



EGR LIVE CASINO SUPPLIER OF THE YEAR
NINE TIME WINNER 2010-2018

EGR MULTI-CHANNEL SUPPLIER
OF THE YEAR 2018

Year-end report | January–December 2018 | Evolution Gaming Group AB (publ)

Fourth quarter of 2018 (Q4 2017)

- Operating revenues increased by 38% to EUR 70.2 million (50.7)
- EBITDA increased by 40% to EUR 31.6 million (22.6), corresponding to a margin of 45.0% (44.6)
- Profit for the period amounted to EUR 25.5 million (18.0)
- Earnings per share amounted to EUR 0.71 (0.50)

Full-year 2018 (2017)

- Operating revenues increased by 38% to EUR 245.4 million (178.4)
- EBITDA increased by 34% to EUR 107.7 million (80.6), corresponding to a margin of 43.9% (45.2)
- Profit for the period amounted to EUR 83.5 million (62.1)
- Earnings per share amounted to EUR 2.32 (1.73)
- The Board proposes a dividend of EUR 1,20 per share (0.90) and intends to propose a buy-back programme to the Annual General Meeting

Events during the fourth quarter of 2018

- Launch of scalable Infinite Blackjack
- Continued expansion in North America

Events after the end of the quarter

- Acquisition of Ezugi completed
- 10 new game titles launched at ICE 2019 – increasing the gap to competition

Summary of the fourth quarter and full-year 2018

Group (EUR thousands)	Oct-Dec 2018	Oct-Dec 2017	Change %	Jan-Dec 2018	Jan-Dec 2017	Change %
Operating revenues	70,226	50,718	38%	245,418	178,385	38%
EBITDA	31,568	22,599	40%	107,681	80,636	34%
EBITDA margin	45.0%	44.6%	-	43.9%	45.2%	-
Operating profit	26,734	18,806	42%	89,484	66,882	34%
Operating margin	38.1%	37.1%	-	36.5%	37.5%	-
Profit for the period	25,535	18,034	42%	83,460	62,129	34%
Profit margin	36.4%	35.6%	-	34.0%	34.8%	-
Earnings per share (EUR)	0.71	0.50	42%	2.32	1.73	34%
Equity per share (EUR)	4.51	3.05	48%	4.51	3.05	48%
OCF per share (EUR)	0.74	0.49	50%	2.78	1.74	60%
Average number of FTEs	4,005	2,925	37%	3,529	2,639	34%

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CEO's comments

I am very pleased to summarise a good end to the year with continued favourable growth and high profitability. Revenues in the fourth quarter amounted to EUR 70.2 million, corresponding to an increase of 38 percent compared with the same period in 2017. EBITDA amounted to EUR 31.6 million with a margin of 45 percent. For the full-year, the margin was 44 percent, which is satisfactory given the high expansion pace. At year-end, we had approximately 550 tables live; significantly more than what we had planned in the beginning of 2018. During 2019, we will invest in a new studio in Malta and continue to expand our existing studios to meet the market demand. At the same time, we optimise the expansion from last year, and we expect a slightly strengthened EBITDA margin in the range of 44-46 percent for the full-year.

We continue to grow in North America. During the fourth quarter, we went live with several new customers in the US, and just after year-end we also signed an agreement with a second customer in Canada. To further strengthen our position, we have also carried out Evolution's first-ever acquisition. With the business of Ezugi, we further extend our footprint especially in the US, while also gaining more studio capacity and resources within product development. Another key activity in North America will be to roll out more games; Live Infinite Blackjack is one example that was successfully launched for our European operators in the past quarter.

Among our markets, the Nordics in particular have exhibited favourable growth in the quarter. Rest of Europe also showed positive progress, while the growth in Rest of World was somewhat lower than in previous quarters. As before, the UK market is currently slow as a consequence of the latest regulatory requirements. At year-end, Sweden's new gaming regulation came into effect, and we can note that several of our customers have been off to a great start.

