LEOVEGAS AB (PUBL.) ANNUAL REPORT 2018

LeoVegas

MOBILE GAMING GROUP

CONTENTS

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LEOVEGAS' DNA

LeoVegas was established in 2011 and launched Leovegas.com in 2012. From the start the company offered only casino games in Sweden. Since then LeoVegas has pursued a steady, high pace of development and expansion. Today the Group consists of several brands in various product categories. LeoVegas are live in many markets and has a total of seven gambling licences in seven countries: Sweden, the UK, Malta, Ireland, Italy, Denmark and Germany (in the states of Schleswig-Holstein and Hessen).

LeoVegas' strategy from the start has been "Mobile First", which means that product and technology development for all of the brands are focused on mobile devices. The brands each have their own tone, but all convey a sense of fun that permeates the entire customer interaction. What the brands all share in common is that they are targeted at customers who view their gaming as entertainment.

LeoVegas' goal is to offer the market's best and most innovative gaming experience for its customers. Toward this end, the company does its utmost to stay at the vanguard in everything from artificial intelligence and machine learning to digital marketing and responsible gaming.

LeoVegas repeatedly wins the industry's most prestigious awards and distinctions for innovation and the gaming experience, but also for responsible gaming and CSR. Sustainability permeates everything from LeoVegas' work with vendors and marketing partners to its customer interaction and company culture.

LeoVegas is a global group in which LeoVegas AB (publ) is the parent company and will be referred to as the LeoVegas Group, the Group, or LeoVegas Mobile Gaming Group. LeoVegas AB (publ) does not conduct any gaming activities; the operational activities are conducted by subsidiaries within the Group.

SUSTAINABLE GROWTH WITH GOOD PROFITABILITY

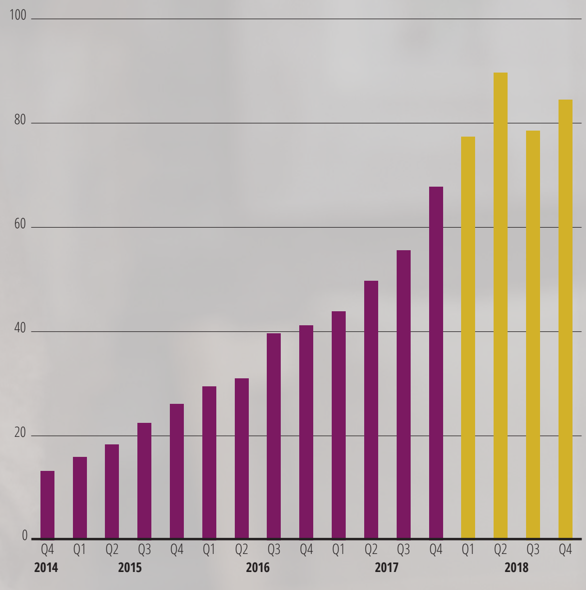
LeoVegas is a company that prioritises sustainable growth and expansion. Since its debut in January 2012 LeoVegas has experienced strong growth. In six years the Group's revenue has grown from zero year 2012 to EUR 327.8 m for the 2018 financial year. Revenue in 2018 grew 51% compared with 2017.

In addition to growth opportunities in existing markets, LeoVegas' ambition is to grow in markets in which the company is not active today. Markets with high mobile penetration and high digitalisation are of particular interest for the company.

From the onset LeoVegas has been highly product- and technology-focused. Its innovative and data-driven marketing is one of the keys to its success; everything the company does is born out of technology.

- *EUR 327.8 m in revenue 2018*
- *12.5% adjusted EBITDA margin*
- *EUR 84.5 m in revenue Q4 2018*

LEOVEGAS' REVENUE, MEUR



LEOVEGAS AT A GLANCE

LeoVegas today is a global operator with seven gambling licences and a market leader in mobile casino in the Nordic countries and Europe. The company was founded in May 2011 by Gustaf Hagman and Robin Ramm-Ericson with a vision to create the ultimate mobile gaming experience. LeoVegas was introduced on Nasdaq First North Premier in 2016. On 5 February 2018 LeoVegas carried out a change in listing to Nasdaq Stockholm's Main Market list.

LEOVEGAS' PASSION:

Leading the way into the mobile future

PRODUCT OFFERING

All of the Group's brands offer primarily casino games for smartphones. The games can also be played on tablets and desktop computers. The product portfolio includes **Casino**, **Live Casino**, **Bingo** and **Sport**.

FINANCIAL TARGETS 2021

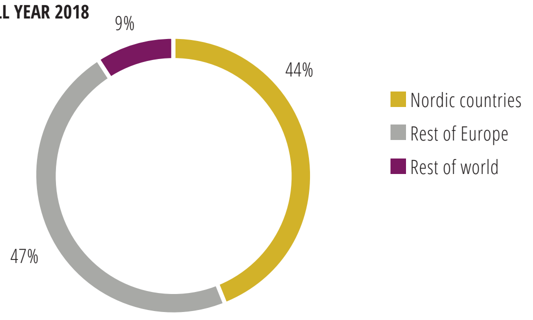
LeoVegas does not issue future forecasts, but has set financial targets for 2021, which are described below.

GROWTH AND EBITDA TARGETS

- *LeoVegas' target is to achieve EUR 600 m in revenue by 2021*
- *LeoVegas' long-term organic growth will outperform growth in the online gaming market*
- *LeoVegas' target is to achieve EUR 100 m in EBITDA by 2021*
- *Long-term EBITDA margin of at least 15% assuming that 100% of revenue is generated in regulated markets subject to gambling tax*

- *LeoVegas' dividend policy is to pay a dividend, over time, of at least 50% of profit after tax*

GEOGRAPHIC BREAKDOWN OF NET GAMING REVENUE (NGR) (%), FULL YEAR 2018



STATISTICS, AVERAGE NUMBER OF EMPLOYEES 2018

	Sweden	Malta	Other	Total
Women	32	181	53	266
Men	113	252	98	463
Total	**145**	**433**	**151**	**729**

KEY RATIOS – EUR M

	2018	2017
Revenue	327.8	217.0
- Revenue growth, %	51	53
Total deposits	1045	735
Number of depositing customers as per Q4	327,156	253,299
Adjusted EBITDA	41.1	27.9
Adjusted EBITDA margin, %	12.5	12.9
Adjusted EBIT	36.2	24.7
Adjusted EBIT margin, %	11.0	11.4
Net profit for the year	43.2	18.1
Cash flow from operating activities	36.5	34.1
Number of employees at year-end (2018)	888	566

LEOVEGAS – THE GAMETECH COMPANY

LeoVegas is a technology-, product- and innovation-driven Group. This gives the company a strong competitive advantage and is a prerequisite for its ability to be a leader in the industry. LeoVegas invests continuously in new technology and is at the forefront of system architecture and advanced technology for platforms and technical solutions.

Mobile First From the very start, LeoVegas has held fast to its Mobile First strategy, which is part of LeoVegas' DNA.

Data-driven and scalable marketing Data processing and analytics are key factors for optimising customer benefit and making the best possible use of effective marketing. LeoVegas is at the vanguard in this area, which has resulted in a high level of effectiveness of its marketing investments. Paired with the company's products and technology, this creates a sustainable, scalable and global business model. Examples of this include how LeoVegas uses algorithms and machine learning to evaluate its marketing investments.

Expansion potential LeoVegas works in a market undergoing structural growth and where the major drive is in the shift from offline to online. The mobile segment is growing the fastest, and as a company LeoVegas is well equipped to be a market leader in its existing markets at the same time that it aims to gain significant positions in new markets.

Acquisitions LeoVegas has a good financial position and has carried out a number of acquisitions in recent years to strengthen its global position. The company believes it continues to have good opportunities to make acquisitions as well as the ability to benefit from consolidation in the industry.

Operational excellence LeoVegas has good scalability and control in its business model, with focus on execution.

Culture and employees Company culture plays a central role for LeoVegas. The company fosters an entrepreneurial culture that leads to independent, driven employees who help the company develop in a highly dynamic and effective manner.

Digital customer acquisition LeoVegas has a high level of competence in digital marketing such as Search Engine Optimisation (SEO) and conversion optimisation.

New brands LeoVegas has scalable and flexible technology and technological platforms. This enables the Group to add new brands using existing resources.

HIGHLIGHTS 2018

QUARTERLY REPORT JANUARY–MARCH Q1

Q1 – SUMMARY

	2018
Revenue, EUR m	77.4
Revenue growth Q1 2018 vs. Q1 2017, %	76%
EBITDA, EUR m	9.5
EBITDA margin, %	12.3
EBIT, EUR m	3.8
EBIT margin, %	4.9
Total deposits, EUR m	248.6
Number of depositing customers	302,014
Share of deposits from mobile devices, %	69

ONE QUARTER – THREE ACQUISITIONS

The LeoVegas Group acquired 51% of the shares in the company behind the streaming network CasinoGrounds.com. LeoVegas also acquired assets from the company IPS and related assets from another two companies that operate several brands, including 21.co.uk, slotboss.com, Pink Casino and UK Casino, which are jointly referred to as Rocket X. The Rocket X name is used throughout this report and refers to this acquisition and the local brands in the UK that are operated by LeoVegas Gaming.

The third acquisition was of the company World of Sportsbetting, which held a sports betting licence and casino licence in the German state of Schleswig-Holstein as well as an approved application for a sports betting licence in the state of Hessen.

CHANGE IN LISTING – NASDAQ STHLM

LeoVegas carried out a change in listing to Nasdaq Stockholm's Main Markets list on 5 February.

REVENUE

Revenue increased by 76% to EUR 77.4 m (43.9). Organic growth was 40%. Organic growth excluding markets closed in 2017 was 61%.

EARNINGS

EBITDA was EUR 9.5 m (6.0), corresponding to an EBITDA margin of 12.3% (13.7%).

QUARTERLY REPORT APRIL–JUNE Q2

Q2 – SUMMARY

	2018
Revenue, EUR m	87.4
Revenue growth Q2 2018 vs. Q2 2017, %	76
EBITDA, EUR m	15.0
EBITDA margin, %	17.2
EBIT, EUR m	9.3
EBIT margin, %	10.6
Total deposits, EUR m	266.3
Number of depositing customers	309,987
Share of deposits from mobile devices, %	69

REVENUE AND EARNINGS

Revenue increased by 76% to EUR 87.4 m (49.7). Organic growth was 27%. Organic growth excluding markets closed in 2018 was 38%.

REVERSE PROFIT WARNING

Prior to publication of its second quarter earnings, LeoVegas issued a reverse profit warning. The reason for this was that marketing costs in relation to revenue preliminarily amounted to approximately 35%. This was considerably lower than the assessment that the company had previously communicated, where the expectation was that marketing costs in relation to revenue would be higher than 42% during the second quarter. LeoVegas held back its marketing investments on account of the fact that prices ahead of the FIFA World Cup rose, and the return on the marketing investment was not sufficiently attractive.

TECHNOLOGICAL AND PRODUCT INNOVATIONS

LeoVegas launched a new front-end platform, featuring technology that offers new and improved opportunities to continue offering the best, fastest and most innovative mobile gaming experience.

Sports book 2.0 was launched, featuring a new design and new, improved gaming experience on LeoVegas.com ahead of the FIFA World Cup.

LeoVegas took a further step in responsible gambling by registering with GAMSTOP, a centralised system in the British market that helps customers restrict their gambling.

CHANGES IN GROUP MANAGEMENT

LeoVegas' former CFO, Viktor Fritzén, took on a new role as Senior Advisor. Stefan Nelson succeeded Viktor Fritzén as CFO. Former Chief Marketing Officer Louise Nylén was named Deputy CEO, and Rikard Ljungman left his position as Chief Commercial Officer.

REGULATED REVENUE

NGR from locally regulated markets reached a record high level of 39% of total. On 7 June 2018 Sweden's Parliament passed new gambling legislation. The new law took effect on 1 January 2019 and is in line with the previous proposal.

QUARTERLY REPORT JULY–SEPTEMBER Q3

Q3 – SUMMARY

	2018
Revenue, EUR m	78.6
Revenue growth Q3 2018 vs. Q3 2017, %	41
EBITDA, EUR m	9.0
EBITDA margin, %	11.4
EBIT, EUR m	3.5
EBIT margin, %	4.5
Total deposits, EUR m	253.4
Number of depositing customers	318,189
Share of deposits from mobile devices, %	71

REVENUE

Revenue increased by 41% to EUR 78.6 m (55.6). Organic growth was 7.5%. Organic growth excluding markets closed in 2018 was 14%. The sports betting brand Bet UK was launched in the British market.

EARNINGS

Operating profit (EBITDA) was SEK 9.0 m (7.6), corresponding to an EBITDA margin of 11.4% (13.7%).

TRANSITIONAL QUARTER

The third quarter was a quarter of transition for LeoVegas as a Group. Focus was primarily on compliance, completion of platform development projects and other long-term investments that had no near term effects but enable the next steps in the company's development.

ACQUISITIONS

LeoVentures acquired 51% of Pixel.bet, an operator with focus on esports betting. Pixel.bet aims to take a position as the leading brand in its niche. The LeoVegas subsidiary Authentic Gaming signed an agreement with the UK's largest land-based casino and was granted a B2B licence for the UK market.

QUARTERLY REPORT OCTOBER–DECEMBER Q4

Q4 – SUMMARY

	2018
Revenue, EUR m	84.5
Revenue growth Q2 2018 vs. Q2 2017, %	25
EBITDA, EUR m	8.1
EBITDA margin, %	9.6
EBIT, EUR m	2.6
EBIT margin, %	3.1
Total deposits, EUR m	276.5
Number of depositing customers	327,156
Share of deposits from mobile devices, %	72

REVENUE

Revenue increased by 25% to EUR 84.5 m (67.8). Organic growth in local currencies was 7%. Organic growth in local currencies excluding the UK was 14%. For the full year 2018, revenue increased by 51% to EUR 327.8 m (217.0).

EARNINGS

EBITDA was EUR 8.1 m (6.1), corresponding to an EBITDA margin of 9.6% (9.0%). EBITDA for the full year was EUR 41.6 m (25.9), representing EBITDA growth of 61%.

CUSTOMERS

The number of depositing customers was 327,156 (253,299), an increase of 29% over the preceding year. The number of recurring, depositing customer was 181,747 (124,890), an increase of 46% over the preceding year. The fourth quarter showed strong growth in the customer base.

EXPANSION

LeoVegas applied for a gambling licence for the Spanish market. Implementation is expected during the first half of 2019.

SWEDEN – REGULATED MARKET

LeoVegas was one of the first operators to be granted a gambling licence for both casino and sports betting in Sweden. The Group's Pixel.bet brand was also granted gambling licences for the Swedish market.

FINANCIAL TARGETS AND FOCUS ON PROFITABILITY

LeoVegas' focus for the future is on profitable growth. The Group's direction remains firm, with financial targets in absolute figures of EUR 600 m in revenue and EUR 100 m in EBITDA. However, these targets were pushed back to 2021, as the company's adaptation to the increased regulatory requirements in the UK market caused it to temporarily lose tempo compared with the previous business plan.

The Board of Directors has proposed a dividend of SEK 1.20 (1.20) per share, to be paid out on two occasions in 2019.

CHANGES IN GROUP MANAGEMENT

A new role was established in Group Management, Chief Product and Technical Officer (CPTO), which replaces the roles of CTO and CPO. Group Management was also strengthened with the appointment of Avshalom Lazar as the groups Chief Compliance & Legal Officer (CCLO), and Marcus Nylén left his role as COO, succeeded by Richard Woodbridge.

START OF 2019

At the start of 2019 the Group launched a proprietary, multibrand platform, which will allow LeoVegas to launch new brands under the collective name Brands of Leo. The brands will be customised for specific needs and segments of players to further complement and diversify the Group's brand portfolio. The first brand to be launched was GoGoCasino, which combines the best functions in casino with high user friendliness and an alluring design. LeoVegas sees the addition of more, internally developed brands as a growth opportunity.

2018 – A DIFFERENT AND SOMEWHAT CHALLENGING YEAR

LeoVegas has emerged from a challenging year 2018 as a stronger company. We have now regained momentum in our business with a positive start to 2019. In early 2019 the company celebrated its seventh year in operation with full focus on expansion, cost control and the ambition to continue its pursuit on building the world's best mobile casino.

2018 FINANCIAL YEAR

2018 was the most challenging year in LeoVegas' history. The company encountered challenges that we previously never faced, and as a result we saw our growth temporarily slow down. Above all we were affected by changes in the UK market, where compliance requirements increased significantly. We have made substantial investments in this area and can now see signs that we are on the right track with our operations in the UK. Following a temporary slowing of our growth during the third quarter, we ended the year with revenue at record highs and record-high activity in our customer base during the month of December. The first half of 2018 was characterised by strong growth, the FIFA World Cup and the strategic acquisition of Rocket X. The second half was characterised by work with compliance, completion of a major platform development project and other long-term investments – all to enable the next major step in the company's development. Addressing the stricter requirements for compliance was and is an absolute necessity and gives us a major competitive advantage. LeoVegas is now at the forefront in this area, which paves the way for long-term and profitable growth for the Group.

Even though 2018 was a challenging year, we have a very strong position. Today we have the most appreciated and popular brand in our home market in Sweden, we are live in more markets than ever before – of which seven are regulated – and we are well-invested with proprietary technology that makes us scalable and flexible. LeoVegas has taken major leaps to become the leader also in responsible gaming and compliance, our multibrand strategy is in place to add new brands, and we are poised to expand to more markets in 2019. LeoVegas celebrated its seven-year anniversary in January. We have achieved a lot during these years, but we are still only at the start of our journey, where our long-term vision is to be the global market leader in mobile casino.

REGULATED MARKETS AND LICENCE APPLICATIONS

The biggest event in 2018 came at the end of November, when LeoVegas was one of the first companies in Sweden to be granted a gambling licence. On 1 January 2019 Sweden finally became a regulated market. This is something we have looked forward to for a long time. Regulation of the market has made it possible for us to launch the popular payment service Swish in the Swedish market. Swish both strengthens the company's offering to customers and reduces transaction costs. In addition to Sweden and the UK, which are today LeoVegas' largest markets, we have good growth also in other markets. The brightest star is Germany. During 2018 LeoVegas acquired a gambling licence in Germany in the state of Schleswig-Holstein and an approved application for a sports betting licence in the state of Hessen. The licences in Germany give LeoVegas the best possible prospects to accelerate further in Europe. LeoVegas has applied for a gambling licence in Spain, and our launch in the country is exptected during the first half of 2019.

RESPONSIBLE GAMING

Responsible gaming has been a guiding principle for LeoVegas since the company was established. For us, responsible gaming goes hand-in-hand with sustainable and long-term business. Without a focus on running a sustainable business, it would have been hard for us to meet the requirements for our gambling licences and earn our customers' trust in the regulated and competitive industry we work in. LeoVegas has good experience from other regulated markets and has developed the organisation and its market methods to be able to offer a gaming experience in the best, sustainable way. The regulations create security for players, as they help reduce the risks for gambling problems and addiction. LeoVegas looks forward to working side-by-side the local gambling authorities and our licensed competitors to promote sustainability in the market.

CHANGES IN GROUP MANAGEMENT TEAM

During 2018 we made a number of changes in Group Management. Today we have a solid and competent team to take on our goals and ambitions going forward. LeoVegas' new CFO since August 2018 is Stefan Nelson, who joined from a role us most recently as Director of Corporate Finance at SEB. Despite his relatively short time at Leo-

Vegas, Stefan has already created great value for the company, especially in cost optimisation, where work has continued into 2019. Louise Nylén, previously Chief Marketing Officer, took on a new role during the year as Deputy CEO, while Richard Woodbridge has taken office as our new Chief Operating Officer (COO), with overarching responsibility for operations at our offices in Malta. He succeeded Marcus Nylén, who left the company during the fourth quarter. Our new Chief Compliance & Legal Officer is Avshalom Lazar, who served most recently as Group Head of Legal and Compliance elsewhere in the gaming industry. He is also based at our office in Malta. LeoVegas has created a new role in Group Management, Chief Product & Technical Officer (CPTO), where we have combined the CTO and CPO roles. Mattias Wedar has been recruited for that position and will begin at LeoVegas during the spring. Mattias is currently serving in a similar position and has extensive experience in product development and solid knowledge of the industry. With this new position the product and technology organisation will have a single leader, which will increase efficiency and collaboration between all teams.

ACQUISITIONS AND INVESTMENTS

As part of LeoVegas' expansion strategy, four acquisitions were carried out in 2018.

CasinoGrounds

CasinoGrounds is the leading live streaming site for casino games via YouTube and Twitch and has carved out a new niche with its live streaming and social platform. The acquisition supports LeoVegas' strategy to be an innovative and entrepreneur-driven company.

Rocket X

Rocket X is a rapidly growing casino operator with a local multibrand strategy in the UK. Rocket X has a digital and data-driven customer acquisition strategy and one of the market's most effective customer acquisition models.

World of Sportsbetting Ltd

The acquisition of World of Sportsbetting Ltd in March 2018 gave LeoVegas a sports betting and casino licence in the German state of Schleswig-Holstein and an approved application for a sports betting licence in the state of Hessen. The licence in Hessen will allow LeoVegas to freely market sports betting throughout Germany.

Pixel.bet

In September 2018 the LeoVegas Group acquired 51% of Pixel Holding Group Ltd, which runs the esports betting operator pixel.bet. Pixel.bet also offers casino and has a five-year gambling licence in Sweden.

TECHNOLOGY AND PRODUCT DEVELOPMENT

During the year, LeoVegas upgraded its technical front-end platform. The benefits of the new platform are many. The technology creates better opportunities to continue offering the best, fastest and most innovative mobile gaming experience. The new platform will also make us more efficient in our technology and product development, and improves LeoVegas' work with search engine optimisation (SEO). The value of improved SEO is that customers will directly find LeoVegas.com via search engines instead of through third parties. LeoVegas is seeking to gradually increase its organic customer traffic and thereby be less dependent on affiliates for customer acquisition. The number of customers via organic traffic has increased by more than 50% since the new platform was implemented. We are seeing good effects of this work combined with our data-driven marketing.

UPDATED FINANCIAL TARGETS AND FOCUS ON THE FUTURE

Following a year weighed down by a number external factors and large internal projects, we are now well poised for the future and have redoubled our focus on growth. Our direction remains clear, with financial targets in absolute figures of EUR 600 m in revenue and EUR 100 m in EBITDA. However, we have chosen to push back these targets one year until 2021, as our adaptation to stricter regulatory requirements in the key UK market caused us to temporarily lose tempo during the year compared with our previous business plan. It has also become increasingly clear to us that the coming years will be decisive in determining who the long-term winners will be in our industry and who will not be able to cope with the increased complexity, compliance, technology development and the fact that the licensed gaming companies' revenues are now taxed in Sweden. We are therefore at the cusp of a very exciting period in the industry, and we are well-prepared. LeoVegas has pushed ahead through an eventful and challenging year with several acquisitions, awards, increased regulatory requirements and a change in listing on the stock exchange. We are now further picking up the pace and launching more brands in more markets with an aim to increase focus within the company on our end goal – to be the global market leader in mobile casino. I and everyone at LeoVegas therefore are now looking forward to a year in which we put casino front and centre, with full focus on growth and profitability.

Gustaf Hagman
President and CEO


Jabra
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EXPANSION – THE PATH THE GROWTH

Since LeoVegas was launched in Sweden in January 2012 the company has had average annual growth (CAGR) of 101%. In 2017 LeoVegas also began carrying out strategic acquisitions. The Group's most important markets are currently the Nordic countries and Europe, which together accounted for 91% of net sales in 2018.

LEOVEGAS IS GROWING

LeoVegas continues to grow through geographic expansion, growth in products and innovation, and growth through acquisitions and new brands.

Growth in existing and new geographic markets

LeoVegas has a strong position in its existing markets, where it still has substantial growth potential.

On top of its strong growth opportunities in existing markets, LeoVegas is seeking to grow in markets in which the company is not active today. Of particular interest are markets with high mobile penetration and a high level of digital literacy among end consumers. LeoVegas has identified a number of new markets for continued expansion and aims to launch its offering in several new markets in the coming years. Markets that are regulated and markets with a high likelihood for future regulation in the near to medium term are of particular interest. Before LeoVegas enters a new market, an extensive analysis and evaluation are conducted of existing laws, among other things. One example of a new market for LeoVegas is Spain, where a launch is expected during the first half of 2019. Spain has been a locally regulated market since 2012. The Spanish online market is experiencing strong growth as more and more gaming is migrating to the online channel. Spanish is spoken by more than 470 million people worldwide, and establishment in the Spanish market is seen as a natural first step towards expansion into more Spanish-speaking countries.

Growth through products and innovation

LeoVegas is also growing by offering an expanded product offering for existing and new customers. The launches of LeoVegas Sport and LeoVegas Live Casino are two clear examples of this. LeoVegas is continuously evaluating new gaming categories.

Growth is also taking place through product innovation and new functionality. As an example, LeoVegas has worked intensively and closely with a number of game developers to come up with inventive and exclusive games. These are categorised under the collective name "LeoVegas Originals". The most recent game is "Pirates – Smugglers' Paradise", and more games will be launched going forward.

Acquisitions

LeoVegas is also growing through acquisitions, and the biggest transactions carried out to date have been of Royal Panda and Rocket X.

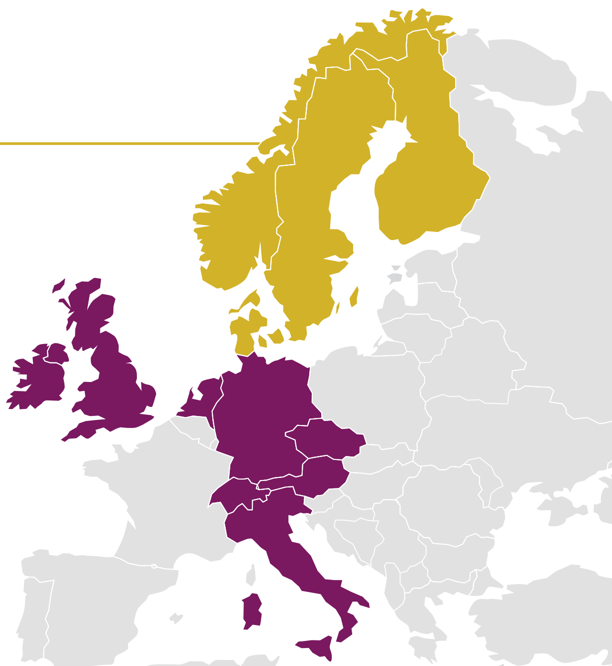
New brands

In early 2019 LeoVegas launched a proprietary multibrand platform, which will enable the Group to launch new brands under the collective name Brands of Leo. The brands are customised for specific needs and segments of players to further complement and diversify the Group's brand portfolio. GoGoCasino was the first brand to be launched on the platform, and the plan is to launch additional brands in 2019.

44% **NORDICS**
During 2018 the Nordic countries accounted for 44% of Net Gaming Revenue (NGR).

47% **REST OF EUROPE**
During 2018 other countries in Europe accounted for 47% of NGR.

9% **REST OF WORLD**
During 2018 the rest of the world accounted for 9% of NGR.



MARKET OVERVIEW

LeoVegas is clearly positioned as a leading player in the rapidly growing mobile gaming segment. In the years ahead, mobile casino is expected to grow faster than the gambling market in general. Casino today accounts for 91% of LeoVegas' revenue and is the company's greatest area of focus.

GLOBAL GAMING MARKET

Estimated gross winnings in the global gaming market totalled approximately EUR 392.4 bn in 2018. Assuming average annual growth of 2.4%, the global gaming market is expected to be worth EUR 442.7 bn in 2023.

THE EUROPEAN GAMBLING MARKET

Total sales in the European gambling market were estimated at EUR 102.3 bn in 2018 according to H2GC, of which the online gambling market is estimated to have been worth EUR 23.9 bn, or 23%. According to H2GC, approximately 77% of the total market consists of the traditional, land-based gambling segment, comprising bingo, land-based slots, physical casinos, betting on sports and horses, and lotteries. The total European gambling market is expected to grow at an average annual rate of 1.6% from 2017 to 2023.

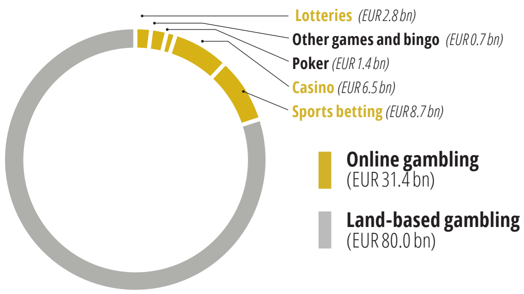
The online gambling market

The share of the total European market that includes online gambling such as casino, sports betting, lotteries and other games for money has undergone a structural transformation in recent years and has grown sharply from accounting for only 7.9% (EUR 6.7 bn) of the total market in 2007 to 23.4% (EUR 23.9 bn) in 2018. The online market is expected to account for the largest share of future growth. Between 2008 and 2018 the online gambling market grew by an average annual rate of 13.5%. The forecast for the coming five years is that the segment will experience average annual growth of 6.5%, to a market worth EUR 32.7 bn in 2023.

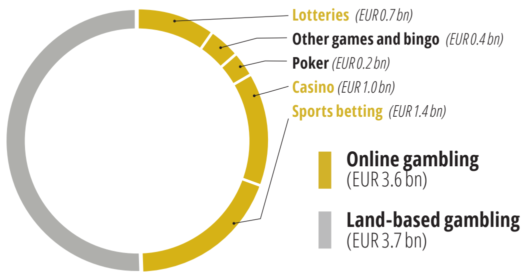
Growth from mobile devices

Growth for gaming on mobile devices is strong. Ten years ago only 2% of sales were generated by mobile devices. In 2018 the same figure was 40.9% and is steadily rising. By 2023, 55% of online gaming sales are expected be generated by mobile devices.

TOTAL EUROPEAN GAMBLING MARKET (EUR 102 BN) 2018.



TOTAL NORDIC GAMBLING MARKET (EUR 7.3 BN) 2018.

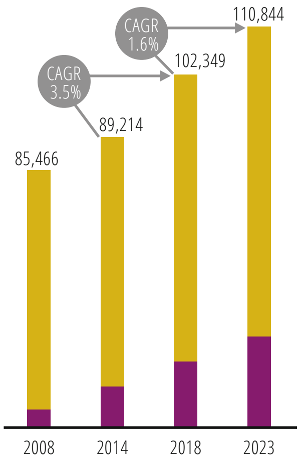


Lotteries Product that LeoVegas offers
Casino Product that LeoVegas offers
Sports betting Product that LeoVegas offers

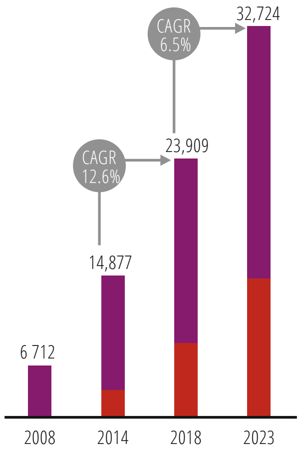
SOURCE: H2 GAMBELING CAPITAL

MOBILE GAMING IS THE FASTEST GROWING SEGMENT IN THE GAMBLING MARKET

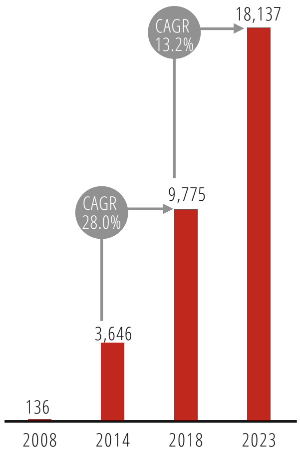
TOTAL EUROPEAN GAMBLING MARKET (EUR M)



EUROPEAN ONLINE GAMBLING MARKET (EUR M)



EUROPEAN MOBILE ONLINE GAMBLING MARKET (EUR M)



MARKET SIZE OF MARKETS IN WHICH LEOVEGAS HAS A LICENCE (EUR M)

Country	Total gambling market	Online gambling market	CAGR last 5 years in online, %	Sales generated by mobile devices, %
UK	16,654	7,090	13	51
Sweden	2,291	1,191	13	52
Denmark	1,387	688	11	50
Italy	19,004	1,837	13	10
Germany	14,287	2,385	14	17
Ireland	1,673	522	19	31

COMPETITIVE SITUATION

The market for online casino is fragmented, and no single operator has a dominant position. The largest European gaming operators are locally based, and some operate under monopolies in their respective countries. Most local gaming operators do not offer online casino, since most markets in Europe are not yet regulated and thus do not allow direct establishment. The UK is an example of a country with a regulated online gaming market. Most gaming operators are focused on online gaming and have their heritage either in the UK (Kindred, Bet365, Betfair, SkyBet, Gamesys, William Hill, Ladbrokes and Coral) or in Sweden (Betsson, LeoVegas, Mr Green and Cherry). The gaming operators operate either under licences from a regulated market such as Malta, Gibraltar, Italy, Sweden, and/or the UK. Most of the gaming operators provide, in addition to online casino, also sports betting and poker. The trend is that more and more markets are becoming regulated.

Competitors in the Nordic gaming market

The rapidly growing interest in online gaming in the Nordic countries has led to a sharp rise in the number of operators in recent years. Among the major operators that offer a broad selection of games in the Swedish market are state-owned Svenska Spel and ATG. In addition to the state-owned actors are a number of private companies founded by Swedish entrepreneurs, including Kindred, Betsson, LeoVegas, and the British operators Bet365, Betfair and Pokerstars. Of the Nordic countries, today Sweden and Denmark are regulated markets. In March 2019 Sweden had 72 licensed companies and Denmark had 32 companies active with licences. Norway and Finland are not regulated markets, but generally the same brands are targeted to Norway and Finland as in Denmark and Sweden. The difference is that there are more actors targeting Norway and Finland, as they are markets that do not require a local licence. The Nordic countries are markets with high penetration of internet and mobile phone use. This is favourable for the gaming companies that focus on online gaming and have a global and scalable business model and technology.

Competitors in the UK gaming market

Before online games were introduced at the end of the 1990s, the UK market was dominated by large, land-based operators, such as William Hill and Ladbrokes. Since then a large number of specialised online gaming operators have emerged, resulting in a fragmented online gaming market. The largest online gaming operators in the UK are mainly British. The trend is that a growing share of gaming is moving online, where the regulatory and compliance requirements increased significantly during the past year. To generate long-term, sustainable growth, it is therefore imperative to invest in compliance and have experience from regulated markets, where the requirements are high on responsible gaming, corporate governance and responsible marketing. During 2018 LeoVegas made substantial investments in these areas as part of its efforts to establish a long-term strong position, as confidence in the UK market is strong.

In 2019 the tax on online casino will be raised from 15% to 21% in the UK market, taking effect on 1 April 2019. The background to the tax increase is that the UK Gambling Commission decided to set a limit for Fixed Odds Betting Terminals (FOBTs). Previously players could play for GBP 100, but the limit has now been lowered to GBP 2. LeoVegas believes that customers who want to play for more than GBP 2 will instead migrate to the online channel. In connection with this, a number of other requirements have been introduced for help customers control their gambling, which vouches for a more sound and secure market for customers. The limit on wagers on FOBTs will result in a decrease in tax revenue, which the authorities will compensate for through an increase in the tax on online gambling.

THE NORDIC MARKET

Onlinecasino
The online casino market in the Nordic countries was worth an estimated EUR 1 bn in 2018, and with average estimated annual growth of 4.8%, it is expected that the market will be worth EUR 1.3 bn in 2023.

Online sports betting
The Nordic online sports betting market was worth an estimated EUR 1.4 bn in 2018, and with average estimated annual growth of 5.2%, it is expected that the market will be worth EUR 1.8 bn in 2023.

THE UK MARKET

Onlinecasino
The online casino market in the UK was worth an estimated EUR 3.3 bn in 2018 and is expected to be worth EUR 4 bn in 2023.

Online sports betting
The UK online sports betting market was worth an estimated EUR 2.6 bn in 2018 and is expected to be worth EUR 3.2 bn in 2023.

DESCRIPTION OF GAMES OFFERED

Casino

25%

of the total gaming market in 2023.

55/45 split

between mobile and desktop expected by 2023 – globally

Source: H2 Gambling Capital

DESCRIPTION OF GAMES OFFERED IN THE MOBILE GAMING MARKET

Casino
(31% of the European online market)
Includes RNG (random number-generated) games such as slots, table games (e.g., roulette and blackjack) via smartphones and tablets, both against physical players in virtual environments, live casino (streaming against a physical croupier), and playing against a computer.

POKER, BINGO AND OTHER GAMES
(13% of the European online market)
Includes poker, bingo and skill games.

LOTTERIES
(13% of the European online market)
Includes traditional games offered by national lotteries (e.g., scratch cards, lottery games and wheel of fortune).

SPORTS BETTING
(42% of the European mobile gaming market)
Sports betting odds for various types of sporting events.

AN INCREASINGLY REGULATED INDUSTRY

In most national markets the gaming market is regulated by law and, in principle, all gaming operations require a permit. Several markets have local licensing systems, but many countries still have a monopoly or monopoly-like situation. However, the trend is toward more and more countries implementing local regulation. The gambling industry is regulated at the national level, and at present there is no global gambling regulatory regime. Most countries apply a tax rate of around 20%. For example, Denmark has a 20% tax, and in 2019 the UK is raising the tax from 15% to 21%. In Sweden, a local regulation system was implemented on 1 January 2019, with a tax rate of 18%.

Certain countries' laws were legislated before the existence of the online gaming market and are thus largely designed for land-based casino operations. As a result, the laws regulating the online gaming market are open to subjective interpretation, and market practice has developed in most jurisdictions that does not always coincide with the applicable laws. Operations that require a permit are highly dependent on political decisions, and gaming companies are therefore reliant on the legal situation for the gaming industry, in particular regarding regulations within the EU and regulations adopted by its member states.

In recent years a growing number of countries have regulated – or have announced plans to regulate – online gaming. Examples of countries that have national regulation are the UK, Italy, Spain, Denmark, and now most recently Sweden. In countries that have implemented online gaming regulations, the rules require country-specific licences. The control bodies for these report statistics and transaction protocols in order to ensure that the operators act in accordance with the regulations, which among other things results in high quality and professionalism in responsible gaming, social responsibility, the exclusion of criminal forces from gaming and ensuring that operators pay gambling taxes (often as a percentage of net payout).

EU

In July 2014 the European Commission issued a recommendation on consumer protection and marketing as part of the Commission's 2012 action plan for online gambling. The recommendations are not legally binding for the member states, but will be used as guidelines when evaluating the regulatory regimes of each country. Generally speaking, EU policy is gravitating away from individual member states' regulations toward harmonisation of the legal frameworks.

A large share of online casino revenue in Europe continues to be generated outside of the respective European countries' national jurisdictions. Most companies operate under licences from Malta and Gibraltar, for example, and can therefore – under dot-com domains – provide and market games in other EEA countries without country-specific permits, to the extent the countries don't have their own regulations for online gaming. For gaming operators and the online casino market, increased regulation of the member countries is a key driver since it fosters growth and adds legitimacy while providing a clear set of rules for gaming operators. Regulation also allows the use of increasingly more marketing channels, such as Google and Facebook, since marketing in certain channels is not permitted in markets without a local licence system. Local payment methods are also becoming available to a greater extent with regulation. Such an example is the Swish payment system in Sweden. Today Swish is the most highly used payment service and is used regularly by 6.7 million people in Sweden. LeoVegas implemented Swish on 3 January 2019.

Of LeoVegas' main markets, the UK, Sweden and Denmark have local licensing systems, while Norway and Finland are run as state monopolies. LeoVegas has local gaming licences in the UK, Sweden and Denmark to offer its products in those respective markets and thereby be in compliance with local laws. In Finland and other countries in the EU, LeoVegas offers its games under its Maltese EU licence.

GREATER DEMANDS ON THE INDUSTRY

LeoVegas sees an increase in demands for responsible gaming and compliance for operators in regulated markets. In 2018 the company invested heavily in this area, such as in technology development and recruitment. The assessment is that LeoVegas, as a Group, has made great progress in both responsible gaming and compliance. LeoVegas believes that its controls and processes are better than the average for the industry. For example, proactive measures are in place for responsible gaming and anti-money laundering (AML) along with more detailed routines for verifying customers' source of income (SOI).

Only the operators that have invested in the required routines and processes will be able to operate efficiently and sustainably in a regulated environment. The handling of growing requirements for compliance is absolutely necessary and entails a great competitive advantage for LeoVegas. It also enables effective and continued expansion into new, regulated markets. These investments are necessary and enable the next, big steps in the company's development.

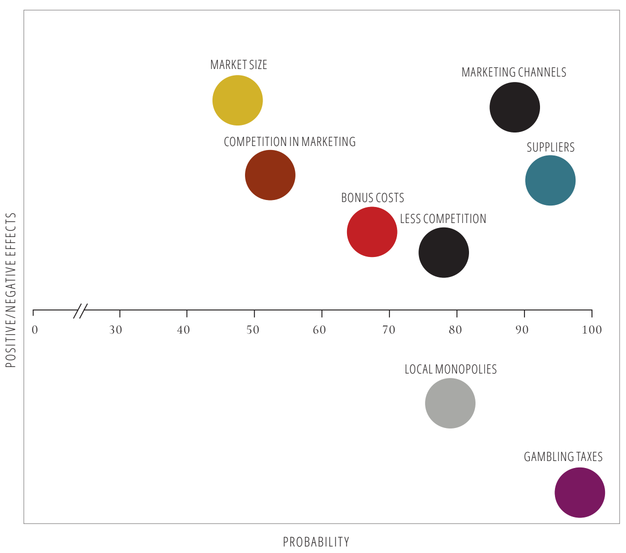
GAMBLING REGULATIONS – ADVANTAGES AND DISADVANTAGES

Shown below, LeoVegas has conducted an overall analysis of the market forces that are affected by regulation and how these may give rise to a new playing field, depending on what the conditions looked like prior to regulation. The conclusions that can be drawn, based on previous regulations, are that the market is growing, that more marketing channels are becoming available, that the entry barriers are being raised, and that taxes have a negative impact on margins. LeoVegas has also conducted a review of how a tax rate of 20% would affect EBITDA.

POSITIVE EFFECTS WHEN A MARKET BECOMES REGULATED	
Market size	Certain markets grow more than others. With respect to Sweden, the assessment is that growth will be lower than in an average market that becomes regulated. This is against the background that the conditions have been relatively open with respect to marketing and payment opportunities.
Competition in marketing	May decrease, as competitors decrease their marketing to maintain their margins.
Marketing channels	More marketing channels open up, e.g., Google and Facebook.
Less competition	Smaller competitors may potentially leave the market due to regulatory requirements. The entry barriers increase for the same reason.
Suppliers	Suppliers pay their share of the gambling tax. This is how it works today in all regulated markets.
Bonus costs	May decrease as competitors cut back on their marketing to maintain margins. In addition, restrictions are also being implemented on bonuses, such as in the way they have been in Sweden.

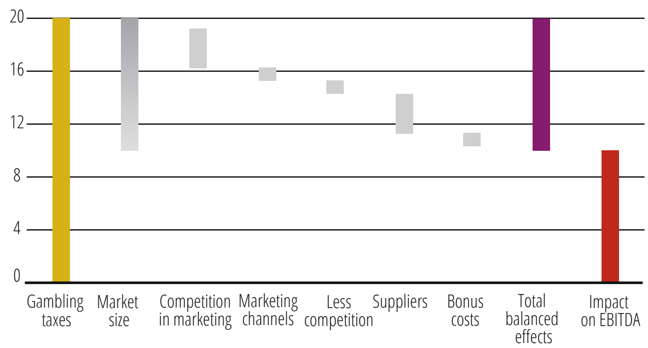
NEGATIVE EFFECTS WHEN A MARKET BECOMES REGULATED	
Gambling taxes	Have a negative impact on earnings.
Local monopolies	Take a position in the casino market – like Danske Spil in Denmark.

POSITIVE AND NEGATIVE EFFECTS OF GAMING REGULATIONS IN RELATION TO THE PROBABILITY THAT THEY OCCUR



THEORETICAL EXAMPLE OF HOW EBITDA IS AFFECTED IN A MARKET WITH A 20% TAX RATE

EXAMPLE OF POTENTIAL EBITDA IMPACT OF A 20% TAX ON REVENUE



- *This is a theoretical example of how EBITDA may be affected when a country regulates its gambling market. The example is based on analysis and data from other markets that have undergone regulation.*
- *A larger market size potentially would have a very large impact on the absolute EBITDA level even though the margins may be less. LeoVegas estimates that roughly half of taxes would be adjusted and compensated by the various market forces and half would affect LeoVegas' profitability – provided that marketing investments are not held back. If marketing investments were to be scaled back, it would moderate the effects of the tax on the margin, but would also reduce the growth potential.*

HISTORY AND ORGANISATION

LeoVegas was founded in May 2011 by Gustaf Hagman and Robin Ramm-Ericson – two entrepreneurs who saw at an early stage how mobile phones would change consumers' behaviours. In only a few years, the explosive development of smartphones has led to new behaviours and opened a channel for gaming and entertainment. LeoVegas was launched on 12 January 2012 through what was then the largest mobile advertising campaign ever carried out in Sweden, and has had strong growth since. In 2017 LeoVegas expanded its brand portfolio with an additional, global brand, Royal Panda, which was acquired during the fourth quarter of 2017. In early 2018 LeoVegas acquired a number of local, British brands that are grouped under the collective name Rocket X. LeoVegas aspires to be the most innovative, entrepreneurial and fastest growing company in the industry.

LEOVEGAS' POSITION – GAMETECH

Ever since its founding LeoVegas has been product- and technology-driven. LeoVegas is therefore not just a mobile gaming company, but the leading GameTech company in the mobile gaming industry. The term GameTech describes LeoVegas with respect to its identity, culture and way of working.

ORGANISATION AND EMPLOYEES

LeoVegas is a global group with offices in several European countries. The offices for the operations subsidiary is in Malta, while LeoVegas AB's headquarters are in Stockholm. Technology development is conducted at the company's offices in Stockholm, Västerås, Växjö and Milan. Rocket X is based in Newcastle, UK. Royal Panda operates from Malta and also has an office in Poland.

LeoVegas AB (publ) is the parent company of a number of subsidiaries that conduct gaming activities and technology development. All of the Group's subsidiaries are wholly owned with the exception of three companies in LeoVentures: Authentic Gaming Ltd, which is 80%-owned, Pixel Holding Group Ltd (Pixel.bet) and Casino-Grounds, the latter two which are 51%-owned. The subsidiaries conduct operating activities with own gambling licences and own marketing.

The number of employees in the LeoVegas Group has grown sharply since the start in 2011. On 31 December 2018 LeoVegas had 888 (566) employees. Approximately 180 employees have been added through acquisitions, which partly explains the strong growth in personnel.

LeoVegas is a young company, both with respect to how long the company has been established and in terms of the age of employees working in the Group. The company's major reliance on innovation and technology, and focus on providing a high level of service for its customers attracts young talent. During the year 62% of employees were men and 38% were women. LeoVegas' board of directors has seven members, of whom four are men and three are women.

IMPORTANT MILESTONES IN LEOVEGAS' DEVELOPMENT

2011
- LeoVegas is founded by Gustaf Hagman and Robin Ramm-Ericson

2012
- LeoVegas launches its offering in Swe¬den for smart¬phones, tablets and desktop computers

2013
- LeoVegas wins its first award – "Innovation in Casino" – at the EGR Innovation Awards

2014
- LeoVegas passes 100 employee mark
- Obtains gambling licence in the UK

2015
- Launch of the company's proprietary technical platform
- Number of employees passes 200

2016
- LeoVegas is listed on Nasdaq First North Premier
- LeoVegas Sport and LeoVegas Live Casino is launched
- LeoVegas acquires gambling licences for the Danish market

2017
- LeoVegas acquires gambling licences in Italy via Winga S.r.l.
- Passes EUR 1 bn in deposits since the start
- LeoVegas acquires gaming operator Royal Panda
- LeoVegas enters into agreement to acquire 51% of the shares in the streaming network CasinoGrounds

2018
- LeoVegas acquires Rocket X and 51% of Pixel.bet
- LeoVegas carries out change in listing to Nasdaq Stockholm
- LeoVegas acquires gambling licences for the German market
- LeoVegas applies for gambling licence in Spain

2019
- Launch of Brands of Leo
- Sweden become regulated market for the LeoVegas Group

LEOVEGAS ON THE STOCK EXCHANGE

STOCK MARKET – A PLATFORM FOR GROWTH

LeoVegas was listed on Nasdaq First North Premier on 17 March 2016. On 5 February 2018 LeoVegas carried out a change in listing to Nasdaq Stockholm's Main Market list. The change in listing was a natural step as it strengthens the company and gives it an even better quality seal in its communication and cooperation with authorities, licensors and partners. For institutional investors – both in Sweden but even more so abroad – the change in listing makes LeoVegas more accessible and attractive as a company.

DATA - 31/12/2018

Ticker: Leo

Marketplace: Nasdaq Stockholm

Market cap: SEK 4.0 bn

No. shareholders: 18,328

No. shares: 101,652,970

Stock market listing: 17 March 2016, First North

Listing change: 5 February 2018, Nasdaq Stockholm

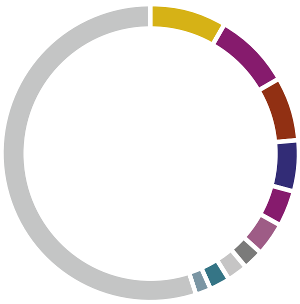
Listing price: SEK 32

ANALYST MONITORING

LeoVegas is monitored by the following banks and analysts:

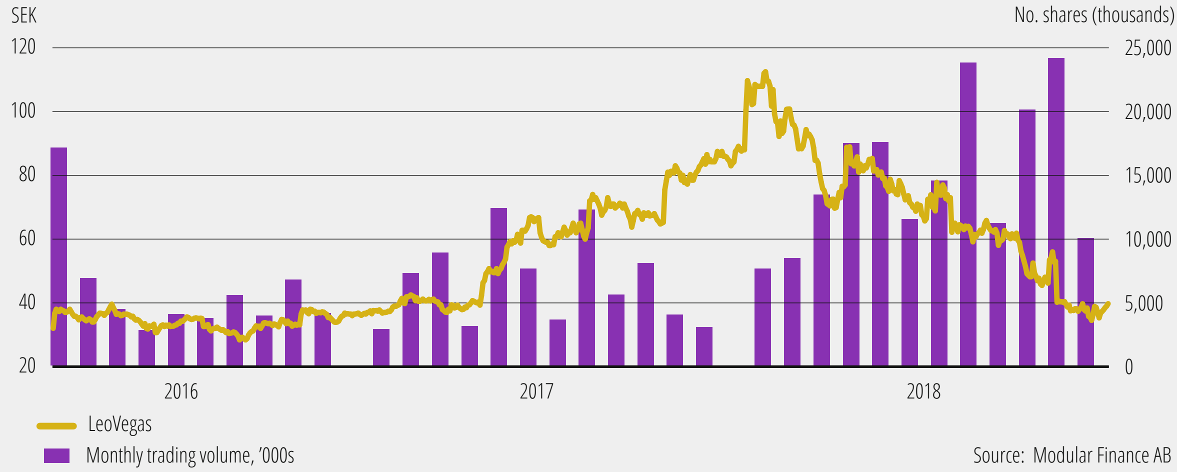
- Carnegie – Mikael Laseén
- Danske Bank – Sharish Aziz
- DNB – Martin Arnell
- Handelsbanken – Light coverage
- Kepler Chevreux – Hjalmar Ahlberg
- Pareto Securities – Lars-Ola Hellström
- SEB – Mathias Lundberg

TEN LARGEST SHAREHOLDERS, 31 DECEMBER 2018



Swedbank Robur funds	8.6%
Gustaf Hagman	8.2%
Robin Ramm-Ericson	7.0%
Skandia Mutual Life Insurance Company	5.6%
Torsten Söderberg	3.7%
Avanza Pension	3.7%
Lombard Odier	2.5%
Nordnet Pensionsförsäkring	2.3%
Aggregate Media	2.3%
Investment AB Öresund	2.1%
Total, 10 largest shareholders	**45.9 %**

SHARE PRICE DEVELOPMENT 17/3/2016–31/12/2018



Source: Modular Finance AB

IMPORTANCE OF SCALABILITY AND EFFICIENCY IN THE GAMING INDUSTRY – STEFAN NELSON, CFO

Let's begin by describing what scalability is: the ability to expand without seriously hampering performance. Quite simply, adapting capacity for shifting needs. This can be applied for all parts of LeoVegas – in everything from marketing and technology to personnel and ways of working.

Stefan Nelson, CFO

Brief facts

Stefan took office as CFO of LeoVegas in 2018 and comes most recently from a role as a director in SEB's Corporate Finance department, where he worked with company managements and boards in the tech, gaming and retail sectors. Prior to this he was one of Sweden's top equity analysts in the gambling sector, among others. Stefan has seen up close the importance of achieving and maintaining scalability and efficiency in companies poising themselves to take the next step in their growth journeys.

GROWING VERSUS SCALING UP

Growing involves increasing sales and the workforce; scaling up means much more than this. It entails improving the business model and organisational structure in pace with growth. Of course, this is a challenge in a growth company where everything is happening very quickly. In LeoVegas' case – apart from rapid organic growth – the company has grown through acquisitions, which initially have increased the level of complexity. One of the keys to reducing this complexity and increasing efficiency is to use technology and automate work flows.

TECHNOLOGY

Digitalisation has revolutionised opportunities to create global and scalable business models. Prime models of this are Uber, Airbnb and Facebook, all of which have grown exponentially in a short period of time. The key is their use of technology, which makes them more efficient the more users who subscribe. Technological development also brings opportunities to increase efficiency by applying new solutions to old problems, at a lower cost. LeoVegas is engaged in a number of technology and efficiency improvement projects that do not involve the end customer. Now the company is updating and improving its internal tools to increase the Group's productivity. Two concrete examples are improvements of customer service tools and responsible gaming.

REGULATED MARKETS – SIZE IS SIGNIFICANT

Being successful in regulated markets requires that we as a company take advantage of the scalability afforded by our business model. During 2018 we made major investments in compliance, which has given us long-term competitive advantages. Our customer base is larger than ever, which gives us opportunities to achieve a greater effect from our customers' loyalty in retention work. We also know that loyalty is stronger in regulated markets. LeoVegas has strong brands and a world-class product, so we are in a good position to grow further.

I have already noted that a company's size is of importance, and as more and more markets become locally regulated, with higher regulatory requirements and higher tax pressure, it is important to be a company that is both agile and of a size that allows for economies of scale. Our size gives us opportunities to negotiate better terms with our suppliers, and we will also be more efficient in our marketing, to name a couple of areas and examples.

While we already have many good initiatives in the scalability area, our ambition is to be even sharper. This is one of my and LeoVegas' biggest goals for 2019.

Companies that work actively from a scalability perspective have a 65% higher success rate than companies that focus only on growing.

Source: Harvard Business Review
https://hbr.org/2016/07/midsize-companies-shouldnt-confuse-growth-with-scaling

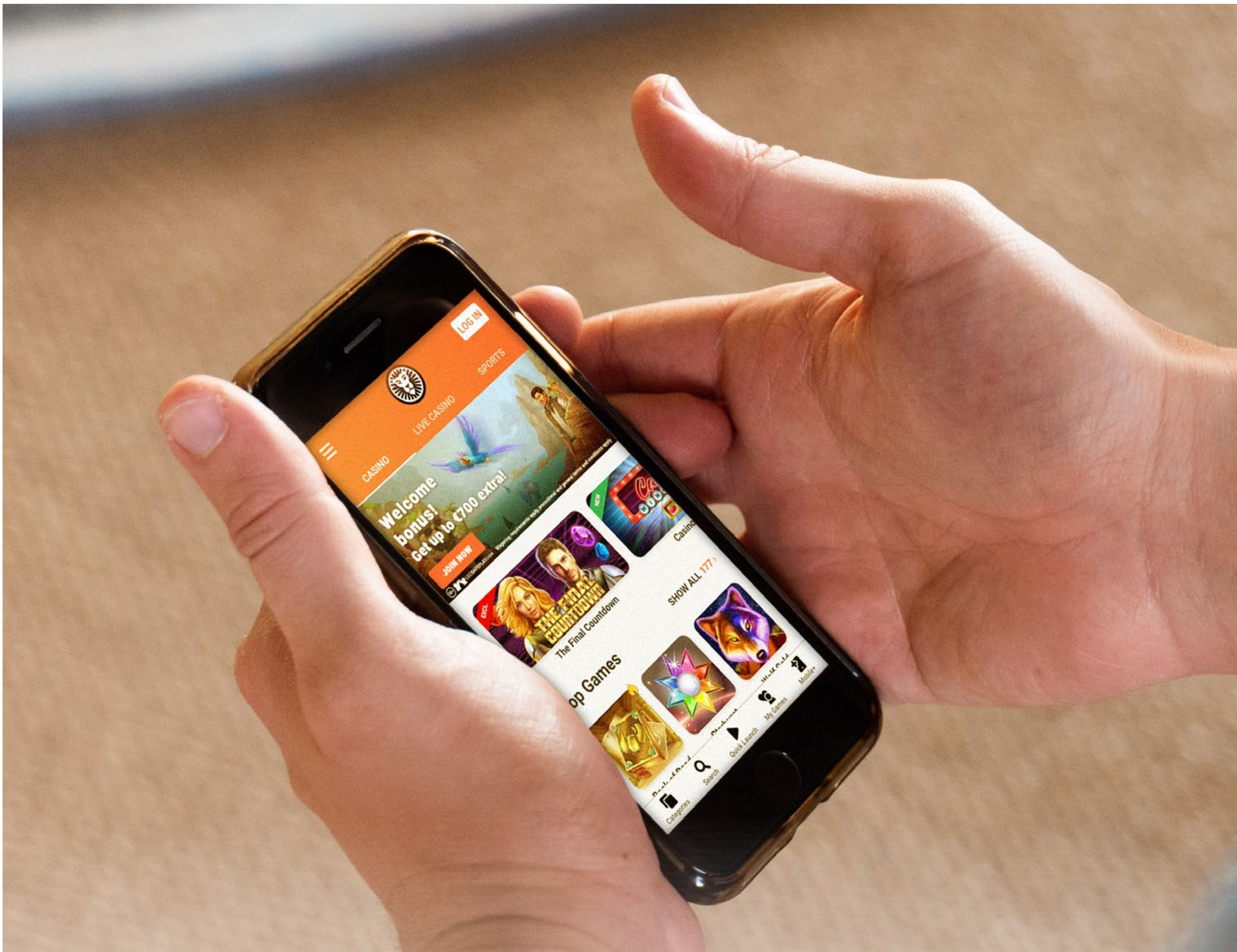
KEY PERFORMANCE INDICATORS

LeoVegas is a data-driven company. Working online to convey the company's offering enables immediate follow-up of statistics, key performance indicators (KPIs) and revenues. All statistics are measured, verified and followed up to the smallest detail. By systematically and continuously analysing and monitoring the business, LeoVegas achieves a high level of precision at the same time that the company gains an opportunity to optimise its marketing investments in areas where the highest possible return can be achieved. The four most important KPIs for understanding and analysing LeoVegas' operational performance are:

- **Number of depositing customers** (customers who have an account with LeoVegas and who have also made a deposit)
- **Marketing-to-revenue ratio** (marketing costs in relation to revenue and to the number of new customers and total deposits)
- **Returning customers** (customers who have made a deposit during the period but made their first deposit in an earlier period)
- **Total deposits** (customer deposits). Total deposits is a measure that shows how attractive LeoVegas' products are in customers' eyes. When deposits increase, LeoVegas' revenues also increase, and the company gains a stronger position in the market as well as with game providers and companies that provide payment solutions.

KEY PERFORMANCE INDICATORS

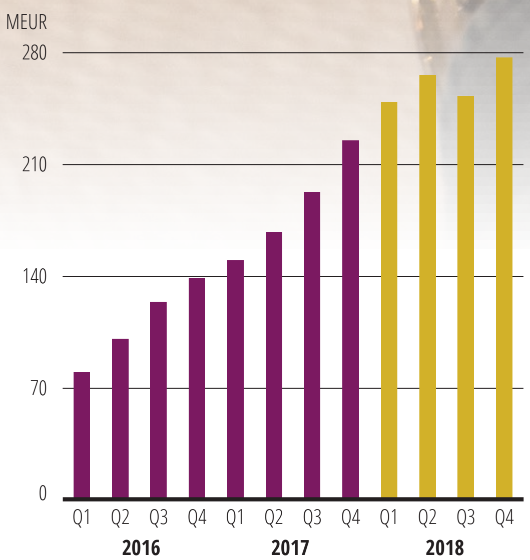
	2018	2017
Total deposits (EUR m)	1,045	735
Increase in total deposits (%)	42	66
Number of depositing customers, Q4	327,156	253,299
Increase in number of depositing customers (%)	29	44
Total number of new depositing customers during the year	566,511	373,650
Increase in new depositing customers (%)	52	13
Total returning depositing customers during the year	690,835	428,001
Increase in returning depositing customers (%)	61	43
Revenue, (EUR m)	328	217
Increase in revenue (%)	51	53
Geographic breakdown of NGR, net (%)		
Nordic countries	44	58
Rest of Europe	47	33
Rest of world	9	9
Marketing costs as % of revenue	37	42



LEOVEGAS' FOUR MOST IMPORTANT KEY PERFORMANCE INDICATORS

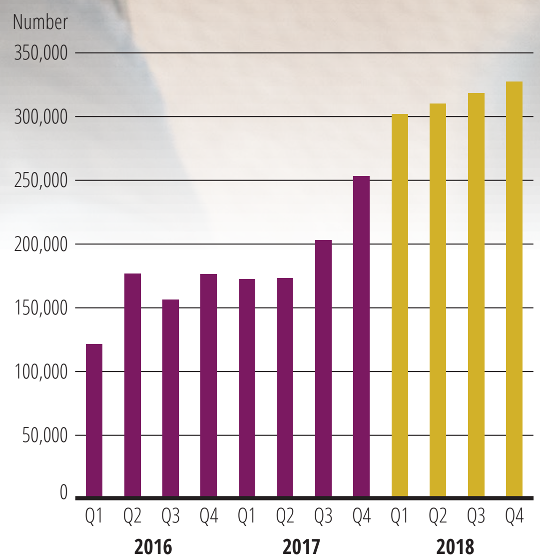
TOTAL DEPOSITS

Customer deposits



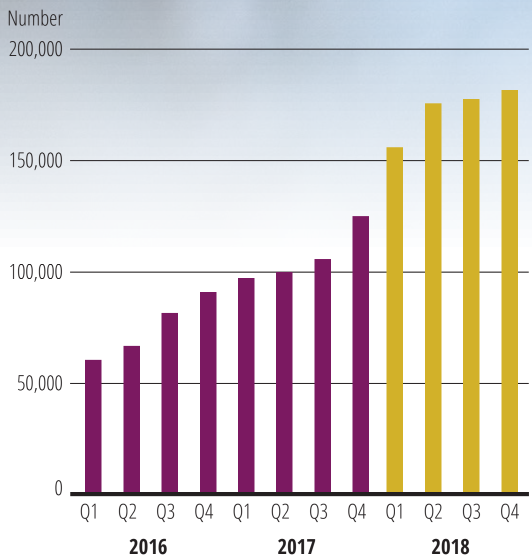
NUMBER OF DEPOSITING CUSTOMERS

Customers who have an account with LeoVegas and have also made a deposit



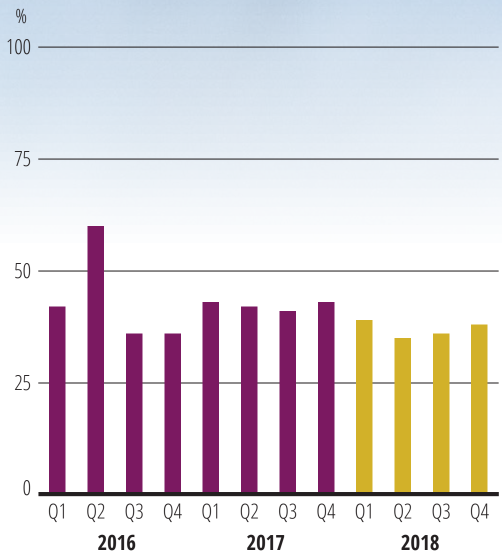
NUMBER OF RETURNING, DEPOSITING CUSTOMERS

Customers who have made a cash deposit during the period but made their first deposit in an earlier period (number of customers)



MARKETING INVESTMENTS

Marketing costs in relation to revenue, %



BUSINESS CONCEPT AND STRATEGY

BUSINESS CONCEPT AND PASSION

LeoVegas' business concept is to create the ultimate gaming experience based on mobile devices. Through innovation in products, technology and marketing, LeoVegas will offer world-leading gaming entertainment and fulfil its passion: "Leading the way into the mobile future".

EXPANSION

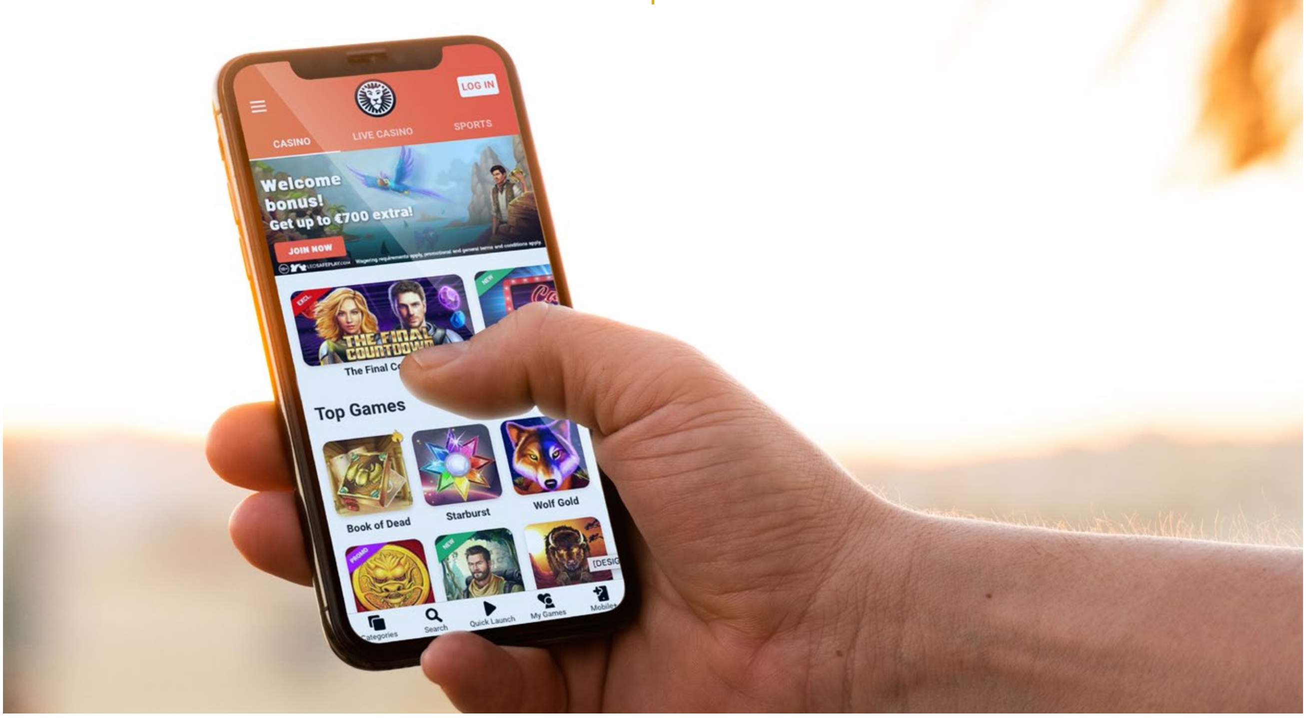
In addition to pursuing growth opportunities in existing markets, LeoVegas' ambition is to grow in markets where the company is not active today. Markets with high mobile penetration and high digital use are of particular interest. LeoVegas has applied for a licence in Spain, which has been a regulated market since 2012. Spanish is spoken by more than 470 million people worldwide, and establishment in the Spanish market is an initial step for LeoVegas to expand in more Spanish-speaking countries. Owing to its technology and extensive experience, LeoVegas can quite simply adapt its operations to other regulated markets regardless of language and regulations.

PRODUCTS

LeoVegas' goal is to create the ultimate mobile gaming experience. Product innovation and being first out with the latest in mobile gaming are of central focus at LeoVegas. Going forward, LeoVegas will be able to launch an expanded game offering in both existing and new game categories. Today LeoVegas offers LeoVegas Classic Casino (slots), LeoVegas Sport and LeoVegas LiveCasino. In 2018 LeoVegas acquired Pixel.bet, a niche brand that focuses on esports betting. Pixel.bet's vision is to create the ultimate esports betting experience.

STRATEGY

EXPANSION STRATEGY	PRODUCT STRATEGY
LeoVegas' expansion strategy is to expand in regulated markets and markets that will soon be regulated, and to carry out strategic and complementary acquisitions.	LeoVegas' product strategy is to be the most innovative and inventive company in its core product areas, but also to explore new product categories and functionality in the gaming industry.



LEOVEGAS' VALUE CHAIN

PRODUCTS

LeoVegas puts strong emphasis on innovation in its efforts to offer exclusive products and services that initially are not available from competing operators. The company adheres to the "Mobile First" principle in all development. Today LeoVegas has a wide and market-leading product offering for mobile devices. This wide offering of games is ensured through close collaboration with some 60 game providers.

BRAND POSITION

Since its establishment LeoVegas has positioned itself as the premier brand in mobile gaming. Owing to its marketing strategy, LeoVegas has succeeded in establishing a distinctive, well-known brand that has a strong position in the markets the company works in. The brand position is global, but campaigns are designed for local markets, i.e., they are "glocal". A highly data-driven process and opportunities for detailed analysis create good control and knowledge, which are key strengths of the company.

TECHNICAL PLATFORM

LeoVegas' proprietary multibrand platform creates new and improved opportunities to offer the best and most innovative mobile gaming experience. By having its own technical platform the company can control its product development, choice of technology, development areas, and which game and payment service providers it wants to use and integrate, without having to adapt to a third-party operated platform. The multibrand platform also allows the company to add new brands the complement its brand portfolio. Being able to maintain control over the core of the business is a major competitive advantage for LeoVegas and an important component in the company's ability to differentiate both its offering and speed to market.

INTUITIVE USER INTERFACE

The majority of LeoVegas' customers experience its products on a mobile device. LeoVegas strives to offer a product that is as engaging as possible while being intuitive and user friendly with a simple user interface. The starting point is that no user manuals should be needed, and the product should convey fun and spur curiosity.

PAYMENTS

To offer a quality service and ensure customer satisfaction, it is important for LeoVegas to offer reliable payment solutions that have a good reputation and are well-known in the local market. In Sweden this means using Swish and BankID, for example. Being able to guarantee fast customer registration, and fast incoming and outgoing payments is crucial for being able to gain returning and satisfied customers.

CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

LeoVegas' customer loyalty is most clearly apparent through cohort analyses, which show among other things that customers are loyal to the brand for a long time and demonstrate a high level of customer satisfaction. A key reason for this is the company's well-working, personal and fast customer support. Through a high standard of customer service, a welcoming and inviting attitude, and close dialogue with customers, LeoVegas builds long-term relationships. An important part of CRM work and instilling trust in LeoVegas is the ability to show a clear sense of responsibility and action in cases where customers are at risk of developing gaming-related problems. LeoVegas takes gaming problems with utmost seriousness, and responsible gaming is a central starting point in the company's product design and customer contacts.

OUR POSITION – LEOVEGAS AS GAMETECH COMPANY

LeoVegas has always been product- and technology-driven. LeoVegas is not only a mobile gaming company, but a GameTech company that offers customer the ultimate gaming experience.

The global gaming industry consists largely of three game categories: Casino, Sport and Poker. In Sport and Poker there are a number of distinct companies and brands that are very strongly associated with their respective product categories. Casino, on the other hand, is a fragmented market with many different actors, and today there is no clear global leader. LeoVegas has the long-term ambition to take the position as the global market leader in Casino.

LeoVegas' long-term ambition is to take the position as the global market leader in Casino

LEOVEGAS' SUCCESS FACTORS

LeoVegas always uses new technology. By relying on business intelligence and integrating data analysis in all of the company's departments, technology permeates operations at all levels. For LeoVegas, GameTech entails continuously challenging ourselves to employ new technical solutions. A large part of LeoVegas' success can be credited to the company's eagerness to invest in new technology.

LeoVegas has experienced strong development since 2012. In 2018 LeoVegas reached EUR 1,045 m in deposits and EUR 328 m in revenue. This exemplifies a strong history of delivery and execution. Following are some of the company's other success factors:

- **Mobile First** *Since LeoVegas' founding, the mobile phone has been a core part of its DNA. Registration and transaction flows are vital, and therefore the BankID e-verification system and Swish payment solution have now been launched in the Swedish market. With technological solutions that make it possible to quickly and securely make deposits and withdrawals from mobile phones, LeoVegas has a platform that is geared to mobile gaming.*
- **Technological leadership** *LeoVegas is a technology-, product- and innovation-focused Group. This gives the company a strong competitive edge and conditions to be an industry leader. LeoVegas is at the forefront of system architecture and technological scope in its platforms and technical solutions.*
- **AI and machine learning** *LeoVegas is working relentlessly on both developing and working with AI and machine learning in its daily activities.*
- **Data-driven marketing** *LeoVegas' data-driven marketing has played a significant role in the company's development. Through constant data collection, digital analytics and optimisation, LeoVegas has succeeded in capitalising on the opportunities afforded by digitalisation in marketing. The company uses algorithms and machine learning to evaluate all of its marketing investments.*
- **Digitalisation** *In 2018 LeoVegas became even better at using data analysis to improve efficiency in more areas of the company.*
- **Progressive back-end transaction platform** *LeoVegas has developed a proprietary transaction platform that gives it great flexibility. The platform also supports the company's multibrand strategy, allowing LeoVegas to launch new brands and scale them up quickly.*
- **The new generation of front end** *In 2018 LeoVegas upgraded its technical front-end platform. Among other things this allows even faster loading of our games, contributing to a better customer experience. The technology also enables improved SEO work (search engine optimisation via search engines such as Google). The front-end solution is cloud-based, which creates better conditions for scaling up operations.*
- **Multisystem platform** *As LeoVegas enters more regulated markets, it is encountering higher demands on the technical solutions it has implemented. During 2018 LeoVegas incorporated a multisystem platform in its technical solution, which will facilitate its entry to new markets.*
- **Human capital in tech** *Today roughly 15% of LeoVegas' employees work with technology and product development. LeoVegas is reviewing and streamlining its product development processes with focus on the customer journey and technical support for operational activities. This is creating a good position and clear focus for the development teams. LeoVegas promotes diversity in its technology teams, which creates the best conditions for new innovation.*

ARTIFICIAL INTELLIGENCE – JOHAN BJURGERT, HEAD OF DATA SCIENCE AT LEOVEGAS

Johan Bjurgert, Head of Data Science

Brief facts

Johan Bjurgert has a Master's in Industrial Economics from Linköping University and a Master of Science in systems technology and robotics from KTH Royal Institute of Technology. With his background in research and development, Johan joined LeoVegas in 2017, where he has worked primarily in quantitative finance and has developed algorithms for statistical arbitrage.

Artificial intelligence (AI) and its component part, machine learning, represents a paradigm shift for LeoVegas. What used to be dismissed as science fiction is now steadily becoming a reality. Every day companies, authorities and organisations are acquiring new tools to gather, categorise and thereby use data to improve their operations.

Everyone has heard about AI, but how does it actually work? In somewhat simple terms, it means that computers learn to detect patterns or to create functions by measuring data that has been categorised by people. An example is Facebook's facial recognition tool, which owing to a massive volume of training data has become as good as people at detecting what is, or is not, a human face.

So how does this affect society – and companies? First and foremost, a number of work tasks will be eliminated. According to a report from McKinsey,* AI is creating the opportunity to automate 44% of the hours spent on work in digitally developed countries. This is opening up new opportunities that we previously couldn't have imagined. By processing large volumes of data we can discover entirely new ways to perform work tasks and thereby dramatically boost productivity. Over time we will be able to revolutionise things that we previously took for granted, such as how we conduct scientific research.

For businesses, in the coming years AI will be decisive for competitiveness. Companies that successfully take advantage of this new technology will be able to increase their lead over competitors that are slow to implement the new technology.

LeoVegas is a company that is doing precisely this – making full use of its data from day one – both to optimise its marketing and to improve the customer experience.

During the year LeoVegas continued its work on completing a central data lake, entailing processes for gathering, transforming, quality assuring and accessing data for the entire company. We are now cloud-based and use a robust and scalable technology that allows both batching and streaming, which make up a strategically important foundation for future projects that require high-precision management of data in virtually real time. Equipped with detailed and standardised data from the data lake, we have succeeded in considerably elevating performance in several of the prediction algorithms that are used in the daily operations. This has had an especially strong effect on our work with responsible gaming, where we are working to identify and prevent gambling addiction. By combining more traditional algorithms with deep, neural networks, today we are well-equipped to identify problem gaming.

Another interesting application that requires scalable management of data involves recommendations. On this theme we have developed algorithmic support for personal game recommendations, which improves the gaming experience, as customers are offered game recommendations that are personalised to their specific tastes. The work on evaluating and improving recommendations is just one of many activities in predictive analysis in 2019.

*https://www.mckinsey.com/featured-insights/artificial-intelligence

LEOVEGAS' PRODUCT OFFERING

LeoVegas has repeatedly been named as Mobile and Online Casino Operator of the Year – most recently in 2018 and 2019. LeoVegas continues to lead the gaming industry with its cutting edge technology and offers, for example, the market's widest range of live casino for mobile devices as well as the market's fastest and arguably most user friendly mobile sports betting experience.

CASINO CLASSIC

LeoVegas today offers more than 1,300 games from more than 60 game providers. Most of these are in the Casino Classic category and are various types of slots, whereby the player bets on a winning combination of various symbols.

LIVE CASINO

Live Casino is the fastest-growing segment of the online casino market. In Europe Live Casino accounts for roughly 25% of the total online casino market.

LeoVegas has long offered Live Casino, but during the second quarter of 2016 it was carved out into its own product category with its own tab on the start page, offering more intuitive and simpler navigation for customers. LeoVegas today features the largest Live Casino offering in the industry. LeoVegas continues to invest in Live Casino, such as by focusing on an improved experience via the exclusive studio Chambre Séparée. LeoVegas also offers bigger, exclusive tables with local croupiers in specific markets. For example, LeoVegas now has exclusive Live Casino tables with Danish-speaking croupiers for Danish customers. This is a local adaptation that is highly appreciated by customers in the Danish market.

The greatest benefit of offering more products is the ability to offer a comprehensive gaming experience through a broader and better product offering.

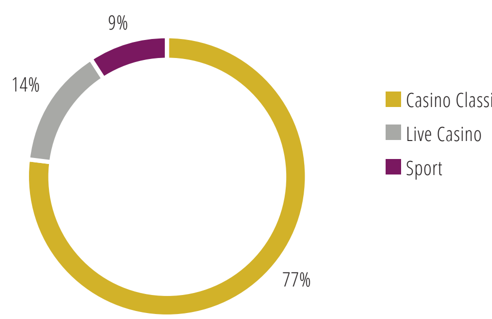
SPORT

In 2016 LeoVegas launched sports betting. With a passion for the ultimate mobile gaming experience, LeoVegas offers new, exciting opportunities in the sports betting market.

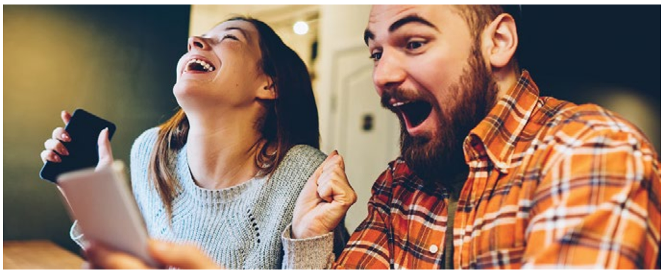
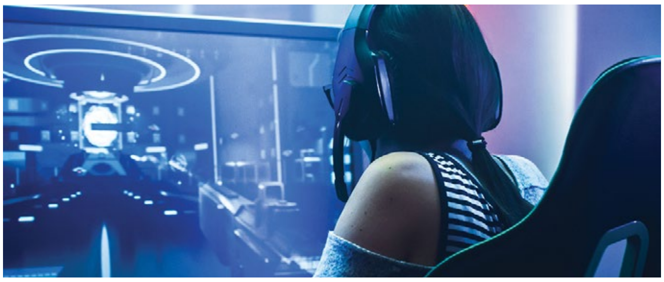
The LeoVegas Group currently uses three different sports betting providers. Leovegas.com uses Kambi, Royal Panda uses BetConstruct, and for Rocket X the choice came down to SBTech. The vendors in this context deliver risk and odds-setting platforms that are integrated in the various brands' technical platforms.

The reason for using different vendors is flexibility. As a Group LeoVegas gains a greater spread of risk by having several providers. More sound competition is also created between the providers, but most of all LeoVegas gains the opportunity to use the provider that is best in a given market. For example, LeoVegas believes that Kambi is very good in the Nordic countries, while Rocket X – with its expertise in the UK – chose to integrate SBTech, as its offering was considered to be stronger specifically in the UK. In connection with future expansion, this is a competitive advantage, since LeoVegas can ensure that the best and most local products are offered.

LEOVEGAS' PRODUCT MIX – Q4 2018



THE GROUP'S CUSTOMER OFFERING

TYPE OF GAME	EXPLANATION	EXAMPLE
CASINO CLASSIC	The Casino Classic segment includes slots, jackpot games and scratch lotteries. In slots, the idea is that the player bets on a winning combination of symbols in a field that usually comprises three to five columns. LeoVegas' jackpot games are a type of slot. What distinguishes jackpot games from regular slots is that they use progressive jackpots where the size of the jackpot steadily rises until someone wins it. Digital scratch cards are a type of lottery ticket where players scratch off a virtual layer to see if they have won a prize.	
LIVE CASINO	Live Casino includes games like blackjack and roulette, which are played against a croupier in real time via a live streaming video link. LeoVegas has the industry's broadest Live Casino offering, where the company now offers a Live Casino solution with streaming from land-based casinos and where customers can play with others in a genuine casino environment.	
SPORT	To offer the ultimate mobile sports betting experience, LeoVegas uses the foremost providers of software, risk management and odds-setting. LeoVegas has full control over what is presented to the end customer.	
BINGO	Bingo is a game where random numbers are drawn and marked on cards with pre-printed numbers in a matrix. The game entails getting a certain pattern on your card. Wins are achieved in various ways, but usually it entails filling all of the numbers in a row, diagonally, or in a column.	
ESPORT BETTING	Esports is an international and fast-growing segment that engages millions of viewers and players every month. Esports betting is also a strongly growing trend. However, this growth is from low levels, since the market is in its infancy. LeoVegas is expanding in this segment by running the esports betting operator Pixel.bet.	

PRODUCT INNOVATION

INNOVATION IN LEOVEGAS' CUSTOMER EXPERIENCE

LeoVegas' technology and product organisations are the focus of constant innovation. Following are a few examples of innovations launched during the year:

- Continued development of LeoSafePlay. LeoSafePlay has now been implemented for all brands in the Group, creating a uniform way of working with responsible gaming.
- Launch of BankID for log-ins and registrations as well as immediate payments in the Swedish market. Log-in processes using e-verification will be rolled out in more markets.
- Entirely new appearance and design on LeoVegas.com.
- An upgrade of the sportsbook ahead of the FIFA World Cup in 2018, where LeoVegas took over ownership from the sports betting vendor Kambi with respect to what customers can see and how they navigate.

LeoVegas has launched face recognition for log-ins and approval of payments made through Apple Pay. This has been made possible using LeoVegas' technology combined with the new iPhone X and allows customers to log in in a few hundredths of a second and approve payments via Apple Pay just as fast.

LEOLABS

LeoLabs is LeoVegas' innovation hub. It is where the company's innovation ideas are developed and seeds are sown for new revenue streams for the future through research and concept development. LeoLabs is constantly developing new product prototypes based on the latest technology and prevailing trends in society, such as blockchain and augmented reality (AR).

Today LeoLabs employs a structured process for how teams take an idea from proof of concept to implementation in production and going live on LeoVegas.com. One example that the concept and idea team has worked on involves niche functionality for augmented reality. The initiatives delivered by LeoLabs provide added value in the product portfolio and improve an already market-leading gaming experience. LeoLabs also focuses on achieving synergies between LeoVegas' various companies.

LEOVEGAS ORIGINALS

LeoVegas has always worked closely with numerous game developers. During the past two years these partnerships have been further deepened in the aim of developing innovative and exclusive games, which are marketed under the collective name LeoVegas Originals. The first game, released in 2017, is WitchCraft Academy. A number of games were launched in 2018, the most successful of which is Pirates – smugglers paradise, which was developed together with the provider Yggdrasil. Today there are a number of talented game studios to work with, and all have their specific niches and strengths. LeoVegas' strategy is therefore to come up with ideas and concepts and then find the right partner for that specific game. Through these collaborations LeoVegas has the opportunity to create its own, unique content without high fixed costs. The game studios, in turn, get the opportunity to work with one of the leading casino teams in the industry and gain unique insight from a gaming operator that owns the relationships with the end customers who play its games. A number of exclusive games will be launched in 2019.

GROWTH OPPORTUNITIES

GROWTH STRATEGY

LeoVegas operates in a segment of the gaming industry that is experiencing rapid growth and that has shown faster growth than the gaming market as a whole since the company's start. The company's expansion strategy is to grow in regulated markets and markets that will soon be regulated, and to carry out strategic and complementary acquisitions. The growth strategy is driven by LeoVegas' existing position in mobile casino as well as by the Sport and Live Casino product verticals. Other engines of growth include new brands and strategic acquisitions. The starting point for strategic and complementary acquisitions is to pursue the overarching expansion strategy with a focus on regulated markets.

STRENGTHEN EXISTING MARKET POSITION

The Nordic countries and Europe are currently LeoVegas' most important regions. In the Nordics the company's strategy is to pursue continued rapid growth with profitability and to grow its market share by offering the ultimate mobile gaming experience. LeoVegas is a global group and is experiencing high growth in all markets. LeoVegas is focusing on continued strong growth and expansion with the ambition to attain the same market position in other markets as in the Nordic countries.

GROWTH IN NEW GEOGRAPHIC MARKETS

In addition to growth opportunities in existing markets, LeoVegas' ambition is to grow in markets where the company does not currently operate. In addition, markets with high mobile penetration and widespread digital use are of particular interest. LeoVegas has identified a number of new markets for continued expansion, and its ambition is to expand to a number of new markets in the coming years. In December 2018 LeoVegas applied for a licence in Spain. Spanish is spoken by more than 470 million people worldwide, and an establishment in the Spanish market is a first step for the company to expand into more Spanish-speaking countries. Spain has been a regulated market since 2012, and with its technology and experience LeoVegas can adapt its operations to regulated markets regardless of language and regulatory regime.

EXPANSION WITH NEW BRANDS

Today LeoVegas has the opportunity to launch new brands on existing platforms. This concept is called Brands of Leo, under which new brands are launched using existing resources. Examples of new brands brought to market in 2018 and early 2019 are BetUK, Legs11 and GoGoCasino. These further exemplify LeoVegas' scalable business model.

EXPANSION OF PRODUCT OFFERING

LeoVegas' strategy is to continuously review opportunities and prospects for continued growth in the mobile gaming niche. Going forward, the company may launch a wider gaming offering in existing as well as in new gaming verticals. In 2018 LeoVegas acquired pixel.bet, a niche brand focused on esports betting. The vision for pixel.bet is to create the ultimate esports betting experience.

LEOVEGAS' ACQUISITIONS

Expansion through complementary acquisitions is part of LeoVegas' expansion strategy. To date LeoVegas has carried out six acquisitions. Acquisition activities are conducted by LeoVegas AB, with Gustaf Hagman, Group CEO, as the ultimate responsible party.

ROCKET X, 1 MARCH 2018

LeoVegas completed an acquisition in the UK during the first quarter, when the company acquired assets from Intellectual Property & Software Limited ("IPS") and related assets from two closely related companies, including top-ranked brands such as 21.co.uk, Slotboss, Pink Casino and UK Casino. These are now collectively referred to as Rocket X. Since LeoVegas' establishment in 2012 the company has had a global brand strategy that is highly successful. At the time of this acquisition LeoVegas had two global brands, LeoVegas and Royal Panda. With Rocket X these were complemented with a local, multibrand strategy. The UK market is large and mature, which is the reason for working with several brands that attract various types of customers. Rocket X has a digital and data-driven customer acquisition strategy and one of the market's most effective customer acquisition models. In connection with the acquisition, LeoVegas gained a strong foothold in the UK and 85 new employees with local expertise. LeoVegas also gained a company culture with a strong technology and product focus, which is a perfect match for LeoVegas. The deal closed on 1 March 2018 for a purchase price of GBP 65 m.

ROYAL PANDA, 1 NOVEMBER 2017

The acquisition of Royal Panda closed during the fourth quarter of 2017. The acquisition strengthened LeoVegas' expansion, especially in the UK, and added a strong and exciting brand to the LeoVegas Group. Royal Panda has a proprietary technical platform focused on online casino and also offers the Sport category. At the time of the acquisition Royal Panda had 60 employees, with head offices in Malta. Approximately 50% of Royal Panda's revenue is generated from the UK, with the remainder coming from other European countries and the rest of the world. Sixty five per cent of revenue is generated from mobile devices. The acquisition gave LeoVegas another global brand, which improves scalability of continued growth. The deal closed on 1 November 2017 for a purchase price of EUR 60 m plus a maximum earn-out payment of EUR 60 m. The final size of the earn-out has not yet been determined.

LICENCES FOR GERMANY, 26 MARCH 2018

In March LeoVegas completed the acquisition of the Maltese company World of Sportsbetting Ltd, which holds a sports betting licence and casino licence in the German state of Schleswig-Holstein and an approved, nationwide application for a sports betting licence in the German state of Hessen. An approved application for a sports betting licence in Hessen allows LeoVegas to freely market sports betting nationwide in Germany. In connection with this, an agreement was signed with German football icon Lothar Matthäus and German handball profile Stefan Kretzschmar, who since the start of 2018 have been serving as ambassadors for LeoVegas in the German market. The licences add greater credibility to LeoVegas' collaborations with media partners and others, which is important for leveraging the full effect of marketing investments. LeoVegas will also become more local on the product side by being able to add payment solutions that are important for the German market. The deal closed on 26 March 2018 for cash payment of EUR 2.6 m.

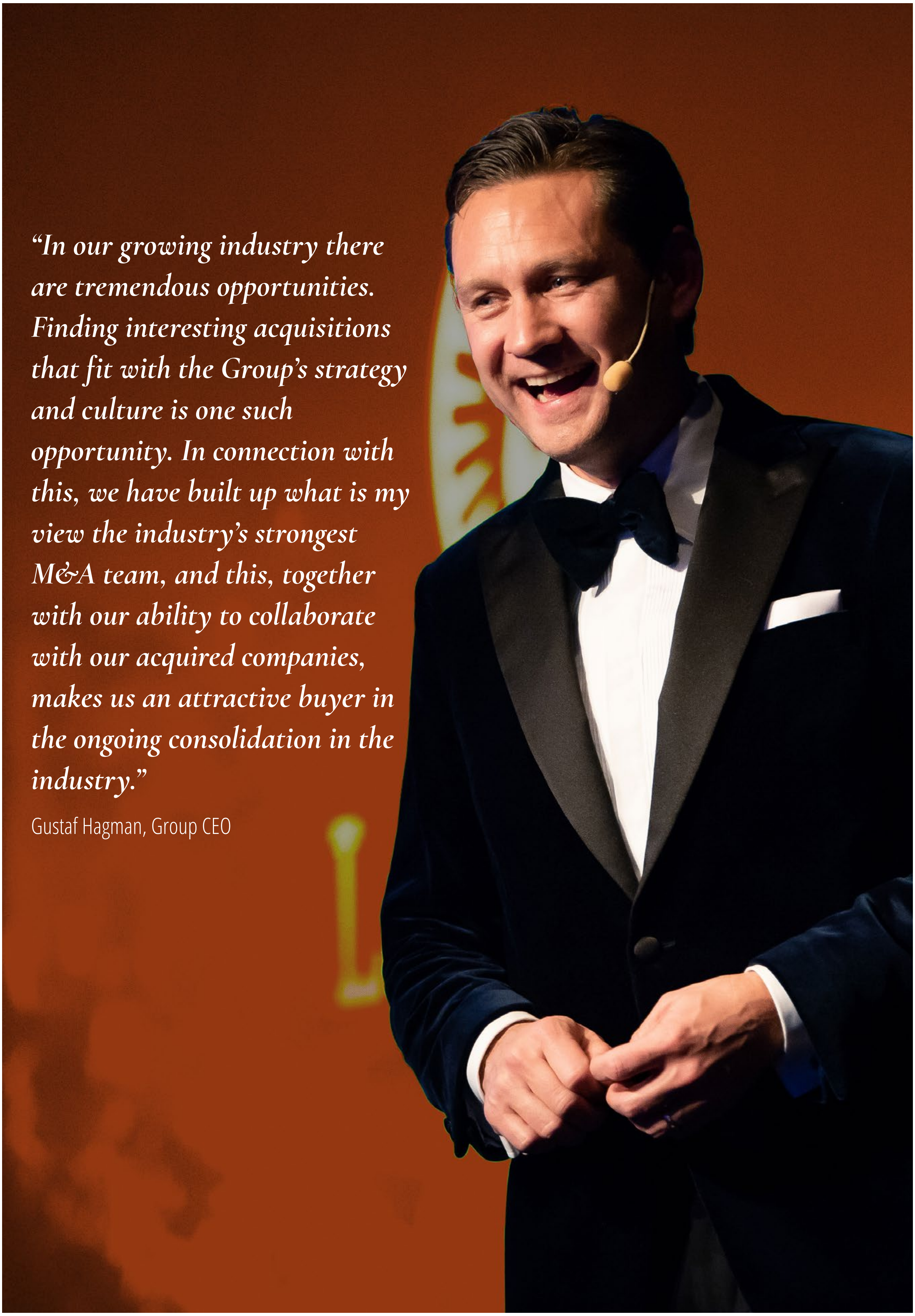
WINGA S.R.L., 1 MARCH 2017

Winga S.r.l. was the first acquisition in the company's history. Winga S.r.l. is an Italian gaming operator with a licence in the Italian market. The acquisition gave LeoVegas an established position in Italy, which is Europe's largest regulated gambling market. Relatively soon after the acquisition, Winga.it underwent a rebranding to the LeoVegas brand. In 2018 Winga's platform was also replaced with LeoVegas' technology. The deal closed on 1 March 2017 for a purchase price of EUR 6.1 m.

FINANCING

In connection with the acquisition of Royal Panda in 2017, LeoVegas secured debt financing. The loan facility has a term of three years, and amortisation will commence during the second quarter of 2019 in the amount of EUR 10 m per quarter. The interest rate on the loan facility is approximately 2%.

ROCKET X ROYAL PANDA



"In our growing industry there are tremendous opportunities. Finding interesting acquisitions that fit with the Group's strategy and culture is one such opportunity. In connection with this, we have built up what is my view the industry's strongest M&A team, and this, together with our ability to collaborate with our acquired companies, makes us an attractive buyer in the ongoing consolidation in the industry."

Gustaf Hagman, Group CEO

LEOVENTURES

LeoVegas aspires to be the most innovative, entrepreneurial and fastest growing company in the industry. LeoVentures has the ability to drive growth and value creation by allowing the portfolio companies to retain their entrepreneurial identities and independence at the same time that they can accelerate their growth with capital, knowledge and strength of the entire LeoVegas Group. LeoVentures thereby has a unique capacity to invest, grow, and over time realise value in venture companies and new, strategically important opportunities in the Group in line with LeoVegas' passion: "Leading the way into the mobile future".

INVESTMENT FOCUS

In LeoVentures, value-creating investment opportunities are sought in line with the Group's passion, "Leading the way into the mobile future". This is done through a selective process that ensures that there are not more concurrent cases active than the Group's capacity to develop them and help them to reach their full potential. This can entail entrepreneurs who approach LeoVegas with ideas, industry knowledge and business models that complement the Group' existing business as well as well-established companies with the opportunity to develop and grow. Through LeoVentures the Group has the ability to drive growth and value creation by allowing the portfolio companies to retain their entrepreneurial identities and independence at the same time that they can accelerate their growth with capital, knowledge and strength of the entire LeoVegas Group. Since the businesses in LeoVentures are operated as standalone enterprises that are independent from LeoVegas' other operations, the aim is to offer the portfolio companies' products also to other operators in the industry. What LeoVentures' investments all share in common is that the companies have the potential to establish themselves as new market leaders in their respective niches.

LEOVENTURES' PORTFOLIO COMPANIES

PIXEL.BET, 5 SEPTEMBER 2018

The LeoVegas Group, via LeoVentures, acquired 51% of Pixel Holding Group Ltd, which runs the esports betting operator Pixel.bet. Pixel.bet's vision is to win the esports community by offering the ultimate esports betting experience and taking the position as the leading gaming, betting and casino operator for people with a passion for esports. Sweden and Norway are the initial focus markets, with clear potential to grow further internationally.

The deal closed during the third quarter of 2018. The investment amounted to EUR 1.5 m for 51% of the company.

AUTHENTIC GAMING

Authentic Gaming's strategy is to be an innovative Live Casino provider specialising in Live Roulette. The company has an innovative and compelling product in the fastest growing segment of the online casino market. Authentic Gaming is the leader in providing Live Casino solutions with streaming from land-based casinos where customers can play together at the same table with players who are physically present in a real casino. The company collaborates with some of Europe's and North America's foremost land-based casinos, is locally licensed in seven jurisdictions, and its products have been launched by more than thirty operators, including LeoVegas.

"LeoVentures' investments all have the potential to establish themselves as new market leaders in their respective niches"

CASINOGROUNDS, 1 JANUARY 2018

The LeoVegas Group, via LeoVentures, acquired 51% of the shares in CasinoGrounds.

The company operates the site www.casinogrounds.com, which is a platform for casino streaming with an active social casino forum. CasinoGrounds cooperates both with operators and game manufacturers in the industry. CasinoGrounds has created a forum for a new behaviour in which people interested in casino games watch others play casino games via YouTube and Twitch. The combination of proprietary content and video format is creating interesting opportunities going forward, where CasinoGrounds is the leading streaming network and community.

The deal closed on 1 January 2018, and the total purchase price including an earn-out amounted to SEK 45 m.

LIVECASINO.COM

The mobile has created and will continue to drive growth and new business opportunities in Live Casino. The site www.livecasino.com was launched initially as a standalone premium affiliate site and community. The domain have the potential to develop into an operator business.

21 HEADS-UP

21 Heads-up has developed concepts for a number of new card games for mobile devices. A hybrid of poker and blackjack, the games are extremely fast and come in several variants. They are played in the heads-up format, entailing that players always play against an opponent. The games are distributed by Cubeia AB.

pixel.bet AuthenticGaming CASINO GROUNDS LIVECASINO.COM WHERE WINNERS ARE BORN 21 HEADS UP THE JOKER

TOWARDS THE FUTURE OF MARKETING

LeoVegas has had an amazing journey during the past seven years, propelled by effective marketing. The company's marketing strategy is based on a strong global organisation with a multitude of brands that offer world-class entertainment.

MARKETING STRATEGY

For LeoVegas, marketing plays a central role in customer acquisition and activation of new and existing customers. By working in a data-driven manner, LeoVegas can maintain a high return on its marketing investments. Like the company's gaming experiences, its marketing is also entertaining, which contributes to brand recognition.

MARKETING CHANNELS

LeoVegas' marketing channels consist in large part of interactive media such as digital ads on websites and social media. The company's marketing department works with large volumes of data in its daily work. Through detailed and continuous data analytics the company assesses the effects and profitability of every channel, whereby the choice of channel is subsequently adjusted. In cases where a channel does not measure up to the profitability demands, the partner agreement is renegotiated or terminated.

Several types of marketing channels

Traditional marketing

Brand-building marketing intended to lead to generally higher brand awareness (TV, newsprint and events).

Direct digital marketing

Marketing through channels that can be measured and analysed continuously to achieve optimum impact and effectiveness (Google Adwords, Facebook, YouTube and Instagram).

Affiliate revenue-sharing

Partner-driven marketing where LeoVegas shares the profitability with affiliate partners through which the customers registered. Marketing is LeoVegas' largest expense item. The company has keen insight into which types of marketing are most effective in its various markets. The marketing model that the company chooses to use allows a high degree of flexibility and can be quickly upscaled or downscaled in relation to the return on the marketing investment.

Search engine optimisation

During 2018 LeoVegas upgraded its technical front-end platform to be able to offer the best, fastest and most innovative mobile gaming experience. The new platform also contributes to improved search engine optimisation (SEO), which increases the volume of organic traffic to Leovegas.com, as customers can more easily be routed to the site via search engines. Traffic that comes to the website directly via a search engine without the involvement of a third party is referred to as organic traffic. When a customer is routed to Leovegas.com via a third party affiliate site and makes a deposit, profit-sharing takes place. LeoVegas' goal is therefore to increase the share of organic traffic and thereby reduce its dependence on affiliates.

Since the platform was upgraded, organic traffic has increased significantly. SEO is especially important in markets that are largely driven by affiliates as well as in markets like Italy, where restrictions prevent the company from using traditional marketing. Going forward, LeoVegas' continued work with SEO will contribute to a reduced dependence on external marketing channels, which in turn will lead to growth with higher profitability.

Many successful examples

In the Swedish online casino market LeoVegas is "Top of Mind",* which signifies very high brand awareness. By working in a data-driven manner the company has also improved its long-term key performance indicators, such as brand preference.

Also in Denmark, LeoVegas is one of the brands with the highest recognition in the mobile casino industry, even though the company has only been active there for a couple of years. According to most surveys, LeoVegas is the second most well-known brand.

Royal Panda, the Group's other global, premium brand, which has been focusing on customer loyalty, has in a relatively short period of time created a strong and highly recognised brand, especially in the UK and the gaming community, owing to smart marketing investments that pay direct returns. In addition, through Rocket X's brands in the UK, LeoVegas has created a number of attractive niche brands that quickly established a loyal customer base.

*Top of Mind is a way of measuring how brands are ranked by consumers. Top of Mind refers to the percentage share of respondents who mention a brand or product first when asked which brand or product in a specific sector comes to mind first. The "Top of Mind" percentage often correlates to the market share for a specific product.

The Group brand LeoVegas.com

LeoVegas.com was the Group's first brand. Since its initial launch the brand has established a position as the leading name in mobile casino. Owing to its unique marketing strategy LeoVegas has succeeded in establishing a distinctive brand with high recognition in the markets in which LeoVegas operates.

Even though LeoVegas' primary focus has always been on casino, since launching sports betting in 2016 the company has used the LeoVegas Sport brand in connection with sporting events, such as for sponsoring and advertisement purchases.

Rocket X

In Rocket X's customer acquisition strategy, SEO, demographic segmentation and a multitude of brand-focused customer acquisition sites have formed the framework of what has proved to be one of the market's most effective customer acquisition models. An additional two brands were launched in 2018: BetUK, focused on sport, and Legs11, focused on bingo and casino. Rocket X's customer acquisition model and multibrand strategy will be further refined through the use of AI and machine learning. The plan is to introduce this way of working in more markets.

Royal Panda

In a short period of time Royal Panda has built up a strong and exciting brand in Europe's largest regulated market – the UK – but also globally. Like LeoVegas, Royal Panda appeals to a broad target group globally. Royal Panda is a brand that has been marketed with the help of inviting and relationship-based communication. The brand has been marketed primarily through affiliates and the use of SEO. The Royal Panda marketing mix therefore consists mainly of digital channels.

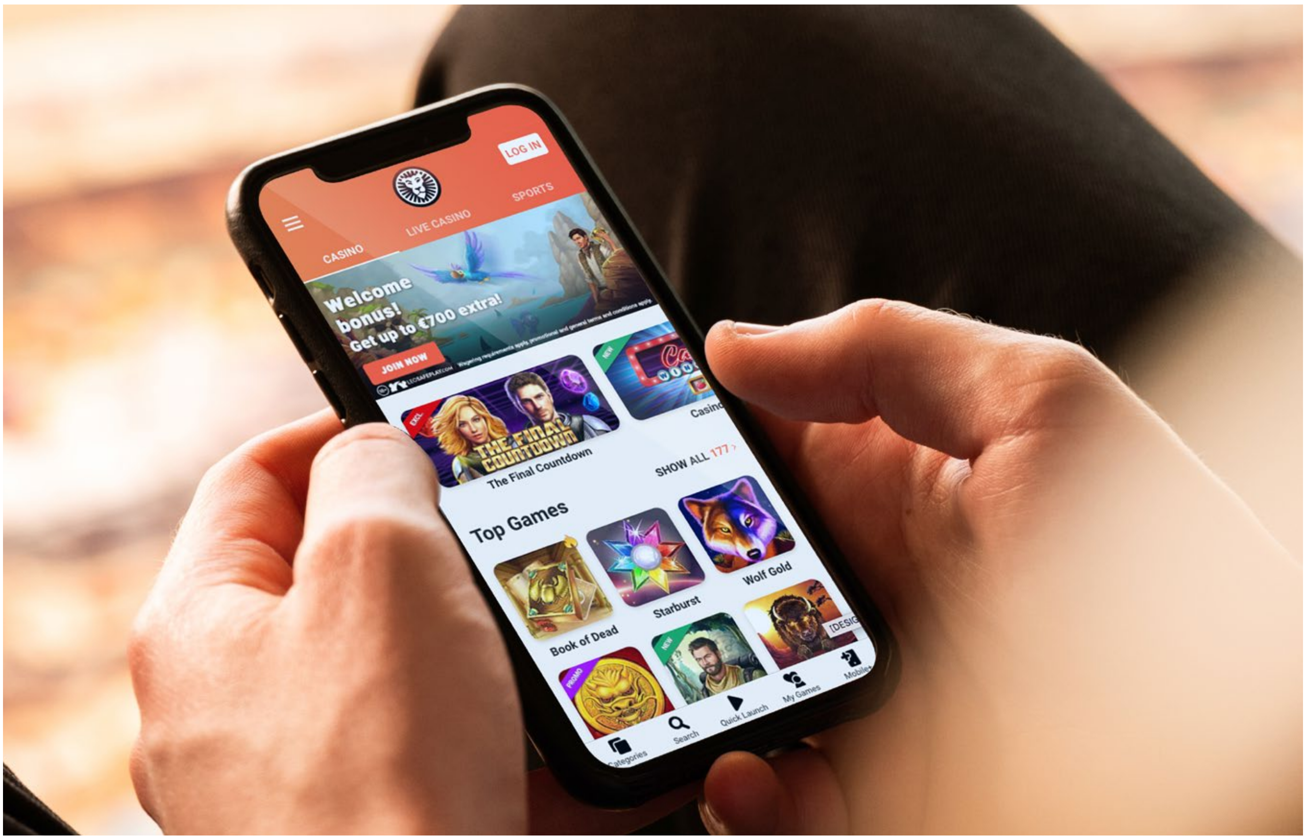
The playing field is changing

Ever-higher demands will be placed on actors in the future. Constant adaptation to customers' rapidly shifting behaviours will be decisive. At the same time, more and more countries – like Sweden and Denmark – are regulating their local gambling markets. The market is also consolidating, and many smaller actors are being acquired.

LeoVegas is well-positioned

LeoVegas is a Group undergoing constant change and is well-positioned for the challenges ahead. Marketing in regulated markets is especially important, where brand loyalty often plays a pivotal role. For example, in Sweden bonuses are not allowed other than in the initial customer acquisition stage, in the form of a welcome bonus. As a result, loyalty must be built with other values, and in this work the brand is paramount.

LeoVegas' experience and understanding of the various national regulations combined with the company's data-driven marketing have contributed to the company's success and will continue to be key factors in the highly dynamic gaming market. It is an exciting future that awaits, and LeoVegas is looking forward to 2019.



LEOVEGAS' SUSTAINABILITY WORK

This is LeoVegas' second sustainability report, which pertains to the 2018 financial year. In accordance with Ch. 6 §10 of the Swedish Annual Accounts Act, LeoVegas has opted to prepare its sustainability report as an integrated, expanded part of the annual report. The sustainability report was submitted to the auditor at the same time as the annual report. The sustainability report covers the Parent Company, LeoVegas AB (corporate identity number 556830-4033) and its subsidiaries. In association with its signing of the annual report and consolidated financial statements, the Board of Directors of LeoVegas AB also approved the sustainability report. LeoVegas' value chain and business model are described more in-depth on page 23 in the strategy section.

INTRODUCTION

LeoVegas' goal is to offer entertainment in a safe and secure manner. Part of the company's sustainability strategy is to strive for long-term and sustainable relationships with our customers. What's most important for the company is that the customers view their gaming as entertainment and that they play in a safe and responsible way. However, there is a risk for certain individuals that their gaming can go beyond entertainment to instead cause financial and/or social problems. LeoVegas takes this with utmost seriousness and is therefore a leader in the industry in promoting responsible gaming, both when it comes to proactively protecting customers and providing support to individuals who develop unsound gaming behaviour. To counter the risk of unsound gaming, under the auspices of LeoSafePlay the company has launched a tool based on machine learning and algorithms. This helps create risk profiles for customers who may show signs of gambling addiction. The company's ambition is to be best in the industry at responsible gaming and to use state-of-the-art technology to build the next generation system of responsible gaming.

SWEDEN – A REGULATED MARKET

The new gambling law in Sweden that took effect on 1 January 2019 has extensive guidelines for responsible gaming. Part of the new, so-called duty of care is that a player should be able to exclude him- or herself from playing for money temporarily or until further notice. Licence holders in the market shall be able to check customers against a national register called Spelpaus.se to ensure that they do not offer games or send direct advertising to individuals who have excluded themselves. Other regulated markets have similar systems. In the UK the system is called GamStop, while Denmark uses a system called Rofus. These are helpful and effective tools, as they allow customers exclude themselves from all operators in the market in question. LeoVegas is affiliated with GamStop, Rofus and Spelpaus. LeoSafePlay has always provided a "pause account" function, that allows players to decide themselves how long they want to take a break from their gaming activity. With the new Swedish regulations, players must now by law set their own limits for wagers and losses, which prevent them from excessively gambling.

SUSTAINABLE BUSINESS IS A MUST FOR FUTURE SUCCESS

LeoVegas works in an industry in which companies that cannot create sustainable and long-term consumer value, offer good service and maintain high credibility will not survive in the long term. Investments and focus on sustainability are a must for LeoVegas to be able to act in accordance with the company's gambling licences in the various markets. Today most of the larger and serious operators have implemented tools for responsible gaming. Online gambling operators have also learned to conform to the strict regulations that often vary from market to market. Interest in the liability issue is also growing among many investors as awareness about the gambling industry increases. This is strengthening LeoVegas' focus on being a reliable partner so that the company can maintain long-term relationships with customers and investors alike. LeoVegas welcomes this development, as it creates opportunities for professional and innovative companies to make changes for the better for both society and customers.

LeoVegas is taking market shares from its competitors by being a data-driven company and knows what drives the customer experience. LeoVegas strives to retain customers for a long period of time and to build up sustainable relationships with them. As a result, average revenue per customer is stable over time at the same time that the number of active customers who view their gaming as entertainment increases. This is a sustainable and responsible growth strategy for LeoVegas as a Group.

WHAT DOES RESPONSIBLE GAMING MEAN FOR CUSTOMERS?

For most people, gaming is a form of entertainment – you play occasionally, as a form of relaxation, which does not lead to any dependency problems. The majority keep their financial limits in mind and know how to stop playing in a controlled manner. They accept that they can lose money, and they don't play to recoup their losses. But for certain individuals, gaming can lead to problems; this applies for about 2% of customers. Certain customers risk losing control over their gaming behaviour. These customers need help either to control their gaming or to stop playing entirely. LeoVegas takes this with utmost seriousness, and responsible gaming is a fundamental principle in the design of the company's offerings and in customer contacts. It is our obligation as an operator to give our customers tools and information to ensure that they continue to play as a form of entertainment and not because they are dependent. LeoVegas directs its offering to people who view gaming as a form of entertainment and does its utmost to identify people with a gambling problem at an early stage. If a customer shows tendencies toward unsound gaming, he or she is first contacted. Customers identified as problem gamers have their accounts closed for an indefinite period of time. All communication with the company's customers is done by phone, email and chats, and communication is documented and reviewed so that LeoVegas can follow up its contact with customers and evaluate what has been said.

Compulsive gambling is an unfortunate and undesirable problem both for the individual in question, his or her family, and for society as a whole. A distinction can be made between accessibility abuse and substance abuse. Gambling addiction is classified as accessibility abuse, i.e., if the form of gambling was not accessible, then this addiction would not exist. A total ban would not for any form of abuse lead to a remedy for serious cases of addiction. Instead, a ban would lead to an increase in illegal gambling, with continued abuse but without any needed controls. It should also be kept in mind that in an illegal environment there are actors who do not work with responsible gambling whatsoever, which hurts customers.

RESPONSIBLE GAMBLING WEEK

Responsible Gambling Week is an annual industry-wide initiative to promote responsible gambling in the UK and Ireland. The campaign is led by the gambling industry and aims to spark a conversation with customers and the general public about how to play responsibly. LeoVegas sponsors the football clubs Norwich FC and Swansea FC, and during the 2018 Responsible Gambling Week, the teams' regular match jerseys were swapped with jerseys bearing the LeoSafePlay logo. The jerseys were subsequently auctioned out to the public, and 100% of the money raised was donated to the organisation "Gamble Aware". In connection with Responsible Gambling Week, LeoVegas also initiated a course in responsible gambling for youth players in Norwich FC.

FIVE ATTITUDES, ONE PASSION

Together with its employees, LeoVegas has formulated five values, or attitudes, aimed at helping achieve the company's passion, "Leading the way into the mobile future". These attitudes – LeoCulture – are the foundation of the company's operations. The values provide guidance to our employees and communicate what is important for LeoVegas.

WE MAKE IT HAPPEN

LeoVegas' scale-up culture sets a tone of courage and capacity to act. Employees are encouraged to not only say what they think, but to also do the job that his needed – "to make it happen". LeoVegas does not believe in hierarchical structures, but instead that every individual employee plays an important role in the company.

TRUST AND ACCOUNTABILITY COUNTS

The entire company's business and existence is based on credibility and responsibility. If LeoVegas were to come up short on either of these points, it would be hard to conduct business successfully. Therefore, this is just an important internally. Every individual is to take great personal responsibility, keep their promises, and communicate clearly with their colleagues.

WE ARE TEAM LEO

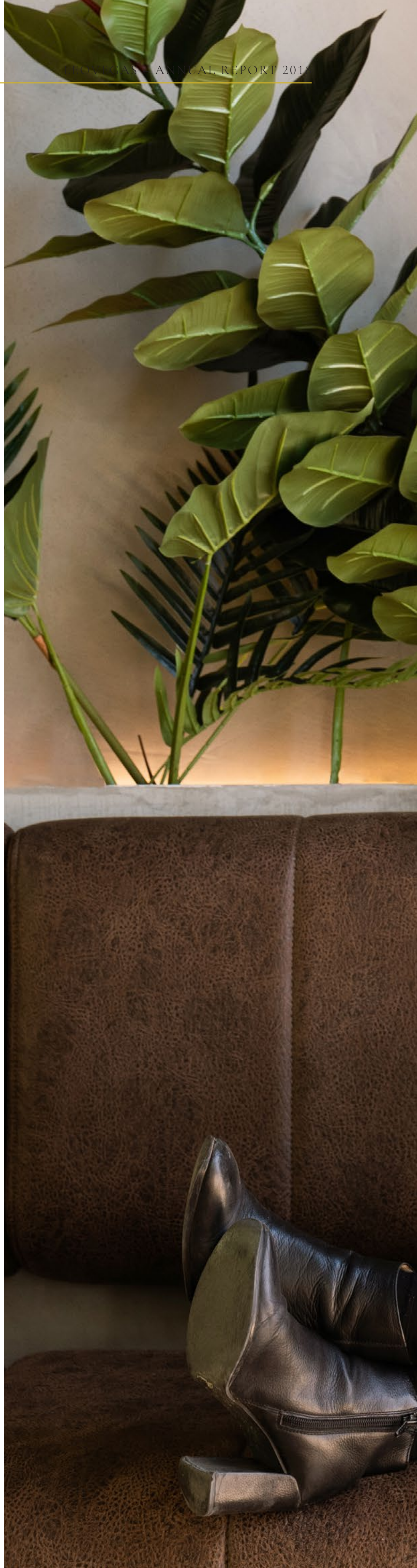
LeoVegas wins if we work together. As a global company with people from many different countries, internal work is built up on trust and respect – regardless of geography, culture, or the department one works in. The company wins when everyone works as a team.

SIMPLICITY RULES

Why do something more complicated than it needs to be? There are many examples of how unwieldy processes and bureaucracy make companies less successful. LeoVegas is and will continue to be a highly dynamic organisation.

WE CHASE BETTERNESS

Without development, companies and people alike would come to halt. LeoVegas therefore aims to be better today than it was yesterday. This applies for all employees and for the company as a whole. And it applies regardless of area – all areas have improvement potential. As an agile company, LeoVegas is in a constant test, learn and grow process.



Leading the way into the mobile future

LEOVEGAS' SUSTAINABILITY WORK – DIVERSITY

DIVERSITY, DISCRIMINATION AND HUMAN RIGHTS

LeoVegas' employees are the company's greatest asset. Without the ability to attract and retain talented employees with a strong culture at its core, there is a risk that the company will not develop in an agile and effective way. Diversity is an important part of the company's culture, and LeoVegas works actively to bring in new talents while retaining its existing people. LeoVegas promotes an environment in which initiative and innovation are rewarded, and it is important for the company to have satisfied employees with exciting and challenging work duties. It is important for LeoVegas to retain the right competence, since losing key persons could have a negative impact on the company. As a global company with people from many different countries, internal collaboration is based on trust and respect. LeoVegas' diversity is what makes the company unique. Without this diversity the company would most likely not have developed in the same, positive way it has. LeoVegas has customers from around the world, and therefore we believe that our employees should reflect this so that we can create the best possible customer experience as well as value for our shareholders. At its Swedish offices (Stockholm, Växjö, Helsingborg and Västerås) LeoVegas had 175 employees at year-end from 43 different nationalities (compared with 24 nationalities in 2017), of whom 135 were men and 40 were women. The overrepresentation of men at the Swedish offices is explained by the fact that the company's technological development is conducted in Sweden, and the tech industry is typically male-dominant. Louise Nylander, formerly Chief Marketing Officer at LeoVegas, was named Deputy CEO during the year. Leading a company with 40 nationalities in a fast-growing and dynamic environment is challenging in itself. This is managed by focusing on individual development plans, leadership training, and by laying out clear expectations for employees.

There is a slight difference in the median salary between men and women at the Swedish offices. This is because LeoVegas has more men than women in management positions and more women in administrative and support functions. LeoVegas' standpoint is to offer equal pay for equal work, and the company continues to work strategically to attract women through various recruitment activities. In Malta, 508 people worked at LeoVegas' offices at year-end, representing 31 nationalities, of whom 287 were men and 221 were women. The difference in median salary between men and women was negligible. In the UK, LeoVegas employed 136 people at year-end, of whom 79 were men and 57 were women. Other companies in the Group employed 69 people at year-end, of whom 52 were men and 17 were women.

LeoVegas' position on diversity is laid out in the company's Human Resources policy, which states that:

> "LeoVegas embraces equality as well as individual diversity"

The policy also specifies that no person may be discriminated against due to gender, faith, origin or sexual preference/affiliation, which ensures that human rights are respected. LeoVegas strives to uphold human rights within the company by working against all forms of discrimination within the organisation. During 2018 no cases of discrimination were reported, and the company sees no other risks related to this area. During the last two years LeoVegas has sponsored and participated in the Malta Pride festival, and will do so also in 2019. The festival engages many employees and is an important annual event in Malta. LeoVegas' Human Resources Policy is posted on the company's intranet and is required reading for employees.

LEOVEGAS STARTS INITIATIVE FOR WOMEN IN THE TECH INDUSTRY – LEOREGULUS

LeoVegas has started a new initiative, called "LeoRegulus", to encourage more women to seek careers in the tech industry. With the LeoRegulus programme, LeoVegas hopes to contribute to a more even gender balance in the tech sector. The initiative consists of two programmes aimed at inspiring more women to choose a career in tech:

- *The LeoRegulus Global Traineeship Programme: a 12-month trainee programme for newly graduated engineers*
- The LeoRegulus Tech Award: an award of SEK 100,000 to an organisation, initiative or person that actively works to promote interest among women in tech and/or AI

In 2018 the SEK 100,000 award was presented to the organisation "Teknikkvinnor", which works to encourage more women to discover how exciting it is to work with technology and to inform about how technology is changing the world every day. In the words of Maria Norberg, from Teknikkvinnor:

"Having the honour to be recognised for Teknikkvinnor's work on increasing the gender balance in engineering trades and winning this award is proof that what we do makes a difference. An award like this also shows a willingness among companies to change. We hope that the award will help us come in contact with more companies that have a genuine willingness to be more equal and inclusive, just like LeoVegas."

Owing to the large number nominations for the LeoRegulus Tech Award, a decision has been made to establish a second award: "The LeoVegas Rising Star", which this year was awarded to the "Techella" network, which inspires women to choose a job in the tech sector.

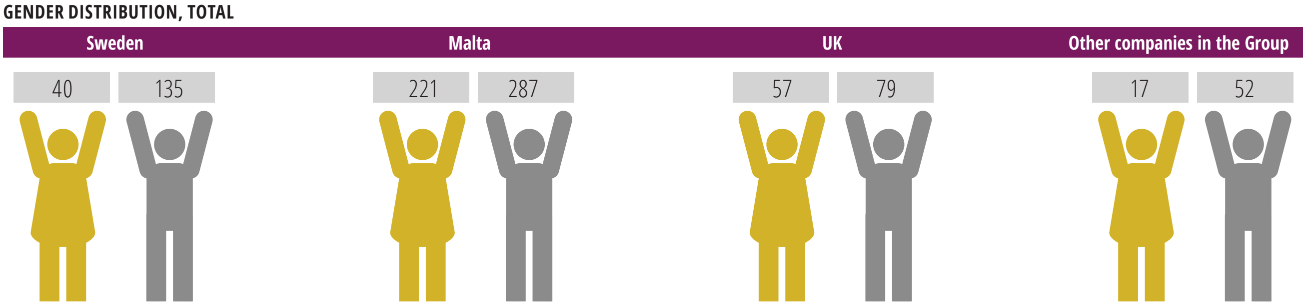
DIVERSITY ON THE BOARD

LeoVegas' board is made up of four men and three women (43% women, which is above average for listed companies in Sweden, where the average is about 34%). Gustaf Hagman, Group CEO, and Stefan Nelson, CFO, attend all board meetings, but only as company representatives, not as board members. When LeoVegas' board and Group Management are to decide on a matter pertaining to the company, diversity is always one of the fundamental perspectives that is taken into account. Further information about the Board and its work is reported in the Corporate Governance section.

ENVIRONMENT

LeoVegas offers a digital product, and thus no operations are conducted that require a permit or registration obligation pursuant to the Environmental Code. The company as a relatively low environmental impact and sees no significant environmental impact risks. LeoVegas' largest environmental impact is made by the air travel conducted in connection with business trips. LeoVegas is a global company, and in the company's travel policy, employees are urged to book travel based on the most cost-effective and environment-friendly alternative. LeoVegas has an agreement with the travel agency Egencia, and all business travel is booked via Egencia's travel portal, which will make it possible to measure the number of trips taken and to some extent the environmental impact. During 2018 LeoVegas focused on reducing the number of trips taken by air and thereby reduce its environmental impact by encouraging more online meetings. In 2018 the company measured the number of online meetings for the first time, and these totalled 18,262 during the year. The goal for 2019 is to further increase the number of online meetings and to reduce the number of business trips by air. The company's travel policy was updated in early 2019 to further reduce the amount of air travel. Recycling of office material, food waste, plastics and other waste is standard practice in Sweden and many other countries. LeoVegas' largest office is in Malta, where as much waste is recycled as possible. In 2018 the company sponsored an initiative in which professional scuba divers cleaned the sea floor from various types of waste offshore two beaches, and in a second step the waste they found was recycled. Roughly 70% of the oxygen in our atmosphere is produced by marine plants, and this was a small initiative from the company to combat climate change. LeoVegas chose beaches in Malta because the company wants to encourage its employees on the island to engage themselves in the environment and contribute to the local area in which the LeoVegas has offices.

GENDER DISTRIBUTION, TOTAL



COMPLIANCE

For LeoVegas it is of utmost importance to stay at the forefront of compliance. Companies that are adept in this area and can manage it effectively will minimise their risks, have a large competitive advantage and contribute to long-term and sustainable growth.

COMPLIANCE

Operators are facing growing requirements for responsible gambling and compliance. The legal landscape and compliance environment are currently undergoing considerable changes. LeoVegas recently recruited a new Chief Compliance & Legal Officer (CCLO), who has global responsibility for the Group's compliance work. Due to stricter requirements imposed by the UK Gambling Commission, staffing of the compliance team increased more than usual in 2018. LeoVegas maintains a high standard of compliance in all of the markets in which is active.

Since LeoVegas is active in several regulated markets, it goes without saying that the company complies with applicable rules and regulations. At present LeoVegas is active in the following seven regulated markets: the UK, Denmark, Italy, Ireland, Malta, Sweden and in the German states of Schleswig-Holstein and Hessen. Every local market has its own regulations. What all markets share in common is that the licence systems are characterised by strong consumer protections and a high level of game safety. The company's experiences from already regulated markets has helped in its expansion to other regulated markets, as operations are already adapted to many of the requirements that apply in other regulated markets.

The UK is arguably the market with the strictest compliance standards. Having an open dialogue with an authority that is eager to cooperate is important for creating a good business climate with the shared goal of creating a sound and sustainable gambling market. Toward this end, the UK Gambling Commission (UKGC) is a prime example where cooperation and the understanding are very good.

As a group, LeoVegas has made great progress in compliance. A few examples of proactive measures include our work in Anti-Money Laundering (AML) and Source of Income (SOI) routines, where we verify customers' financial circumstances. These measures have been implemented gradually over a long period of time. The adopted routines give the company a better opportunity work effectively and sustainably over the long term in a regulated market. In the course of its operations LeoVegas maintains extensive verification processes regarding customers, and takes measures to counter gambling addiction, corruption, money laundering and other crimes. Companies that do not comply with the requirements that apply in the respective markets risk everything from fines to losing their licences.

CODE OF CONDUCT

LeoVegas' Code of Conduct is the foundation for visualising and providing guidance to employees with respect to the company's ethical standards. It also lays out LeoVegas' responsibility to offer a safe and healthy workplace as well as the company's responsibility to promote and respect human rights based on international generally accepted rules and norms. The Code of Conduct is required reading for all employees, and it is up to each employee to act in accordance with its principles.

ANTI-MONEY LAUNDERING/COMBATING THE FINANCING OF TERRORISM (AML/CFT)

LeoVegas conducts transaction-intensive operations. Gambling companies face a challenge similar to that of banks as gambling companies also handle large sums of money daily in their systems. LeoVegas has processes and routines in place to counter and/or detect money laundering. The company looks seriously upon all types of criminal activity, as its operations are conducted online and all transactions are traceable. LeoVegas takes a very serious approach to all forms of money laundering and financing of terrorism and is strongly committed to fully complying with existing laws and regulations. The company also regularly evaluates the integrity of its existing business partnerships. LeoVegas' internal and external AML/CFT routines are in accordance with the EU's Fourth AML directive and local requirements.

BRIBERY AND CORRUPTION

LeoVegas has zero tolerance for bribery and corruption. The company acts in accordance with relevant anti-corruption laws in the countries in which it has a presence and works proactively with these issues in its own operations through implemented guidelines and processes.

FRAUD

LeoVegas does not tolerate fraud, dishonesty and breaches of confidence to gain an unfair or dishonest advantage in any way. The company conducts daily checks to prevent all forms of internal and external fraud. All internal actions in LeoVegas' back office system are documented and monitored on a regular basis. The company also performs controls on a regular basis of marketing partners, such as affiliates and other networks, that LeoVegas works with.

SUSTAINABLE MARKETING

LeoVegas works with data-driven marketing, where key performance indicators and efficiency are measured and evaluated on a continuous basis. LeoVegas works with a number of different marketing channels. One such channel consists of advertising networks, or affiliates, which are a common traffic source in the gaming industry. Affiliates are third parties which, based on performance-based agreements, funnel customers to LeoVegas' various brands. In the company's agreements with affiliates they undertake to act in accordance with a set ethical standard. This means, for example, that they undertake to not use the LeoVegas Group's brands and marketing in connection with inappropriate websites, such as websites with pornographic or drug-related content, websites targeted at minors, or websites that condone criminal activity. The company works actively to prevent partners from marketing in a way that is contrary to applicable marketing and licence norms in the respective markets by regularly performing controls of their marketing. This is done using tools that search for references to LeoVegas on the internet. Due to the complexity and volume of traffic sources, it is not possible for LeoVegas to check each and every one of these traffic sources. In the event LeoVegas were to become aware of a breach of its cooperation terms, LeoVegas has the opportunity to terminate its cooperation with the source in question. The company also uses the services of globally recognised actors in its marketing, such as Facebook and Google. In these cooperation agreements LeoVegas is subjected to similar requirements on their part, which LeoVegas undertakes to comply with. One example is a requirement by Facebook that LeoVegas assures that no underage persons can view LeoVegas' marketing on Facebook. As a result, LeoVegas has set an 18-year limit on all of its profiles in all social media. Google has a requirement that LeoVegas not advertise on unethical websites, and demands are also rising for LeoVegas to make the same demands on its affiliates, to gain assurances for sustainability at all levels.

LeoVegas believes that this is sound practice and part of the industry's maturation process, thereby leading to a more sustainable and professional approach to marketing.

RESPONSIBLE GAMING – LEOSAFEPLAY

RESPONSIBLE GAMING

Responsible gaming has been a hallmark of LeoVegas' business since the start in 2012. With Sweden becoming a regulated market on 1 January 2019, a number of regulations came into force that gaming companies in Sweden are required to adhere to. These regulations create security for players as they reduce the risks for gambling addiction and other gambling problems. That gaming companies take their responsibility and work with responsible gaming is good for the industry as a whole. During 2018 LeoVegas conducted extensive work with compliance, especially in the UK market, which has very strict rules. LeoVegas' work in 2018 included coordinating customer information between LeoVegas and its acquired companies Royal Panda and Rocket X. This was done out of a need to more easily be able to identify any customers with gambling problems in the Group.

LEOSAFEPLAY AS SEPARATE BUSINESS AREA

www.LeoSafePlay.com is a website and tool for responsible gaming. The technical solution is based on extensive data analysis for proactively creating long-term relationships with customers and being an advocate for responsible gaming. On www.LeoSafePlay.com, LeoVegas has gathered all information about the company's work with responsible gaming.

LeoSafePlay offers various tools that help customers play in a responsible manner. Examples include functions that help players set up a risk profile to set deposit limits, loss limits and time limits. LeoSafePlay also offers a self-assessment test in which customers can get a reading of their gaming and behaviour. To effectively handle the market's regulations and support the company's various brands, LeoVegas has organised LeoSafePlay as a separate business area. By centralising some of the processes surrounding compliance and responsible gaming, LeoVegas will be able to grow more effectively and faster both in existing and new markets.

LEADER IN AI-BASED RESPONSIBLE GAMING

LeoSafePlay uses machine learning to help identify problem gamers. In autumn 2018 LeoVegas successfully evaluated a complementary AI technology call Recurrent Neural Networks. The results have shown an approximately 30% increase in precision of identifying problem gamers. The tools also show a faster reaction when customers change their gaming behaviour. When a customer changes his or her gaming behaviour and, for example, begins playing for bigger wagers, during longer sessions, or begins playing at odd hours of the day, the person in question is contacted by phone, email or chat message and informed about how he or she can limit his or her gaming. If necessary, the customer's account is closed.

LeoVegas has reported on these results at a number of seminars, including the international ICE gambling conference in London in February 2019, where LeoVegas for the second year in a row participated in the conference's Customer Protection Zone (CPZ). LeoVegas sponsored the year's CPZ and made a donation of GBP 35,000 that went directly to charity. LeoVegas cannot combat problem gambling on its own, however. The company is therefore keen on sharing its experiences and knowledge with other operators, authorities and partners.

With all due credit to technology, no system is better than the employees who are in direct contact with customers. All new employees in the Group participate in mandatory training in responsible gaming when they start working for the company. On top of this, customer service representatives receive in-depth training in order to be able to better identify and support customers in need of help. The training consists of courses that are conducted both internally and with external partners, and is complemented with online courses and regularly recurring continuing education. During the year LeoVegas also recruited more people to the team that works with responsible gaming. In addition to these employees is a larger team of developers who work on a project basis with the company's online tools. LeoVegas' goal is to offer customers the ultimate gaming experience. Responsible and sustainable gaming is a central part of this experience.

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LEOSAFEPLAY FOCUSES ON FOUR TARGET GROUPS:

Individuals who feel they may have a gambling problem

- The person is informed about what measures can be taken, such as how to use blocking tools, and contact information for various help organisations that work with gambling addiction and debt recovery. Through an anonymous self-assessment, players can find out if they are at risk of developing a gambling addiction. As one of few companies in the industry, LeoVegas also offers a free tool (GamBan) to block all gambling sites and an insurance (LeoSafe) that pays for the customer's first three visits to a therapist specialising in gambling addiction.

Individuals who feel that they spend more time and/or money on gambling that they intend to

For these individuals we provide information on various forms of gambling problems and on measures a person can take to regulate his or her gambling. If a player feels he or she spends too much time gambling, he/she can set a time limit for gambling sessions. Players who want to spend less money can choose to set a limit for their deposits or losses. Additional tools are available for setting wagering limits, pausing the account, player history and the self-assessment mentioned above.

Individuals who know someone with a gambling problem

- For family members and others, information is available on the warning signs one should be aware of, how to contact LeoVegas and other gambling companies, and information on how to block gambling sites. Contact information is also provided for organisations that work with gambling addiction.

Individuals who know an underage person who they suspect is gambling online

- Underage persons gambling online is something that the entire gambling industry takes very seriously. In most countries it is illegal for anyone under the age of 18 to gamble for money, and at LeoSafePlay we inform about the risks of gambling for minors, how to contact LeoVegas for suspicions of an underage person who is gambling, and about software that can be installed for parental control.

Bruno

Omar

LEOVEGAS' SUSTAINABILITY WORK – THE LEOINITIATIVE

With great success comes a great responsibility. This is a principle that LeoVegas has embraced. The company wants to give back to society and contribute to a better and more positive world. A year has passed since The LeoInitiative was launched in 2017 with the aim of sponsoring charity projects around the world.

LEOINITIATIVE

LeoVegas has chosen to take an initiative for lions, which are one of the company's greatest sources of inspiration. During the last century the world's lion population has been decimated, and today lions in the wild make up only a fifth of the population that they had a hundred years ago.

To contribute to growth in lion populations and to help improve the situation for lions in the world, The LeoInitiative has conducted the following initiatives:

- *Donations to the Wildlife Conservation Network (WCN)*
- *Sent employees, through a volunteer programme, to the Emoya Big Cat Sanctuary in South Africa, where they have helped in the daily care of lions*
- *Adopted the lions Bruno and Omar, which were previously held in captivity, into the LeoVegas family*

WCN is an American non-profit organisation that has raised more than USD 100 m in donations since its start in 2002 and works with wildlife conservation worldwide. LeoVegas' donation is earmarked for the organisation's work on grassroots projects on the African continent. The goal is to protect lions' natural habitats, reduce human impact and thereby guarantee sustainable and long-term management of lion populations. The Emoya Big Cat Sanctuary is a private, non-profit organisation that operates a reserve for big cats that have been previously been held in captivity. Emoya is headed by Savannah Heuser, a passionate advocate for big cats.

In December 2017 our elated volunteers had the opportunity to see our LeoVegas lions finally arrive in South Africa and Emoya from a clinic in the Netherlands. The lions Bruno and Omar are LeoVegas' only official corporate sponsor beneficiaries, and the company was the largest contributor to the clinic's ability to transport the lions from Europe to South Africa.

BRUNO

Bruno was born in a circus in Slovakia. When the circus no longer had use for him, he was sold to a private person who kept him as a pet. When the owner died, his wife contacted The Lion Foundation in hopes of giving him a better life. Bruno arrived at a veterinary clinic in the Netherlands in 2015, and in December 2017 he finally made his way to Emoya, where he now lives as a lion should.

OMAR

Omar was born in the same circus in Slovakia as Bruno. Omar was also subsequently bought by a private person as a pet. The owner left Omar in a cage after leaving the country. The owner's father tried to sell Omar until The Lion Foundation learned what had transpired in spring 2015. Omar then ended up at the same clinic in the Netherlands, where he was reunited with his brother Bruno. In December 2017 Omar was also transported to Emoya.

LIONESSES ARRIVE AT EMOYA

In 2018 Omar received company from the three lionesses Mahli, Nora and Ziera, which had also been held captive by a circus. The lionesses have adapted well and now roam about freely in the sanctuary. Omar also seems to have adjusted to having female company. The plan is also to give Bruno female company in the future.

AUDITOR'S REPORT ON THE STATUTORY SUSTAINABILITY REPORT

To the Annual General Meeting of LeoVegas AB (publ), corporate identity number 556830-4033

ENGAGEMENT AND RESPONSIBILITY

It is the Board of Directors who is responsible for the statutory sustainability report for the year 2018 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 April 5, 2019
PricewaterhouseCoopers AB

Aleksander Lyckow
Authorised Public Accountant

CORPORATE GOVERNANCE REPORT

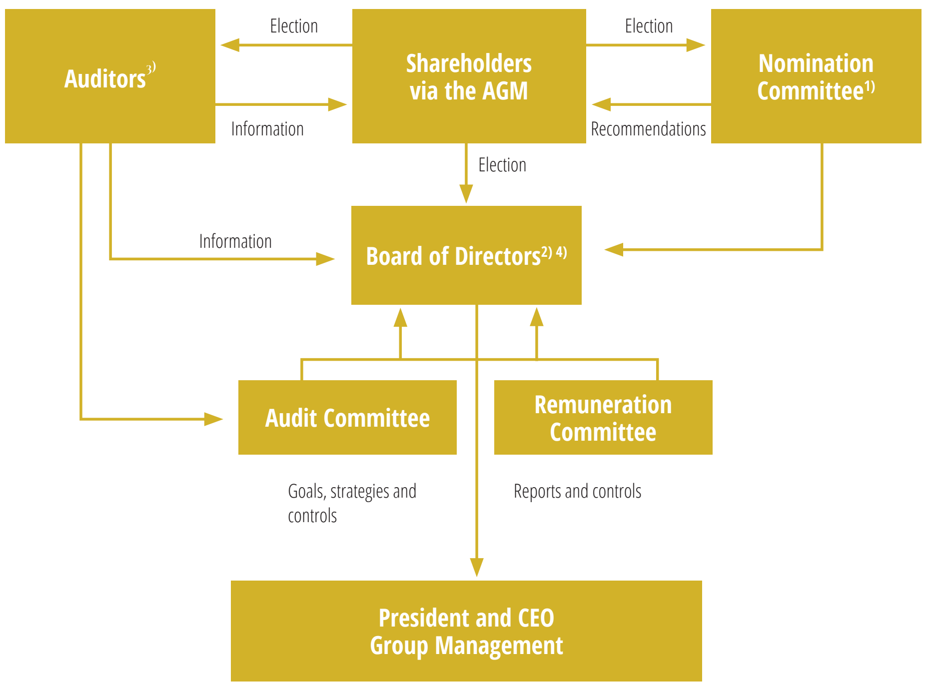
CORPORATE GOVERNANCE AT LEOVEGAS

This corporate governance report has been prepared in accordance with Ch. 6 § 6 of the Swedish Annual Accounts Act and the Swedish Corporate Governance Code ("the Code").

The Board of Directors is responsible for the Corporate Governance Report. The Corporate Governance Report for the financial year has been reviewed by the company's auditor, as described in the "Auditor's report on the corporate governance statement".

LeoVegas is a Swedish, public limited liability company whose shares are listed for trading on Nasdaq Stockholm's Main Market list. Governance of LeoVegas is grounded in the company's Articles of Association, the Swedish Companies Act, the Nasdaq Rulebook for Issuers, other applicable Swedish and foreign laws and regulations, and the company's internal rules and guidelines. These internal rules and guidelines include primarily the Board's Rules of Procedure, the CEO's instructions, the instructions for financial reporting and internal control, and the financial manual.

In addition, LeoVegas has a number of policy documents and manuals, including the Code of Conduct, the Corporate Governance Policy, the Insider Policy, and the Information and Communication Policy, as well as other internal rules and recommendations that include principles and provide guidance in the company's operations and for its employees. The above-mentioned governance documents are evaluated and adopted yearly by the Board of Directors.



1) The Nomination Committee recommends resolutions ahead of the AGM regarding issues concerning election of directors and fees, and drafts a recommendation for resolution that is presented to the AGM. The AGM resolves on principles for appointment of the Nomination Committee.

2) The Board establishes its committees and determines which of its members are to serve on the respective committees.

3) The Group's statutory auditor is elected by the AGM to review the Group's annual report and accounting practices as well as the Board's and CEO's administration, and the company's internal control environment.

4) The Audit Committee reports to the Board of Directors.

CORPORATE GOVERNANCE

The figure at left describes how corporate governance is organised. LeoVegas is a Swedish limited liability company whose shareholders ultimately decide on the company's governance by electing the company's board of directors at the Annual General Meeting. The Board, in turn, has continuing responsibility for ensuring that corporate governance of the company is in compliance with laws and other external and internal rules and regulations.

INTERNAL GUIDELINES

Mission and goals, Articles of Association, the Board's Rules of Procedure, the CEO's instructions, the financial manual, strategies and policies, and processes for internal control and governance.

EXTERNAL GOVERNANCE INSTRUMENTS

The Companies Act, the Annual Accounts Act, other relevant laws and the Code.

LeoVegas' shares are listed for trading on Nasdaq Stockholm's Main Market list, which means that the company is required to adhere to the Swedish Corporate Governance Code ("the Code"). The guidelines of the Code are available on the Swedish Corporate Governance Board's website (www.bolagsstyrning.se). The Code is based on the "comply or explain" principle, entailing that companies that apply the Code may depart from individual rules as long as they provide an explanation for such departure. According to the Code, a company's board shall determine each year if the company is to have an internal audit function that evaluates whether the company's internal governance and controls have worked as intended, or if the board has gained assurance in some other say that such is the case. The Board of LeoVegas has opted at present to not appoint an internal auditor, but will instead work with internal monitoring and self assessment. LeoVegas has a dedicated person with chief responsibility for monitoring and evaluation of internal control. In 2019 an internal audit function with focus on compliance will be established.

SHAREHOLDERS

As per 31 December 2018 LeoVegas had 18,328 shareholders. As per 31 December 2018 the ten largest shareholders had ownership corresponding to 45.84% (48.1%) of the votes and share capital. No single shareholder holds, directly or indirectly, more than 10% of the shares or votes in the company.

TEN LARGEST SHAREHOLDERS AS PER 31/12/2018

Owner	LEO	Capital, %	Votes, %
Swedbank Robur funds	8,736,274	8.6	8.6
Gustaf Hagman	8,350,000	8.2	8.2
Robin Ramm-Ericson	7,085,560	7.0	7.0
Skandia Mutual Life Insurance Company	5,644,708	5.6	5.6
Torsten Söderberg	3,777,000	3.7	3.7
Avanza Pension	3,772,375	3.7	3.7
Lombard Odier	2,504,453	2.5	2.5
Nordet Pensionsförsäkring	2,310,908	2.3	2.3
Aggregate Media	2,308,720	2.3	2.3
Investment AB Öresund	2,124,462	2.1	2.1

SHARE CAPITAL AND VOTING RIGHTS

According to the Articles of Association in effect at the end of the financial year, the share capital shall be at least EUR 1,100,000 and no more than EUR 4,400,000. The company's registered share capital as per 31 December 2018 was EUR 1,219,835.652184, divided among 101,652,970 shares. The shares, which are denominated in euros (EUR), have a share quota value of EUR 0.012. Each share carries entitlement to 1 vote. Every person entitled to vote at general meetings of shareholders may vote for the full number of shares owned and represented by him or her without restriction in voting rights.

GENERAL MEETING – 2018

General meetings of shareholders are the Group's highest decision-making body and the forum for shareholders to exercise their influence. General meetings can make decisions on all matters concerning the Group and that are not expressly within the framework of the exclusive authorisation of any other body. In other words, general meetings have a sovereign role over the Board of Directors and CEO. According to the Swedish Corporate Governance Code, the control body is the statutory auditor, which is appointed by a general meeting of shareholders.

Notice of general meetings

According to the current Articles of Association, notice of a general meeting shall be made through advertisement in Post- och Inrikes Tidningar ("the Official Swedish Gazette") and by posting on the company's website. An advertisement announcing that notice of the meeting has been issued shall also be published in the Swedish daily newspaper Svenska Dagbladet. A notice of an Annual General Meeting or of an Extraordinary General Meeting at which an amendment of the company's Articles of Association will be dealt with shall be issued not earlier than six weeks and not later than four weeks before the meeting in question. A notice of an Extraordinary General Meeting shall be issued not earlier than six weeks and not later than three weeks prior to the meeting.

Right to participate in a general meeting

Shareholders who wish to participate in a general meeting must be listed in the shareholder register maintained by Euroclear Sweden on the day that falls five weekdays prior to the meeting, and must notify the company of their intention to attend the meeting by not later than the date indicated on the notice of the meeting. Shareholders may participate in general meetings in person or via proxy, and may also be accompanied by a maximum of two assistants. Shareholders ordinarily have the opportunity to notify their attendance at a general meeting in several different ways, which are indicated in the notice. Shareholders are entitled to vote for all shares that they hold in the company.

Shareholder initiatives

Every shareholder has the right to have a matter taken up for consideration at a general meeting. A shareholder who wishes to have a matter taken up for consideration at a general meeting must submit a written request about such to the Board of Directors. Such a request must normally be received by the Board not later than seven weeks prior to the general meeting in question.

Annual General Meeting

The Annual General Meeting (AGM) for the 2017 financial year was held on 29 May 2018. Attorney Carl Svernlöv was elected to serve as AGM chairman.

The AGM resolved the following:

- *To adopt the income statement and balance sheet for LeoVegas AB and the consolidated income statement and consolidated balance sheet*

- *That a dividend of SEK 1.20 per share shall be paid to the shareholders, for a total sum of SEK 119,634,564*
- *To discharge the board members and the CEO from liability*
- *That, in accordance with the Nomination Committee's recommendation, directors' fees shall be paid to the members of the Board of Directors and members of the Board's committees in the following amounts:*
- *SEK 300,000 for each non-executive director and SEK 600,000 for the Chairman, provided that he is not an employee of the company*
- *SEK 50,000 for each member of the Remuneration Committee who is not an employee of the company, and SEK 100,000 for the Remuneration Committee chair, provided that he or she is not an employee of the company*
- *SEK 50,000 for each member of the Audit Committee who is not an employee of the company, and SEK 100,000 for the Audit Committee chair, provided that he or she is not an employee of the company;*
- *Payment of the auditor's fees in accordance with an approved invoice*
- *That Per Brilioth, Barbara Canales, Robin Ramm-Ericson, Mårten Forste, Anna Frick, Patrik Rosén and Tuva Palm be re-elected as board members. Mårten Forste was also re-elected as Chairman of the Board*
- *That PricewaterhouseCoopers AB be re-elected as the company's auditor for the period until the end of the next Annual General Meeting, with Authorised Public Accountant Aleksander Lyckow as auditor-in-charge*
- *To adopt the principles for appointment of the Nomination Committee in accordance with the Nomination Committee's recommendation*
- *To, in accordance with the Board's recommendation, adopt the guidelines for remuneration of senior executives*

The Annual General Meeting also resolved in favour of an issue of a maximum of 1,250,000 warrants to implement an incentive programme for the Group's employees. The purpose of the incentive programme is to establish conditions to retain and increase the motivation of senior executives, other employees and other key persons in the company and the Group. The AGM resolved in accordance with the Board's recommendation to issue a maximum of 1,250,000 warrants with deviation from the shareholders' preferential rights, the result of which the company's share capital may increase by a maximum of EUR 15,000.000028. The warrants carry entitlement to subscribe for new shares in the company. For further information, see Note 6 and Note 21.

GENERAL MEETING – 2019

LeoVegas' Annual General Meeting for the 2018 financial year will be held on 29 May 2019 in Stockholm. Further information is provided at www.leovegasgroup.com under the tab Corporate Governance. In connection with the year-end report for 2018 the Board recommended a dividend of SEK 1.20 per share. The dividend will be paid out on two occasions during the year.

NOMINATION COMMITTEE

According to the Code, companies that adhere to the Code shall appoint a nomination committee. LeoVegas' Nomination Committee, which is made up of representatives of the largest shareholders, has been formed in accordance with the guidelines approved by the 2018 AGM. The Nomination Committee is tasked with submitting recommendations for the Chairman of the Board and other board members, directors' fees and other fees for directors' work on the Board, election of the auditor and auditor's fees, and with evaluating the Board's work. In the course of its work the Nomination Committee applied Rule 4.1 of the Code as the Board's diversity policy. Diversity is an important factor in the Nomination Committee's nomination work. The Nomination Committee continuously strives to maintain a gender balance and diversity regarding the competence, experience and background of the Board's members, which is also reflected in the Board's current composition. The Nominating Committee's recommendations are reported in the AGM notice. LeoVegas' Nomination Committee shall be composed of five members, of whom four shall represent the company's largest shareholders, and the fifth shall be the Chairman of the Board. Regardless of how the Nominating Committee's members are appointed, they shall safeguard the shareholders' interests.

The members of the Nomination Committee are appointed in a procedure whereby the Chairman of the Board – as soon as possible after the end of the third quarter – contacts the four largest shareholders at this point in time. The Chairman of the Board shall never serve as chair of the Nomination Committee. The composition of the Nomination Committee is publicly announced through a press release as soon as the members have been appointed, but not later than six months prior to the AGM.

Based on the above, the Nomination Committee ahead of the 2019 AGM was appointed and consists of the following persons, who together represent approximately 29% of the number of votes and shares in the company as per 30 September 2018:

- *Anders Fast (chair), appointed by Gustaf Hagman (Anders Fast also served as Chief Compliance & Legal Officer during 2018 via Baker McKenzie Advokatbyrå through a so-called secondment)*
- *Joachim Spetz, appointed by Swedbank Robur funds*
- *Dan-Alp Lindberg, appointed by Robin Ramm-Ericson*
- *Erik Sjöström, appointed by Skandia Fonder*
- *Mårten Forste, Chairman of the Board*

BOARD COMPOSITION AND DIRECTORS' INDEPENDENCE

According to LeoVegas' Articles of Association, the Board shall be composed of three to ten members. In other respects, there are no rules in the Articles of Association regarding the appointment or dismissal of board members. The Board is currently composed of seven AGM-elected directors, all of whom were elected at the AGM on 29 May 2018 for terms until the end of the 2019 AGM. Gustaf Hagman, Group CEO, participates at board meetings to report on performance of the operations. Stefan Nelson, CFO, participates at board meetings as company secretary. Anders Fast is co-opted to participate at board meetings as Chief Compliance & Legal Officer. Other LeoVegas executives participate at board meetings in a reporting role on specific matters. According to the Code, a majority of the directors shall be independent in relation to the Group and its management. Six of the seven directors are independent in relation to the company and its management. Five of the directors are independent also in relation to the company's major shareholders. The company thereby meets the Code's requirements on directors' independence.

RESPONSIBILITIES AND WORK OF THE BOARD

The Board's duties are regulated by the Swedish Companies Act, LeoVegas' Articles of Association, other laws and statutes, and the Code. In addition, the Board's work is regulated by the Rules of Procedure adopted by the Board. The Rules of Procedure regulate, among other things, the division of duties and responsibilities between the board members, the Chairman of the Board and the CEO, and lay out routines for financial reporting by the CEO. The Board follows an annually set schedule for its work, which is adopted at the statutory board meeting each year. The Board also adopts instructions for the Board's committees. The Board's duties include adoption of strategies, business plans, budgets and forecasts, interim reports, the year-end book-closing, and policies and guidelines. The Board is also responsible for monitoring the company's financial performance, ensuring the quality of financial reporting and internal control, and evaluating the business against the objectives and guidelines established by the Board. Finally, the Board decides on substantial investments and changes in the Group's organisation and operations. The Chairman of the Board and CEO shall monitor the company's performance, and conduct preparatory work for and lead board meetings. The Chairman of the Board is also responsible for ensuring that the board members evaluate their work every year and that they continuously receive the information required for them to perform their work effectively. The Chairman of the Board represents LeoVegas vis-à-vis its shareholders. During the year, the Board held 17 meetings, of which two were conducted per capsulam. The Board's work during the year was focused particularly on the company's acquisition strategy, which also included the integration of acquired operations, positioning and culture, strategy discussions surrounding the company's development, expansion, technology platform and development, and the effect of stricter requirements for compliance.

Committees

The Board of LeoVegas has established two committees – an audit committee and a remuneration committee.

Audit Committee

The Audit Committee is tasked with providing a special forum for the work with financial reporting, internal control, risk management and auditing, and advises the Board of Directors in these areas. The members of the Audit Committee are Patrik Rosén, Tuva Palm and Per Brilioth. Patrik Rosén is committee chair. The main duties of the Audit Committee, which works according to a work plan set by the Board of Directors, is to monitor the Group's financial reporting and to oversee the effectiveness of the company's internal controls and risk management. In addition, the Audit Committee is tasked with staying informed about the audit of the annual report and consolidated accounts, reviewing and overseeing the auditor's impartiality and independence, and in this context paying particular attention to whether the auditor provides other services to LeoVegas than auditing services. The Audit Committee maintains contact with LeoVegas' auditor in order to establish an ongoing exchange of information and understanding between the Board and the auditor on auditing issues. The Audit Committee held four meetings in 2018.

Remuneration Committee

The members of the Remuneration Committee are Barbara Canales, Anna Frick and Per Brilioth. Barbara Canales is committee chair. The Remuneration Committee has an advisory and a drafting function. The Remuneration Committee works according to a work plan set by the Board of Directors. Its main duties are to conduct preparatory drafting work for the Board's decisions on matters concerning remuneration principles, remuneration and other terms of employment for members of Group Management, monitoring and evaluating application of the guidelines for remuneration of senior executives approved by the AGM as well as applicable remuneration structures and remuneration levels in LeoVegas. The Remuneration Committee held eight meetings in 2018.

Evaluation of the Board's work

The Board's work is evaluated yearly through a systematic, structured process that aims among other things to produce constructive documentation for improvements in the Board's own work. The evaluation is conducted both individually and through discussions at board meetings. The evaluation aims to give the Chairman of the Board information on how the board members perceive the Board's effectiveness and collective competence as well as on whether there are any needs for changes on the Board. The evaluation of the Chairman is conducted by the other board members. The Chairman of the Board informs the Nomination Committee about the results of the evaluations.

Directors' fees

The 2018 AGM resolved that directors' fees of SEK 300,000 shall be payable each to Per Brilioth, Barbara Canales, Anna Frick, Tuva Palm and Patrik Rosén. Mårten Forste, as Chairman of the Board, is paid a fee of SEK 600,000. Robin Ramm-Ericson, who is paid a salary by the company, is not paid any fee for board work. These amounts are based on the assumption that the directors' assignments continue for the entire period until the 2019 AGM. In addition to his director's fee, Mårten Forste performed consulting services for the company, and for this he invoiced a total of SEK 655,000 during 2018.

A fee for committee work shall be payable in the amount of SEK 50,000 to each of the members of the Audit and Remuneration Committees. The respective committee chairs are paid a fee of SEK 100,000, based on the assumption that their assignments continue for the entire period from the 2018 AGM until the 2019 AGM.

SUSTAINABILITY PERSPECTIVE

The Board has adopted relevant guidelines for the Group's sustainability for the purpose of its long-term capacity to create value. The company's report for 2018 is presented in the section "Sustainability Report".

INTERNAL CONTROL AND RISK MANAGEMENT

Internal governance and control are generally defined as a structured process, conducted by an organisation's board, management and other staff, to provide a reasonable assurance that goals are met in the following categories:

- Effectiveness and productivity of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations

This description has been prepared in accordance with the Annual Accounts Act and covers the most important parts of the company's system for internal control and risk management in connection with the financial reporting.

LeoVegas' control system has been designed to ensure that correct and reliable financial reporting and accounting have been conducted in accordance with applicable laws and statutes, accounting standards and other requirements on listed companies. LeoVegas works according to an established framework for internal control issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This framework covers five main areas: control environment, risk assessment, control activities, monitoring activities, and information & communication.

Control environment

The control environment in LeoVegas is the foundation for the other components of internal governance and control. The Board of Directors has overarching responsibility for internal control over financial reporting. The Board adopts Rules of Procedure yearly for the Board's work. In addition, the Board draws up instructions for the division of duties between the Board of Directors and the CEO.

A good control environment entails that LeoVegas has orderly processes and structure, integrity, ethical values and the right competencies in the company. The company's leadership and the way in which management delegates responsibility and authority, and organises and develops the employees are equally important components. The control environment is maintained through LeoVegas' policies and routines, and with the assistance of the company's organisational structure, with a clear division of responsibilities and authority that is based on shared values.

LeoVegas' control environment is built upon:

- *a strong company culture with values that permeate the company,*
- *documented ethical and moral guidelines,*
- *a clear organisation with clearly defined roles and areas of responsibility,*
- *governance documents, and*
- *identified and well defined key processes.*

Well structured internal control creates not only the conditions for reliability in the financial reporting, but also contributes to a sound and sustainable business with higher profitability as a result.

LeoVegas' board of directors has overarching responsibility for maintaining an effective system of internal control. LeoVegas has a dedicated person with chief responsibility for internal control and governance. Area managers have general responsibility for monitoring that effective controls are in place in their respective areas of responsibility. In 2019 an internal audit function with focus on compliance will be established.

LeoVegas works continuously with development and improvement of internal control, in part through internal reviews and in part through proactive work with risk management. Continuous further development of internal control is of central importance for a rapidly growing company like LeoVegas. Internal governance instruments for financial reporting consist primarily of the Group's Treasury Policy, the financial manual, and authorisation instructions. In addition to these, the company has established policies covering trading in the company's shares, communication, and IT and information security, among other things.

LeoVegas reviews the company's internal controls in accordance with a recurring time cycle every year and makes changes to them to the extent it is deemed necessary. The main responsibility for ensuring internal control rests with the Parent Company, which is where reporting to the company's board is also conducted. In addition, the Group has a unit with special responsibility for compliance. By compliance is meant in this context regulations issued by the gambling authorities in the respective countries. The company's external auditor, in turn, regularly reviews selected control processes within the framework of the audit process.

Risk assessment

Every year LeoVegas performs a structured risk assessment to identify risks affecting internal control over financial reporting as well as other areas that entail risk. Material risks that are reviewed include market risks, operational risks and other risks for errors in the financial reporting. Every unit manager within the Group is responsible for clearly defining and evaluating the specific risks that exist in the area he or she is responsible for. Risks are to be clearly defined together with a description of how each risk is controlled and the manager's view of the effectiveness of relevant control activities. A self assessment is conducted, which is in turn reviewed and verified. Risks are analysed and updated, and where needed an implementation plan is defined and followed up. The Board addresses the outcome of the company's risk assessment and risk management process to ensure that it covers all significant areas and identifies necessary measures where needed.

LeoVegas' greatest business risks are related to the rapidly changing environment in the gaming industry, including shifts in legal systems among other things. The section "Significant risks and uncertainties" in the Board of Directors' Report specifies some of the Group's business and industry-related risks factors that could affect the Group's financial position and earnings.

Control activities

Control activities are the guidelines and routines that contribute to ensuring that management's directives are carried out. They contribute to ensuring that necessary measures are taken to manage risks that the organisation's objectives will not be achieved.

Control activities are formulated and conducted throughout the organisation – at all levels and in all functions. They are documented at the process level and include both overarching and more detailed controls designed to prevent, discover or correct errors and deviations. They include a number of different types of activities, such as approvals, attestations, verifications, reconciliations, reviews of the results of operations, assurance of assets, performance analyses and budget and forecast follow-ups. In the annual risk assessment work all control activities are evaluated to ensure that they are designed in a suitable manner. When designing control activities, steps are taken to ensure that they are performed in the right way and at the right time. Control activities for the financial reporting cover everything from review and follow-up of earnings to specific account reconciliations. So-called general IT controls are established for the systems that support the processes that affect internal control. The design of IT processes and controls is also affected by rules issued by gambling authorities, such as the Malta Gaming Authority (MGA) and the UK Gambling Commission, and by external reviews in connection with licensing and certifications. Reviews in the IT area are conducted in part by independent review agencies for certifications according to regulatory requirements and in part by the company's external auditors.

Monitoring activities

Internal governance and control systems need to be monitored, followed up and evaluated. This is achieved in LeoVegas through continuous monitoring activities and follow-ups. LeoVegas' most important financial information processes are reviewed at least once a year or ahead of and in connection with changes in rules and standards that could affect the company's financial information. Monitoring of control activities is conducted continuously to ensure that risks have been taken into account and addressed in a satisfactory manner. Monitoring includes both formal and informal routines that are conducted within the company. These routines encompass a follow-up of earnings against forecasts, analyses, and key ratios. The Board continuously evaluates the information provided by Group Management.

The company's policies and instructions are evaluated and updated with respect to suitability and functionality, where needed. Follow-up of LeoVegas' work with internal governance and control is documented after reviewing the company's activities and processes for ensuring good internal control and monitoring. Compilations and the status of identified measures are reported to the Board of Directors.

Information & communication

Relevant information must be identified and conveyed so that the company's employees can perform their duties. Information systems generate reports that contain business and financial information and details about compliance that make it possible to conduct and govern the company's business. These concern not only internally generated data, but also information about external events, activities and conditions that are necessary for well-grounded business decisions and external reporting. The employees must understand their own roles in the internal governance and control system, and how individual activities affect others' work. A channel must be in place to communicate important information. There is also a need for effective communication with external parties, such as customers, vendors, authorities and shareholders.

LeoVegas' communication and information channels enable information to be quickly communicated internally to pertinent employees. The company's intranet, chat system and information meetings are the primary channels. Where necessary, information in the financial manual is updated. In addition to the written communication that is conveyed in, for example, the financial manual, news, risks, outcomes of controls, etc., are communicated and discussed at regular meetings.

Significant guidelines and manuals for the financial reporting are updated and communicated to pertinent employees in connection with new employee orientation and, in connection with any changes, to all pertinent employees. Formal and informal information channels to and from Group Management and the Board are in place for important information.

For external communication, the company has an Information and Communication Policy that aims to ensure that the company is compliant with applicable requirements for accurate information to the market. The policy documents that the Board adopts each year include documentation for the company which among other things stipulates guidelines for external communication. In connection with new employee orientation, the employees are informed about the laws and guidelines that the company follows with respect to, for example, the handling of inside information and trading in the company's shares. In addition, prior to every quarterly report reminders are sent to all employees about the trading windows and rules for trading in the company's shares. All employees must follow the rules regarding the company's trading windows. This means that no employee may trade in LeoVegas shares 45 days prior to the publication of a financial report.

Internal audit

LeoVegas has not established a dedicated internal audit function, except for with respect to compliance; internal audit is instead is handled by LeoVegas employees, whereby the Board of Directors bears ultimate responsibility. According to the Code, the Board shall decide each year if the company is to have an internal audit function that assesses whether internal governance and controls work in their intended manner, or if the Board in some other way gains assurances that such is the case. This issue is also considered yearly by the Audit Committee. The Board is of the opinion that the company's further strengthened organisation, documentation of processes, and implemented monitoring routines are sufficient for ensuring a satisfactory state of affairs and has therefore opted to not appoint an internal auditor. LeoVegas has opted to work with internal monitoring and self assessment, and reports the outcome of this work to the Board of Directors.

CEO AND SENIOR EXECUTIVES

The CEO is responsible for the day-to-day administration of LeoVegas in accordance with applicable laws and regulations, and the instructions and strategies established by the Board of Directors. The CEO ensures that the Board receives the information required for the Board to be able to make well-grounded decisions, and monitors compliance with the goals, policies and strategic plans for LeoVegas that are set by the Board of Directors. The CEO is also responsible for ensuring that the Board is provided with satisfactory information about LeoVegas' development between regular board meetings. The CEO leads the work of the Group's management, which is responsible for the overarching business development. In addition to the CEO, the Group Management includes seven senior executives as per 31 December 2018: the Deputy CEO, the Chief Financial Officer, the Director of Corporate Finance and Investor Relations, the Chief Operating Officer, the Chief Human Resources Officer, the Chief Product Officer and the Chief Technology Officer. Subsequent to this the Group Management will also include the Chief Compliance and Legal Officer.

Remuneration of the CEO and senior executives

Remuneration of the CEO and other senior executives consists of a base salary, other benefits, and in certain cases pension. By other senior executives is meant the eight persons who together with the CEO make up the Group Management. The CEO and the other senior executives receive monthly salary in line with the going rate in the market and customary employment benefits. No variable remuneration is paid. The Remuneration Committee has drawn up recommendations for guidelines for remuneration of senior executives to be put to the 2019 AGM for approval. See the Board of Directors' Report (the Board's proposed guidelines for remuneration of senior executives). These guidelines include, among other things, principles for the relationship between fixed salary, pension benefits, and limitations regarding severance pay and fixed salary during notice periods. Individual remuneration of the CEO and the individual remuneration of other senior executives are approved by the Board of Directors after approval by the Remuneration Committee. For paid remuneration in 2018, see Note 6.

AUDITOR

According to the Articles of Association, LeoVegas shall have a maximum of two auditors with or without a maximum of two deputy auditors, or a chartered accounting firm. LeoVegas' Annual General Meeting on 29 May 2018 resolved to elect the chartered accounting firm PricewaterhouseCoopers AB as auditor of the company for a term until the end of the 2019 AGM. Authorised Public Accountant Alexander Lyckow was appointed as auditor-in-charge. Alexander Lyckow is a member of FAR.

EXTERNAL AUDIT

The external audit of the accounts of LeoVegas and all subsidiaries, including the Board of Directors' and Group Management's administration, is performed in accordance with International Standards on Auditing and generally accepted auditing practice in Sweden. The external auditor attends all meetings of the Audit Committee and at least one board meeting each year, at which the auditors report on their observations from the audit and their opinion on internal control. During the financial year, in addition to its audit assignment, PricewaterhouseCoopers performed services related to the company's listing on Nasdaq Stockholm's Main Market list, tax consulting, and consulting advice related to the enactment of the EU General Data Protection Regulation (GDPR) (EU 2016/679), which took effect in May 2018.

BOARD OF DIRECTORS

Mårten Forste

Assignments and year elected
Born 1971. Chairman of the Board since 2017. Director since 2012

Education
Master of Laws, Lund University

Other current assignments
Director of MD International AB, Forste Consulting AB. Chairman of Match.com Nordic AB

Professional experience and previous assignments
Mårten Forste has extensive and broad-based experience from the online and e-commerce sectors. He is a former Country Manager Sweden for the gaming company Expekt and COO of Meetic/Match.com Europe

Special areas of expertise
Gaming industry, e-commerce B2C and organisational development

Director's fee (yearly)
600,000

Fee for committee work
-

Independent in relation to the company and Group Management
Yes

Independent in relation to the major shareholders
Yes

Own and related parties' shareholdings as per 31 December 2018
342,100

Attendance at board meetings (17 in total)
17 of 17 possible

Robin Ramm-Ericson

Assignments and year elected
Born 1975. Director since 2017. Former Chairman of the Board since 2011

Education
M.Sc. Business and Economics, Stockholm School of Economics; studies at Stanford University

Other current assignments
Apart from his board assignment in LeoVegas AB, within the LeoVegas Group Robin Ramm-Ericson is also Managing Director of LeoVentures and a board member for several of the Group's companies

Professional experience and previous assignments
One of the two co-founders of LeoVegas and former CEO of Payson AB, Nordic Manager at Neteller & Optimal Payments Ltd and Head of Product Development at the gaming company ATG

Special areas of expertise
Gaming industry, products, company formations and marketing

Director's fee (yearly)
-

Fee for committee work
-

Independent in relation to the company and Group Management
No

Independent in relation to the major shareholders
No

Own and related parties' shareholdings as per 31 December 2018
7,085,560

Attendance at board meetings (17 in total)
17 of 17 possible

Barbara Canales Rivera

Assignments and year elected
Born 1990. Director since 2015. Remuneration Committee Chair

Education
International Sales and Marketing at Sälj & Marknadshögskolan

Other current assignments
Director of ATP Atelier AB

Professional experience and previous assignments
Barbara Canales Rivera was responsible for the launch and establishment of Uber in Sweden, and thereafter she built up Uber's partnerships unit in NYC. In addition to her years at Uber she has had several roles in PR and Marketing, most recently with the brand Away, which raised more than USD 50 bn in venture capital. Founder of the branding agency BY BABBA Inc., with offices in NYC and Stockholm, which she operates as global CEO

Special areas of expertise
Marketing, branding, international expansion and launches of tech companies

Director's fee (yearly)
300,000

Fee for committee work
100,000

Independent in relation to the company and Group Management
Yes

Independent in relation to the major shareholders
Yes

Own and related parties' shareholdings as per 31 December 2018
0

Attendance at board meetings (17 in total)
16 of 17 possible

Attendance at Remuneration Committee meetings (8 total)
8 of 8 possible

Per Brilioth

Assignments and year elected
Born 1969. Director since 2015. Member of Audit Committee and Remuneration Committee

Education
B.Sc. Business Administration, Stockholm University; Master's in Finance, London Business School

Other current assignments
CEO and Chairman of Vostok New Ventures AB. Chairman of Thunderroad AB, Pet Sounds AB, Gavald Holdings AB, Pomegranate Investment AB (publ) and Pet Sounds Digitalt AB. Director of Cow-Pow Studios AB, Vostok Emerging Finance Ltd, NMS Invest AB, Tethys Oil AB and Kontakt East Holding AB

Professional experience and previous assignments
Former Head of Emerging Markets at Hagströmer & Qviberg and close work with Russian financial market for many years. Broad base of experience in working with emerging markets and growth companies. Former Chairman of Black Earth Farming AB

Special areas of expertise
M&As, venture capital, listed company environments and company formations

Director's fee (yearly)
300,000

Fee for committee work
100,000

Independent in relation to the company and Group Management
Yes

Independent in relation to the major shareholders
Yes

Own and related parties' shareholdings as per 31 December 2018
30,000

Attendance at board meetings (17 in total)
16 of 17 possible

Attendance at Audit Committee meetings (4 total)
4 of 4 possible

Attendance at Remuneration Committee meetings (8 total)
2 of 2 possible
(became member on 29 May 2018)

Tuva Palm

Assignments and year elected
Born 1974. Director since May 2017. Member of Audit Committee

Education
M.Sc. Computer Technology, KTH Royal Institute of Technology, studies at Stockholm University and Södertörns högskola

Other current assignments
Director of Regily, Lunar Way, PE Accounting and EasyPark

Professional experience and previous assignments
Extensive technology background, expanded and digitalised companies as CTO of Nordnet, Product Manager at Klarna and Head of Development for the Java software language at Oracle. Currently runs the consulting firm Evovlery.se, which offers services in digital strategies and business development

Special areas of expertise
Tech, online payments and innovation

Director's fee (yearly)
300,000

Fee for committee work
50,000

Independent in relation to the company and Group Management
Yes

Independent in relation to the major shareholders
Yes

Own and related parties' shareholdings as per 31 December 2018
281

Attendance at board meetings (17 in total)
17 of 17 possible

Attendance at Audit Committee meetings (4 total)
4 of 4 possible

Anna Frick

Assignments and year elected
Born 1968. Director since 2015. Member of Remuneration Committee

Education
M.Sc. in Finance and Marketing, Stockholm School of Economics

Other current assignments
Director of Frisq Holding AB (publ), Fortnox AB (publ), Svea Ekonomi AB and Odd Molly International AB (publ)

Professional experience and previous assignments
Director of Nordnet AB, Vice President of Garbergs Reklambyrå AB, CEO of Oakwood Creative AB

Special areas of expertise
Branding, communication and organisational development

Director's fee (yearly)
300,000

Fee for committee work
50,000

Independent in relation to the company and Group Management
Yes

Independent in relation to the major shareholders
Yes

Own and related parties' shareholdings as per 31 December 2018
5,200

Attendance at board meetings (17 in total)
16 of 17 possible

Attendance at Remuneration Committee meetings (8 total)
8 of 8 possible

Patrik Rosén

Assignments and year elected
Born 1967. Director since 2011. Audit Committee chair

Education
M.Sc. Business and Economics, Stockholm School of Economics

Other current assignments
CEO, director and partner of Aggregate Stockholm AB. Director of POP Invest AB, Form Capital, Outdoorexperten Sverige AB, Corporate Classifies AB, Lo Cilo Ci AB, Hyresdata i Sverige AB, Eventbook AB and Turistbyråshoppen Sverige AB. Deputy director of Crew Communications Scandinavia (crewcom) AB

Professional experience and previous assignments
Career with MTG and Bonnier Group. CEO and founder of Spray's media operation and experience from diverse start-ups and investments. Patrik Rosén has also served as a director for Compricer AB, Scanworld Travelpartner AB and as Chairman of Lenson AB

Special areas of expertise
E-commerce, venture capital, media and M&A

Director's fee (yearly)
300,000

Fee for committee work
100,000

Independent in relation to the company and Group Management
Yes

Independent in relation to the major shareholders
Yes

Own and related parties' shareholdings as per 31 December 2018
2,308,720 shares via Aggregate Media Fund V KB and 25,000 shares owned personally

Attendance at board meetings (17 in total)
17 of 17 possible

Attendance at Audit Committee meetings (4 total)
4 of 4 possible

Attendance at Remuneration Committee meetings (8 total)
6 of 6 possible (replaced by Per Brilioth on 29 May 2018)

GROUP MANAGEMENT – 31/12/2018

Gustaf Hagman, Group CEO

Background
Born 1974. CEO 2011-2013. President and CEO since 2015. Co-founder of LeoVegas 2011

Education
Economics studies at Stockholm University and Södertörn University

Other current assignments –

Professional experience and previous assignments
More than 20 years of experience in entrepreneurship and in the online industry. Former CEO and director of Net Gaming Europe AB

Own and related parties' shareholdings as per 31 December 2018
8,350,000 shrares

Louise Nylén, Deputy CEO

Background
Born 1976. Deputy CEO since 2018. Chief Marketing Officer 2015-2018. Head of Marketing Development 2013-2015. LeoVegas employee since 2013

Education
M.Sc. Econ. with Finance emphasis, Stockholm School of Economics

Other current assignments
Director of Nelly, a part of Qliro Group.

Professional experience and previous assignments
Senior Director, Head of Region Europe and Americas, and Director Business Strategy and Development at OSM AB. Associate consultant at Bain & Company

Own and related parties' shareholdings as per 31 December 2018
266,000 shares* and 25,000 warrants

Stefan Nelson, CFO

Background
Born 1977. LeoVegas employee since 2018

Education
B.Sc. Econ., Stockholm University

Other current assignments -

Professional experience and previous assignments
Equity analyst at SEB Enskilda, Standard & Poor's and Redeye. Director for SEB Corporate Finance with sector responsibility for gambling, media and retail

Own and related parties' shareholdings as per 31 December 2018
8,000 shares and 60,000 warrants

Philip Doftvik, Director of Investor Relations and Corporate Finance

Background
Born 1985. Director of Investor Relations and Corporate Finance. LeoVegas employee since 2015

Education
M.Sc. Econ. with Finance emphasis, Stockholm University.

Other current assignments -

Professional experience and previous assignments
Equity analyst, Carnegie Investment Bank. Several positions with Betsson Group, including in operations, Investor Relations and M&A. Philip Doftvik has seven years of experience in the gaming industry

Own and related parties' shareholdings as per 31 December 2018
65,300 shares and 22,500 warrants

** Due to their relationship as closely related persons, Louise Nylén and Marcus Nylén jointly own 266,000 shares in LeoVegas and 25,000 warrants.*

Jarl Modén, CPO

Background
Born 1974. Chief Product Officer since 2017. Head of Product 2014-2017. LeoVegas employee since 2014

Education
M.Sc. Economics, Business Administration/Marketing, Mid Sweden University

Other current assignments
Director of Agasam Invest AB. Deputy director of Butiksförnödenheter Nälden AB and Eldritch Entrepreneurs AB

Professional experience and previous assignments
Positions at companies such as Ladbrokes, PriceRunner, 24hPoker, Entraction and IGT with focus on product management in the gaming industry and titles such as Head of Turnkey Product Management and Head of Platforms Product Management

Own and related parties' shareholdings as per 31 December 2018
40,000 shares and 11,000 warrants

John Strömberg, CTO

Background Born 1983. Group Chief Technology Officer. LeoVegas employee since 2012

Education DIHM, Business Management, IHM Business School.

Other current assignments –

Professional experience and previous assignments
Technical Project Manager, CTO GI Viktkoll AB, Lead System Architect GI-Boxen AB, IT consultant HiQ, System Engineer & Team Lead RebTel (HiQ Consultant), System Architect Gutro Technologies and Research AB

Own and related parties' shareholdings as per 31 December 2018
247,900 and 40,000 warrants

Caroline Palm, CHRO

Background Born 1982. Chief Human Resources Officer since February 2018. LeoVegas employees since 2018

Education B.Sc. Psychology and B.Sc. Innovation, Mälardalens Högskola

Other current assignments -

Professional experience and previous assignments Head of HR and Partner of S. Professionals AB, Head of HR for Sdiptech AB, and HR Manager for PerformIQ AB

Own and related parties' shareholdings as per 31 December 2018
0

Marcus Nylén, COO

Background Born 1973. Chief Operating Officer since February 2016. Former Head of Expansion. LeoVegas employee since 2015

Education Master of Business Administration, CERAM Sophia Antipolis.

Other current assignments Founder and director of Fafner Invest AB. Director of Avtal24 and Red & Yellow Care Ltd

Professional experience and previous assignments
CEO Fafner Invest AB, and CEO Bredbandsbolaget, as well as several CEO positions within the Tele2 group

Own and related parties' shareholdings as per 31 December 2018
266,000 shares and 25,000 warrants.*

** Due to their relationship as closely related persons, Louise Nylén and Marcus Nylén jointly own 266,000 shares in LeoVegas and 25,000 warrants.*

ADDITIONS TO GROUP MANAGEMENT 2019

A number of changes have been made to LeoVegas' Group Management in 2019. Richard Woodbridge has been named as the new Chief Operating Officer. He took up his position on 7 January 2019 and has overarching responsibility for operations. Richard is based at LeoVegas' offices in Malta.

Group Management has also been reinforced with Avshalom Lazar, who will take office as Chief Compliance & Legal Officer in April 2019. Avshalom, who is based in Malta, will strengthen the Group Management team with relevant knowledge about the industry and an understanding of and experience in the higher demands that are placed on companies in regulated markets.

LeoVegas has also added a new role to the Group Management, Chief Product and Technical Officer (CPTO), which combines the roles of CTO and CPO. Mattias Wedar has been recruited to this new position and will begin during the first half of 2019. Mattias comes most recently from a similar role at MRG and has solid experience in product development and keen industry knowledge. With this new position, the product and technology organisation will have a single leader, which will increase its effectiveness and cooperation within the Group.

Richard Woodbridge, COO

Background Born 1984.

Education B.Sc. Economics & