-
Prepayments to providers	445	530	-	-
VAT	416	568	224	229
Other	23	149	-	-
<b>Total</b>	<b>42,771</b>	<b>27,828</b>	<b>272</b>	<b>272</b>

## Note 14. Cash and cash equivalents

(EUR thousands)	GROUP		PARENT COMPANY	
	2018	2017	2018	2017
Cash and cash balances	84,951	49,272	504	951
<b>Total</b>	<b>84,951</b>	<b>49,272</b>	<b>504</b>	<b>951</b>

## Note 15. Other current liabilities

(EUR thousands)	GROUP		PARENT COMPANY	
	2018	2017	2018	2017
Employee-related liabilities	8,609	6,731	158	192
Other liabilities	2,912	1,363	-	-
<b>Total</b>	<b>11,521</b>	<b>8,094</b>	<b>158</b>	<b>192</b>

## Note 16. Accrued expenses and deferred income

(EUR thousands)	GROUP		PARENT COMPANY	
	2018	2017	2018	2017
Employee related expenses	3,569	2,939	313	312
Deferred income	808	1,667	-	-
Accrued audit and consulting fees	134	161	66	60
Accrued utilities	121	168	-	-
Other	2,536	371	7	4
<b>Total</b>	<b>7,168</b>	<b>5,305</b>	<b>386</b>	<b>376</b>

## Note 17. Leasing

(EUR thousands)	GROUP		PARENT COMPANY	
	2018	2017	2018	2017
Expenses lease payments and rental charges	4,367	2,759	132	140
<b>Total</b>	<b>4,367</b>	<b>2,759</b>	<b>132</b>	<b>140</b>

Future minimum lease payments under non-cancellable operating leases and rental agreements are estimated to fall due as follows:

(EUR thousands)	Group	Parent company
Within 1 year	4,451	155
2-5 years	15,115	311
After 5 years	3,511	-
<b>Total</b>	<b>23,077</b>	<b>466</b>

The Group has only operating leases of premises and technical equipment.

## Note 20. Long-term liabilities

(EUR thousands)	GROUP					
	2018			2017		
	Current	Long-term	Total	Current	Long-term	Total
<b>Covered</b>						
Loan from credit institution	950	5,619	6,569	950	6,693	7,643
<b>Total</b>	<b>950</b>	<b>5,619</b>	<b>6,569</b>	<b>950</b>	<b>6,693</b>	<b>7,643</b>

The Group secured the loan to finance the acquisition of the building in Riga, Latvia. The maturity date for the loan is 12 November 2020, with amortisation amounting to EUR 130,000 per year up until the maturity date. The loan runs at a floating rate. The loan agreement contains covenants regarding, for example, the equity/assets ratio, liabilities/EBITDA ratio for the past 12 months, as well as the debt/property value ratio. The Group did not violate these covenants during the year. The calculations are made using consolidated values for the two Latvian companies in the Group. The fair value of the liability is not estimated to deviate from the carrying value and is included in level 2 of the fair value hierarchy.

## Note 18. Auditor remuneration

(EUR thousands)	GROUP		PARENT COMPANY	
	2018	2017	2018	2017
<b>PWC</b>				
Auditing assignments	210	194	91	112
Audit-related services, in addition to auditing	6	362	-	356
Tax advice	55	42	52	33
Other services	29	-	1	-
<b>Total</b>	<b>300</b>	<b>598</b>	<b>144</b>	<b>501</b>

Of the Group's remuneration to auditors, SEK 840 thousand pertains to Öhrlings PricewaterhouseCoopers AB. Audit-related services in 2017 mainly concern work in connection with the change of listing to the Nasdaq Stockholm in the large cap segment.

## Note 19. Pledged assets

(EUR thousands)	GROUP		PARENT COMPANY	
	2018	2017	2018	2017
Pledged assets	120,688	12,391	120,688	12,391
<b>Total</b>	<b>120,688</b>	<b>12,391</b>	<b>120,688</b>	<b>12,391</b>

Assets pledged by the Group and the Parent Company involve collateral in the Group's building in Riga, Latvia, for liabilities to credit institutions.

## Note 21. Transactions with related parties

All intra-Group transactions take place on general and commercial terms and at market price. No Board Member, senior officer or shareholder has:

- (i) been a party to a transaction with the Company on unusual terms or that was of an unusual nature, or
- (ii) that is of importance, or has been of importance, for the operations as a whole in the present or immediately preceding financial year, or in any previous financial year, and in any way may be considered outstanding in any way or incomplete.

The Group has no transactions with related parties other than those reported in Note 3.

## Note 22. Warrants

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). (Further on – Warrants II).

The Annual General Meeting on 28 April 2016 resolved to issue a maximum of 547,000 warrants. Each warrant entitles the holder to subscribe for one new share in the company for SEK 354.20 during the period from the day after the publication of the interim report for the second quarter of 2019 until 30 September 2019. (Further on – Warrants I).

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.

	Warrants II	Warrants I
Exercise price, SEK	705.30	354.20
Fair value at grant date, EUR	4.21	1.82
Grant date	01/07/2018	01/07/2016
Expiry date	30/09/2021	30/09/2019
Share price at grant date, SEK	557.000	245.000
Number of recipients	56	23
<b>Total amount of warrants issued</b>	<b>376,006</b>	<b>365,084</b>

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.

The recipients of the offer are key employees throughout the Group. Employees in Sweden paid the market value for the

warrants. Employees outside Sweden paid the market value for 1 warrant, while receiving 1 without payment for each that had been paid for. The value for the payment is included in the cash flow statement.

## Note 23. Financial risk management

### 23.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest risk), credit risk and liquidity risk. The risk management is coordinated at Group level for all companies that have Evolution Gaming Group AB (publ) as the ultimate Parent Company. The Group has not used derivative instruments to hedge any risk exposure in present or previous periods.

#### (a) Market risk

##### (i) Currency risk

The currency risk is related to future commercial transactions and recognised assets and liabilities reported in a different currency from each entity's functional currency. Currency fluctuations may impact Evolution's financial performance. The Group's accounts are maintained in EUR, while revenues from customer agreements are partially in different local currencies, including GBP and USD. Certain expenses are also denominated in local currencies. In 2018, 2,7 percent (14.2) of Evolution's total revenue was generated in GBP and 0.1 percent (14.5) in USD and 1.4 percent (-) in CAD. Of the total expenses, 7.9 percent (4.4) were in GBP, 2.2 percent (3.0) in CAD and 17.8 percent (2.8) in USD, 1.9 percent (-) in GEL. The exchange rates between the local currencies and EUR have fluctuated significantly and may in the future fluctuate significantly. While foreign exchange risk and exposure to currency fluctuations have not had a material impact on the Group's business, financial position or profit historically, the Company does not hedge its exposure to currency fluctuations. As a consequence, fluctuations in exchange rates and currencies could have a significant effect on the cash flows of the Company, which could impact the Group's financial results in ways unrelated to its operations and/or have a material adverse effect on its business, financial position and profit. The executive management does not consider the Group to have such a significant exposure to currency risk that it is necessary to carry out a sensitivity analysis showing how the profit/loss and equity would be affected if there were reasonably possible exchange rate fluctuations at the end of the reporting period. In 2018, the Group reported a profit in the income statement for exchange rate differences of EUR 396 thousand (2017: 630).

##### (ii) Cash flow interest rate risk

Except for cash and cash balances, the Group does not have any material interest-bearing assets and liabilities. In the acquisition, of the premises where the operations in Riga, Latvia, it was partly financed by a Euro denominated loan from a credit institution. The interest rate for the loan is 6-month Euribor (but not less than 0) + 2,2 percent margin.

During 2018, the Euribor interest rate have been negative during the majority of the year, therefore the interest rate has been 2,2 percent. A change of the interest rate +1 percent respectively +2 percent would give the additional interest expense of EUR 84 thousand respectively EUR 167 thousand, calculated after tax. The executive management therefore does not consider that profit/loss would have been materially affected by the occurrence of reasonable interest rate fluctuations at the end of the reporting period.

#### (b) Credit risk

Credit risk is related to accounts receivables and other receivables and cash and cash equivalents. The Group's exposure to credit risk at the end of the reporting period is stated below:

(EUR thousands)	2018	2017
<b>Assets</b>		
Long-term receivables	952	2,397
Accounts receivables and other receivables	93,611	69,526
Cash and cash equivalents	84,951	49,272
<b>Total</b>	<b>179,514</b>	<b>121,195</b>

The maximum exposure to credit risk related to the financial assets above at the end of the reporting period is the same as their carrying value, as stated in each note to the financial statements.

The Group has no collateral for these risks. The Group only uses financial institutions that have high quality standards or high ratings. The Group has suitable policies in place to ensure that services are only sold to customers with sufficient credit rating. The Group regularly monitors how these receivables perform in order to discover bad debt losses, with previous experience of the collection of current receivables as

the starting point. The executive management considers the accounts receivables to be secure; the Group often conducts business with these counterparties, which are considered by the executive management to have good credit rating, as they have hitherto managed their payments without remarks. As per 31 December 2018, there were past-due accounts receivable for which provisions had not been made of EUR 22,126 thousand (2017: 19,118) (see Note 11). The Group has past-due accounts receivable for which provisions have been made of EUR 841 thousand. These past due receivables include liabilities within the category more than 181 days, which refer to a number of independent customers that have not been in financial difficulties as of late. Even if a number of customers account for a certain proportion of the Group's past due receivables, the executive management does not believe the concentration of credit risk represents a material risk factor. The Group classifies past due receivables according to the applicable terms of credit and the credit arrangements that are de facto applied to manage the exposure to customers. Due to the Group's operations and the market in which it operates, a limited number of customers account for a certain part of the Group's revenues. The executive management does not consider that any individual customer or group of interdependent customers constitute any material concentration of credit risk with regard to accounts receivables. The Group's financial assets amount to EUR 952 thousand (2017: 2,431). Current receivables with a maturity of less than 12 months, consist primarily of accounts receivable. No financial assets or liabilities are reported at a value that deviates significantly from fair value.

#### (c) Liquidity risk

The Group is exposed to liquidity risk as regards the meeting of future obligations regarding its financial liabilities, which mostly comprise accounts payable, other liabilities and loans (Notes 15 and 20). Prudent risk management means having sufficient liquidity and credit facilities to ensure that the Group has sufficient funding to meet its obligations. The executive management monitors liquidity risk by reviewing expected cash flows and ensuring that no additional financing will be needed in the upcoming year. Undiscounted liabilities are shown in the table below with an annual analysis of the Group's liabilities.

##### Liquidity risk

As per 31 December 2018	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Long-term liabilities from credit institutions	238	713	950	5,743	-
Accounts payable	3,190	-	-	-	-
Other current liabilities	11,521	-	-	-	-
<b>Total</b>	<b>14,949</b>	<b>713</b>	<b>950</b>	<b>5,743</b>	<b>0</b>
<b>As per 31 December 2017</b>	<b>Less than 3 months</b>	<b>Between 3 months and 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>More than 5 years</b>
Long-term liabilities from credit institutions	238	713	950	5,743	-
Accounts payable	3,951	-	-	-	-
Other current liabilities	8,094	-	-	-	-
<b>Total</b>	<b>12,283</b>	<b>713</b>	<b>950</b>	<b>5,743</b>	<b>0</b>

Considering the inflow and outflow of cash that occur at the maturity of financial instruments, the Group's liquidity risk is not considered to be material. The value of the Group's assets and liabilities as measured at the end of the reporting period is analyzed per category, based on the remaining time to agreed maturity, in the relevant notes to the financial statements.

### 23.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group's capital consists of equity, as stated in the balance sheet. The Group maintains a capital level adapted to the financial liabilities and obligations that the business gives rise to. The executive management considers the capital to be of a suitable size at the end of the reporting period, considering the nature of the Group's operations. See Note 20 for loans from credit institutions.

### 23.3 Fair value of financial instruments

The amounts recognised as bank deposits and liabilities in the financial reports as at 31 December 2018 and 2017 are reasonable estimates of the fair values, with consideration for the nature of such instruments and the relatively short time period between their origination and expected realisation.

#### Fair value

As per 31 December 2018	Loans and accounts receivable	Total
<b>Assets in the balance sheet</b>		
Other long-term receivables	1,132	1,132
Accounts receivable	47,622	47,622
Other current receivables	4,947	4,947
Cash and cash equivalents	84,951	84,951
<b>Total</b>	<b>138,652</b>	<b>138,652</b>

As per 31 December 2018	Other financial liabilities	Total
<b>Liabilities in the balance sheet</b>		
Long-term liabilities to credit institutions	5,619	5,619
Accounts payable	3,190	3,190
Other current liabilities	11,521	11,521
<b>Total</b>	<b>20,330</b>	<b>20,330</b>

As per 31 December 2017	Loans and accounts receivable	Total
<b>Assets in the balance sheet</b>		
Other long-term receivables	2,510	2,510
Accounts receivable	39,492	39,492
Other current receivables	3,453	3,453
Cash and cash equivalents	49,272	49,272
<b>Total</b>	<b>94,727</b>	<b>94,727</b>

As per 31 December 2017	Other financial liabilities	Total
<b>sheet</b>		
Long-term liabilities to credit institutions	6,693	6,693
Accounts payable	3,951	3,951
Other current liabilities	8,094	8,094
<b>Total</b>	<b>18,738</b>	<b>18,738</b>

Net debt	2018	2017
Cash and cash equivalents	84,951	49,272
Loan receivables – maturing within one year	-950	-950
Loan receivables – maturing after one year	-5,619	-6,693
<b>Net debt</b>	<b>78,382</b>	<b>41,629</b>

	Other assets	Liabilities attributable to financing activities	
	Cash and cash equivalents	Loan receivables – maturing within one year	Loan receivables – maturing after one year
Net debt as per 1 January 2017	26,188	-1,130	-7,441
Cash flow	9,328	928	-
Exchange rate differences	-78	-	-
Other items not affecting cash flow	13,834	-748	748
<b>As per 31 December 2017</b>	<b>49,272</b>	<b>-950</b>	<b>-6,693</b>
Cash flow	16,984	1,074	-
Exchange rate differences	-63	-	-
Other items not affecting cash flow	18,758	-1,074	-1,074
<b>Net debt as per 31 December 2018</b>	<b>84,951</b>	<b>-950</b>	<b>-5,619</b>

## 5-YEAR SUMMARY

### Condensed consolidated income statements (EUR thousands)

	2018	2017	2016	2015	2014
Total operating revenues	245,418	178,385	115,461	76,359	48,532
Total operating expenses	-155,934	-111,504	-80,597	-55,279	-35,440
<b>Operating profit</b>	<b>89,484</b>	<b>66,882</b>	<b>34,864</b>	<b>21,080</b>	<b>13,091</b>
<b>Financial items</b>	<b>-158</b>	<b>-217</b>	<b>-234</b>	<b>-4</b>	<b>9</b>
<b>Profit before tax</b>	<b>89,326</b>	<b>66,664</b>	<b>34,630</b>	<b>20,176</b>	<b>13,101</b>
<b>Profit for the year</b>	<b>83,460</b>	<b>62,129</b>	<b>31,740</b>	<b>20,028</b>	<b>12,097</b>

### Condensed consolidated balance sheets (EUR thousands)

	2018	2017	2016	2015	2014
<b>Assets</b>					
<b>Non-current assets</b>	<b>62,095</b>	<b>48,540</b>	<b>39,865</b>	<b>18,314</b>	<b>11,430</b>
Current receivables	93,611	69,526	37,266	21,369	12,074
Cash and cash equivalents	84,951	49,272	26,188	19,930	8,295
<b>Total current assets</b>	<b>178,562</b>	<b>118,798</b>	<b>63,454</b>	<b>41,299</b>	<b>20,369</b>
<b>TOTAL ASSETS</b>	<b>240,657</b>	<b>167,337</b>	<b>103,318</b>	<b>59,613</b>	<b>31,799</b>
<b>Equity and liabilities</b>					
<b>Total equity</b>	<b>162,270</b>	<b>109,881</b>	<b>63,896</b>	<b>43,812</b>	<b>23,715</b>
Long-term liabilities	5,619	7,259	8,170	324	192
Current liabilities	72,768	50,198	31,251	15,477	7,892
<b>Total liabilities</b>	<b>78,387</b>	<b>57,456</b>	<b>39,421</b>	<b>15,801</b>	<b>8,084</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>240,657</b>	<b>167,337</b>	<b>103,318</b>	<b>59,613</b>	<b>31,799</b>

### Condensed cash flow statements (EUR thousands)

	2018	2017	2016	2015	2014
Cash flows from operating activities	100,036	62,484	41,232	23,833	14,155
Cash flows from investing activities	-31,650	-22,387	-31,176	-11,936	-5,967
Cash flows from financing activities	-32,644	-16,935	-3,798	-262	-5,495
<b>Cash flow for the year</b>	<b>35,742</b>	<b>23,163</b>	<b>6,258</b>	<b>11,635</b>	<b>2,693</b>
Cash and cash equivalents at end of period	84,951	49,272	26,188	19,930	8,295

### Key ratios

	2018	2017	2016	2015	2014
EBITDA margin	43.9%	45.2%	38.6%	35.9%	35.0%
Operating margin	36.5%	37.5%	30.2%	27.6%	27.0%
Profit margin	34.0%	34.8%	27.5%	26.2%	24.9%
Equity/assets ratio	67.4%	65.7%	61.8%	73.5%	74.6%
Average number of full-time employees	3,529	2,639	1,859	1,156	859
Full-time employees at end of period	4,319	3,085	2,394	1,338	939
Earnings per share (EUR)	2.32	1.73	0.88	0.56	0.34
Equity per share (EUR)	4.51	3.05	1.78	1.22	0.66
Operating cash flow per share (EUR)	2.78	1.74	1.15	0.66	0.39
Average number of outstanding shares	35,970,377	35,970,377	35,970,377	35,904,968	35,035,968
Number of outstanding shares	35,970,377	35,970,377	35,970,377	35,904,968	35,035,968

## Declaration by the Board of Directors

The Board of Directors and the Group CEO certify that the annual accounts have been prepared in accordance with the Annual Accounts Act and RFR 2 “Accounting for Legal Entities” and give a true and fair view of the Company’s financial position and earnings and that the Directors’ Report gives a fair overview of the development of the Company’s operations, position and earnings, and describes significant risks and uncertainties that the Company faces.

The Board of Directors and the Group CEO certify that the consolidated accounts, have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and give a true and fair view of the Group’s financial position and earnings, and that the Directors’ Report for the Group gives a fair overview of the development of the Group’s operations, position and earnings and describes significant risks and uncertainties that the companies included in the Group face.

**JENS VON BAHR**

Chairman of the Board

**JONAS ENGWALL**

Board Member

**IAN LIVINGSTONE**

Board Member

**JOEL CITRON**

Board Member

**CECILIA LAGER**

Board Member

**FREDRIK ÖSTERBERG**

Board Member

**MARTIN CARLESUND**

Group CEO

As stated above, the annual and consolidated accounts were approved for publication by the Board of Directors on 28 March 2019.

The consolidated income statement and balance sheet and the Parent Company’s income statement and balance sheet are subject to approval by the Annual General Meeting on 26 April 2019.

Our audit report was issued on 28 March 2019.  
Öhrlings PricewaterhouseCoopers AB

Niklas Renström  
Authorised Public Accountant

# Auditor's report

To the meeting of shareholders in Evolution Gaming Group AB, Corporate Identity Number 556994-5792.



## REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

### Opinions

We have audited the annual accounts and consolidated accounts of Evolution Gaming Group AB (publ) for the financial year 2018 with the exception of the Corporate Governance Report on pages 54-62. The annual accounts and consolidated accounts of the company are included on pages 48-96 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the Corporate Governance Report on pages 54-67. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the supplementary report which have has been presented to the parent company's and group's Audit Committee in accordance with the Auditors Ordinance (537/2014), Article 11.

### Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with

these requirements. This includes, based on our best knowledge and conviction, the provision of no prohibited services as stipulated in the Auditors Ordinance (537/2014) Article 5.1 to the audited companies or, as applicable, to the parent company or its controlled companies located within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### Our audit activities

#### Overview

##### *The focus and scope of the audit*

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Managing Director and Board of Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of the Board of Directors' and Managing Director's override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

#### *Materiality*

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to

evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

#### Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were most significant in our audit of the annual accounts and consolidated accounts of

the current period. These matters were addressed in our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter	How the key audit matter was addressed in our audit
<p><b>Revenue</b></p> <p>Revenues total EURO 245 million and refer primarily to revenues from the provision of internally developed online live casino gaming. The company's customers pay commission fees based on the gaming surplus the products generate on behalf of the customers, and a fixed monthly fees. In addition fees for services such as start-up fees for integration is also invoiced to the customers.</p> <p>The company's revenues are a significant item comprised of a large number of transactions and which is calculated according to the terms of condition of each agreement. There is a risk that all transactions are not captured and that transactions are priced incorrectly.</p> <p>The accounting principles and a further description of the revenues are found in Note 1.16.</p>	<p>Based on the number of transactions and the customer-specific contracts to which the revenues refer, in performing our audit we have primarily focused on the completeness and correctness of the reported revenues. The audit activities performed have implied that we have, amongst other things:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the significant transaction flows and critical IT systems, and as regards these we have examined important controls in order to manage the risk of misstatements in the financial reporting. In our audit, we have also utilised the expertise of IT specialists.</li> <li>• Evaluated to determine if changes in the company's application of accounting principles and/or assessment has impacted the reporting of revenues.</li> <li>• For a selection of individual revenue transactions, verified that these have been priced according to the customer contracts in place and that the revenues are reported in the correct period.</li> <li>• We have undertaken a follow-up of payments of outstanding accounts receivable and have also discussed matured receivables to assess whether the provisions have been reported correctly based on the assessed risk of bad debts.</li> </ul>

#### Other information than the annual accounts and consolidated accounts

This document also contains information other than the annual accounts and consolidated accounts and this information is found on pages 1-47. The other information includes the sustainability report and our auditor's statement regarding this report. It is the Board of Directors and the Managing Director who are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose,

as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee of the Board of Directors shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

#### **Auditor's responsibility**

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual report and consolidated financial statements is available on the website of the Swedish Inspectorate of Auditors: [www.revisorsinspektionen.se/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). This description constitutes a part of the auditor's report.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

### **Opinions**

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Evolution Gaming Group AB (publ) for the financial year 2018 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

### **Basis for Opinions**

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### **Responsibilities of the Board of Directors and the Managing Director**

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

### **Auditor's responsibility**

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the management audit is available on the website of the

Swedish Inspectorate of Auditors:  
[www.revisorsinspektionen.se/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). This description constitutes a part of the auditor's report.

**The auditor's examination of the corporate governance statement**

The Board of Directors is responsible for the corporate governance statement on pages 54-62 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Öhrlings PricewaterhouseCoopers AB were appointed as auditors of Evolution Gaming Group AB (publ) by the shareholders' meeting held on 14 November 2014 for a period of 4 years.

Stockholm, 28 March 2019  
Öhrlings PricewaterhouseCoopers AB

Niklas Renström  
Authorised Public Accountant



# Glossary

## Financial key ratios, items and terms

<b>Return on shareholders' equity</b>	The period's earnings in relation to average equity in the past twelve months.
<b>EBITDA</b>	Operating profit before depreciation, amortisation and impairments.
<b>EBITDA margin</b>	EBITDA in relation to operating revenues.
<b>EUR, EURm, EUR 000</b>	EUR, EUR million, EUR thousands.
<b>Average number of full-time employees</b>	The average number of full-time employees during the period. Full-time equivalents include part-time positions.
<b>Average number of shares outstanding</b>	The average number of shares outstanding during the period.
<b>Operating profit</b>	Total operating revenues reduced by total operating expenses.
<b>Operating margin</b>	Operating profit in relation to operating revenues.
<b>Equity/assets ratio</b>	Equity at the end of period in relation to total assets at the end of period.

## Operational and other terms

<b>B2B</b>	Refers to "Business-to-Business," i.e. business conducted between two companies with no private individuals involved.
<b>B2G</b>	Refers to "Business-to-Government," i.e. business conducted between a company and a government body with no private individuals involved.
<b>Gross Gaming Revenue</b>	Consists of the bet reduced by the winnings returned to the player.
<b>Derivative/game derivative</b>	Refers to further developments of Evolution's core games. They may be subject to special rules or have other characteristics that are not found in the original game.
<b>Direct Game Launch</b>	Refers to add-on functionality in Evolution's offering which allows the operator to place links that open a Live Casino game directly when the end user clicks on them.
<b>H2GC</b>	Refers to the independent market analysis firm H2 Gambling Capital.
<b>HD</b>	Refers to "High Definition", i.e. a high resolution image.
<b>MCR</b>	Refers to "Mission Control Room," the control room that controls Evolution Gaming's operations in all Live Casino studios.
<b>RNG</b>	Refers to "Random Number Generated," i.e. games based on random number generated data.
<b>Share of live</b>	Refers to the proportion of the revenue that stems from Live Casino in relation to the total gaming revenue.
<b>Slots</b>	A game about getting three symbols in a row on a row of rotating reels.
<b>End users</b>	Refers to the gaming operators' customers, i.e. gamers.
<b>Streaming</b>	Refers to the English term for playing audio and video files on the recipient's unit at the same time as they are transferred via a network, such as the Internet.
<b>Tier 1</b>	Refers to customers of materially strategic and/or financial importance. Evolution communicates all new Tier 1 customers via press releases and/or interim statements.



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