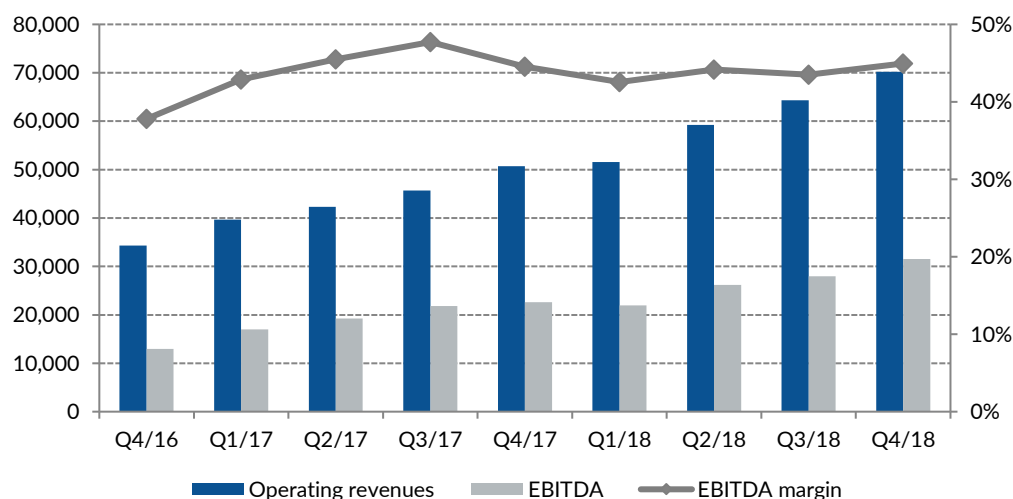
At the publication of this report, this year's edition of ICE has just taken place, and I am immensely proud of the 10 game titles that Evolution revealed at the show. Our product and development teams have put countless hours into creating games beyond the expected, which lay the foundation for continued long-term growth. The main highlight is MONOPOLY Live, which is an evolved special edition of our successful Dream Catcher. We also launched a live game show based on the popular TV programme Deal or No Deal. Both titles have been developed to take the entire Live Casino category to the next level, expand to new player types and create more commercial value for our operators.

Among all the new products, I would also like to highlight our new dice games Lightning Dice and Super Sic Bo. Dice games have a long history and a global attraction, and we confidently look forward to introducing our innovative live versions for our customers.

All in all, we can look back at yet another amazing year in the Evolution history with expansion outside Europe and many successes in innovation and created customer value. With a new studio in Malta and all games that will be launched, I am confident that we are in excellent shape to continue increasing our market leadership going forward. In that context, we can also conclude that the first quarter has been off to a good start.

Martin Carlesund, CEO

Quarterly results trend



Financial performance in the fourth quarter of 2018

Revenues

Revenues amounted to EUR 70.2 million (50.7) in the fourth quarter, corresponding to an increase of 38% compared with the corresponding period in 2017. The positive revenue development mainly derives from increased commission income from existing customers and, to a certain extent, from new customers. Demand for Live Casino games was generally high over the quarter and the number of bet spots from end users amounted to 4.4 billion (2.8). Revenues from dedicated tables and environments also contributed to the increase as a result of additional customers launching or extending their customised Live Casino environments.

Expenses

Operating expenses amounted to EUR 43.5 million (31.9). Expenses were mainly driven by higher costs for personnel, connected to the launch of new tables in the company's studios. At the end of the quarter, the number of employees amounted to 5,847 (4,014), corresponding to 4,319 (3,085) full-time positions. The strong expansion has also increased other operating expenses compared with preceding quarters.

Profitability

Operating profit amounted to EUR 26.7 million (18.8), corresponding to an increase of 42 percent. The operating margin was 38.1 percent (37.1). The EBITDA margin was 45.0 percent (44.6).

Net financial items only had a marginal impact on profits and related to the interest expense on loans for the studio property in Riga. The Group's effective tax rate for the quarter amounted to 4.4 percent (3.9). The tax rate is influenced by the countries in which earnings are generated, which may vary between reported periods. Profit for the period amounted to EUR 25.5 million (18.0). Earnings per share before dilution were EUR 0.71 (0.50).

Investments

Investments in intangible assets amounted to EUR 6.6 million (3.2) during the quarter and were mainly attributable to development of new games and technical improvements of the platform, such as new functionality, as well as exclusive content rights which were previously reported as financial assets.

Investments in property, plant and equipment amounted to EUR 3.1 million (3.3) and comprised new studio space, new gaming tables, servers and other computer equipment to meet new technical requirements and maintain capacity and performance in connection with new platform launches.

Cash and cash equivalents, financing and financial position

Cash flow from operating activities amounted to EUR 26.6 million (17.8) during the quarter. Cash flow from investing activities was negative in the amount of EUR 4.8 million (negative 7.4). Cash flow from financing activities was negative in the amount of EUR 0.4 million (negative 0.1). Cash and cash equivalents amounted to EUR 85.0 million (49.3) at the end of the year.

Full-year 2018 in brief

Revenues

For the full year of 2018, revenues amounted to EUR 245.4 million (178.4), corresponding to an increase of 38 percent compared with 2017. The positive revenue development mainly derives from increased commission income from both new and existing customers. Revenues from dedicated tables and environments also contributed to the increase as a result of additional customers launching or extending their customised Live Casino environments.

Expenses

Operating expenses amounted to EUR 155.9 million (111.5). Expenses were mainly driven by higher costs for personnel, connected to the launch of new tables and studios. The strong expansion has also increased other operating expenses compared with the previous year.

Profitability

Operating profit amounted to EUR 89.5 million (66.9) with an operating margin of 36.5 percent (37.5). The EBITDA margin was 43.9 percent (45.2).

Investments

Investments in intangible assets amounted to EUR 15.3 million (10.6) for the year. Investments in property, plant and equipment amounted to EUR 17.9 million (10.2). Investments in other financial assets amounted to EUR 1.5 million (1.4).

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 improved profit. Cash flow from investing activities was negative in the amount of EUR 31.6 million (negative 22.4). Cash flow from financing activities was negative in the amount of EUR 32.6 million (negative 16.9).

Market development

Live Casino market

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

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

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

Group	Q4/18	Q3/18	Q2/18	Q1/18	Q4/17
Nordics	9%	9%	9%	9%	9%
United Kingdom	14%	14%	16%	17%	18%
Rest of Europe	51%	49%	50%	52%	53%
Rest of World	26%	28%	25%	22%	20%
Total	100%	100%	100%	100%	100%
Regulated markets	30%	29%	31%	33%	35%
Mobile	64%	60%	58%	59%	56%

Other

Parent Company

The Parent Company is a holding company. Operating revenues for the fourth quarter of 2018 amounted to EUR 1.5 million (2.0) and expenses to EUR 1.4 million (1.7). Operating profit amounted to EUR 0.0 million (0.3). Dividend from group companies amounted to EUR 75.0 million (50.0). Profit for the period amounted to EUR 74.7 million (50.3). The Parent Company's cash and cash equivalents amounted to EUR 0.5 million (1.0) at the end of the period and equity amounted to EUR 275.7 million (232.1). No significant investments were made in intangible or tangible assets.

Employees

As of 31 December 2018, Evolution had 5,847 employees (4,014), corresponding to 4,319 (3,085) full-time positions. The average number of full-time equivalents for the quarter was 4,005 (2,925).

Significant risks and uncertainties

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

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

For further information about Evolution's risk exposure and handling, please see the Group's Annual Report for 2017, which is available on the company's website.

2019 Annual General Meeting

The Annual General Meeting will be held on 26 April 2019 at 14:00 CET at Strandvägen 7A in Stockholm, Sweden. Notice to the AGM will be published on 28 March on the company's website and in the Official

Swedish Gazette. The annual report is expected to be published on the company website during the week commencing 25 March 2019.

Dividend

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

Buy-back programme

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

Upcoming report dates

Interim report January-March 2019	25 April 2019
Interim report January-June 2019	19 July 2019
Interim report January-September 2019	24 October 2019
Year-end report 2019	February 2020

Review

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

Condensed consolidated income statements

Group (EUR thousands)	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Revenues	70,233	50,662	245,350	178,222
Other revenues	-7	55	68	163
Total operating revenues	70,226	50,718	245,418	178,385
Personnel expenses	-26,964	-20,038	-97,674	-72,122
Depreciation, amortisation and impairments	-4,834	-3,793	-18,197	-13,754
Other operating expenses	-11,694	-8,081	-40,063	-25,628
Total operating expenses	-43,492	-31,911	-155,934	-111,504
Operating profit	26,734	18,806	89,484	66,882
Financial items	-30	-37	-158	-217
Profit before tax	26,704	18,769	89,326	66,664
Tax on profit for the period	-1,169	-735	-5,866	-4,535
Profit for the period	25,535	18,034	83,460	62,129
<i>Of which attributable to:</i>				
Shareholders of the Parent Company	25,535	18,034	83,460	62,129
Average number of shares before dilution	35,970,377	35,970,377	35,970,377	35,970,377
Earnings per share before dilution (EUR)	0.71	0.50	2.32	1.73
Average number of shares after dilution	36,713,052	36,337,046	36,525,049	36,337,046
Earnings per share after dilution (EUR)	0.70	0.50	2.29	1.71
Operating margin	38.1%	37.1%	36.5%	37.5%
Effective tax rate	4.4%	3.9%	6.6%	6.8%

Condensed comprehensive income statement

Group (EUR thousands)	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Profit for the period	25,535	18,034	83,460	62,129
Other comprehensive income				
<i>Items that may be reclassified to profit</i>				
Exchange differences arising from the translation of foreign operations	-24	-37	-63	-37
Other comprehensive income, net after tax	-24	-37	-63	-37
Total comprehensive income for the period	25,511	17,997	83,397	62,092

Consolidated balance sheets

Group (EUR thousands)	31/12/2018	31/12/2017
Assets		
Intangible assets	21,344	16,567
Buildings	12,167	12,390
Property, plant and equipment	27,452	17,073
Other long-term receivables	952	2,431
Deferred tax assets	180	78
Total non-current assets	62,095	48,540
Accounts receivable	47,622	39,492
Other receivables	42,771	27,828
Prepaid expenses and accrued income	3,218	2,206
Cash and cash equivalents	84,951	49,272
Total current assets	178,562	118,798
TOTAL ASSETS	240,657	167,337
Equity and liabilities		
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
Total equity	162,270	109,881
Deferred tax liability	-	565
Long-term debt to credit institutions	5,619	6,693
Total long-term liabilities	5,619	7,259
Accounts payable	3,190	3,951
Short-term debt to credit institutions	950	950
Current tax liabilities	49,939	31,898
Other current liabilities	11,521	8,094
Accrued expenses and prepaid income	7,168	5,305
Total current liabilities	72,768	50,198
TOTAL EQUITY AND LIABILITIES	240,657	167,337

Consolidated changes in equity

Group, 2017 (EUR thousands)	Share Capital	Other capital contributed	Reserves	Retained earnings	Total equity
Opening equity 01/01/2017	540	4,698	-8	58,667	63,896
Dividend payout 03/05/2017	-	-	-	-16,187	-16,187
Warrants	-	-	-	79	79
Total comprehensive income for Jan-Mar	-	-	-72	12,742	12,670
Total comprehensive income for Apr-Jun	-	-	-36	14,617	14,581
Total comprehensive income for Jul-Sep	-	-	67	16,777	16,844
Total comprehensive income for Oct-Dec	-	-	4	17,992	17,996
Closing equity 31/12/2017	540	4,698	-45	104,688	109,881

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

Consolidated statement of cash flows

Group (EUR thousands)	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Operating profit	26,734	18,806	89,484	66,882
<i>Adjustment for items not included in cash flows:</i>				
Depreciation, amortisation and impairments	4,834	3,793	18,197	13,754
Other	175	-20	561	79
Interest received	13	6	13	6
Interest paid	-43	-43	-171	-224
Tax paid	-311	-1,038	-2,912	-2,974
	31,402	21,503	105,172	77,524
Cash flows from operating activities before changes in working capital				
Increase / Decrease in Accounts receivables	-7,688	-7,793	-8,129	-20,453
Increase / Decrease in Accounts payables	263	2,799	-761	1,782
Increase / Decrease in other working capital	2,632	1,273	3,754	3,632
Cash flows from operating activities	26,609	17,781	100,036	62,484
Acquisition of intangible assets	-6,576	-3,170	-15,262	-10,558
Acquisition of property, plant and equipment	-3,141	-3,301	-17,868	-10,191
Acquisition of building	-	-	-	-200
Increase / Decrease in other financial assets	4,907	-922	1,480	-1,438
Cash flows from investing activities	-4,810	-7,393	-31,650	-22,387
Repayment of debt to credit institutions	-372	-57	-1,074	-748
Warrant premiums	0	-	803	-
Dividend	0	-	-32,373	-16,187
Cash flows from financing activities	-372	-57	-32,644	-16,935
Cash flow for the period	21,427	10,331	35,742	23,163
Cash and cash equivalents at start of period	63,548	38,978	49,272	26,188
Cash flow for the period	21,427	10,331	35,742	23,163
Exchange rate differences	-24	-36	-63	-78
Cash and cash equivalents at end of period	84,951	49,272	84,951	49,272

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

Consolidated key ratios

Group (EUR thousands)	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Operating revenues (IFRS)	70,226	50,718	245,418	178,385
EBITDA margin	45.0%	44.6%	43.9%	45.2%
Operating margin	38.1%	37.1%	36.5%	37.5%
Profit margin	36.4%	35.6%	34.0%	34.8%
Equity/assets ratio	67.4%	65.7%	67.4%	65.7%
Cash and cash equivalents	84,951	49,272	84,951	49,272
Average number of full-time employees	4,005	2,925	3,529	2,639
Full-time employees at end of period	4,319	3,085	4,319	3,085
Earnings per share (EUR) (IFRS)	0.71	0.50	2.32	1.73
Equity per share (EUR)	4.51	3.05	4.51	3.05
Operating cash flow per share (EUR)	0.74	0.49	2.78	1.74
Average number of outstanding shares	35,970,377	35,970,377	35,970,377	35,970,377
Number of outstanding shares	35,970,377	35,970,377	35,970,377	35,970,377

Consolidated key ratios by quarter

Group (EUR thousands)	Q4/18	Q3/18	Q2/18	Q1/18	Q4/17	Q3/17	Q2/17	Q1/17
Operating revenues (IFRS)	70,226	64,346	59,252	51,594	50,718	45,690	42,290	39,688
EBITDA	31,568	27,992	26,168	21,959	22,599	21,803	19,248	17,027
EBITDA margin	45.0%	43.5%	44.2%	42.6%	44.6%	47.7%	45.5%	42.9%
Operating profit	26,734	23,225	21,688	17,842	18,806	18,226	15,935	13,955
Operating margin	38.1%	36.1%	36.6%	34.6%	37.1%	39.9%	37.7%	35.2%
Revenue growth vs prior year	38.5%	40.8%	40.1%	30.0%	47.8%	56.4%	55.8%	60.1%
Revenue growth vs prior quarter	9.1%	8.6%	14.8%	1.7%	11.0%	8.0%	6.6%	15.6%
Cash and cash equivalents	84,951	63,548	37,163	52,076	49,272	38,798	28,347	34,119

Reconciliation of selected key ratios not defined in accordance with IFRS

Group (EUR thousands)	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Operating margin				
Profit before tax	26,704	18,769	89,326	66,664
Excluding net financial items	30	37	158	217
Operating profit (EBIT)	26,734	18,806	89,484	66,882
Divided by Total operating revenues	70,226	50,718	245,418	178,385
Operating (EBIT) margin	38.1%	37.1%	36.5%	37.5%
EBITDA and EBITDA margin				
Profit before tax	26,704	18,769	89,326	66,664
Net financial items	30	37	158	217
Depreciation/amortisation	4,834	3,793	18,197	13,754
EBITDA	31,568	22,599	107,682	80,636
Divided by Total operating revenues	70,226	50,718	245,418	178,385
EBITDA margin	45.0%	44.6%	43.9%	45.2%
Profit margin				
Profit for the period	25,535	18,034	83,460	62,129
Divided by Total operating revenues	70,226	50,718	245,418	178,385
Profit margin	36.4%	35.6%	34.0%	34.8%
Equity/Assets ratio				
Total equity	162,270	109,881	162,270	109,881
Divided by Total assets	240,657	167,337	240,657	167,337
Equity/Assets ratio	67.4%	65.7%	67.4%	65.7%

Condensed Parent Company income statements and other comprehensive income

Parent company (EUR thousands)	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Operating revenues	1,483	1,952	6,195	6,194
Other external expenses	-1,445	-1,664	-5,996	-6,076
Operating profit	38	288	199	118
Dividend from group companies	75,000	50,000	75,000	50,000
Financial items	105	92	104	90
Profit before taxes	75,143	50,380	75,303	50,208
Tax on profit for the period	-477	-96	-515	-472
Result for the period	74,666	50,285	74,788	49,736

Parent company (EUR thousands)	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Profit for the period	74,666	50,285	74,788	49,736
Other comprehensive income	-	-	-	-
Other comprehensive income, net after tax	-	-	-	-
Total comprehensive income for the period	74,666	50,285	74,788	49,736

Condensed Parent Company balance sheets

Parent company (EUR thousands)	31/12/2018	31/12/2017
Assets		
Intangible assets	438	66
Property, plant and equipment	40	90
Participating interest in Group companies	206,000	206,000
Other financial assets	33	34
Deferred tax receivables	-	78
Total non-current assets	206,511	206,268
Receivables from Group companies	69,539	25,222
Other current receivables	272	272
Prepaid expenses and accrued income	76	145
Cash and cash equivalents	504	951
Total current assets	70,391	26,590
TOTAL ASSETS	276,902	232,858
Equity and liabilities		
Share capital	540	540
Retained earnings including profit for the period	275,179	231,595
Total equity	275,719	232,135
Accounts payable	160	156
Current tax liabilities	479	-
Other current liabilities	158	192
Accrued expenses and prepaid revenues	386	376
Total current liabilities	1,183	724
TOTAL EQUITY AND LIABILITIES	276,902	232,858

Notes to the financial statements

Note 1. Accounting policies

Evolution prepares its financial statements in accordance with the International Financial Reporting Standards (IFRS) as approved by the European Union. The Group's interim report has been prepared in accordance with IAS 34, Interim Financial Reporting. The new and revised standards, IAS 1 Presentation of Financial Statements and IFRS 13 Fair Value Measurement, have not affected the financial statements other than expanded disclosure requirements. The Parent Company uses the same accounting principles as the Group, with the addition of the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities.

Amounts are expressed in thousands of Euro (EUR) unless otherwise indicated. Amounts or figures in parentheses indicate comparative figures for the corresponding period last year. The accounting policies are unchanged from the 2017 annual report.

IFRS 16 - Leases

In January 2016, IASB issued a new lease standard, IFRS 16, that will replace IAS 17 Leases and the related interpretations IFRIC 4, SIC-15 and SIC-27. The standard is effective for annual periods beginning on or after 1 January 2019, and the company will apply the new standard from January 1, 2019.

The standard requires the lessee to recognize 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.

The standard will affect EBIT and EBITDA, which will be higher as part of what was previously lease costs within operating activities will be accounted for as depreciation and financial expense. The new standard will also change the cash flow statement. Lease payments that relate to contracts that have previously been classified as operating leases are no longer presented as operating cash flows in full. Only the part of the lease payments that reflects interest on the lease liability can be presented as an operating cash flow. Cash payments for the principal portion of the lease liability are classified within financing activities. Payments for short-term leases, leases of low-value assets and variable lease payments not included in the measurement of the lease liability remain presented within operating activities.

The company has no Lessor activities. Estimated impact on Lessee activities is mostly related to real estate and asset leases. For 2018 lease cost amount to approximately 4,3 MEUR, where of 2,3 MEUR is effected by the new standard.

Estimated opening balance sheet impact of IFRS 16 (discounted)

Group (EUR thousands)	Actual 31/12/2018	Adjustments per IFRS16	Estimated under IFRS 16 2018
Assets			
Fixed assets			
Tangible fixed assets	39,619	16,140	55,759
TOTAL ASSETS	240,657	16,140	256,797
Equity and liabilities			
Long-term liabilities			
Other long-term debt	5,619	13,354	18,973
Current liabilities			
Other current liabilities	11,521	2,786	14,307
TOTAL EQUITY AND LIABILITIES	240,657	16,140	256,797

Note 2. 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 \$12 million and possible additional consideration of a maximum of \$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.

Note 3. Incentive programmes

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

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

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

Note 4. Seasonality

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

Assurance

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

Stockholm, 14 February 2019

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

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Presentation for investors, analysts and the media

CEO Martin Carlesund and CFO Jacob Kaplan will present the report and answer questions on Thursday, 14 February 2019 at 09:00 a.m. CET via a telephone conference. The presentation will be in English and can also be followed online. Number for participation by telephone: +46 8 566 42 707 / +44 333 300 9035. Follow the presentation at <https://tv.streamfabriken.com/evolution-gaming-group-q4-2018>.

This information is such that Evolution Gaming Group AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, under the agency of the contact person set out above, on 14 February 2019, at 7.30 am CET.

Definitions of key ratios not defined in accordance with IFRS

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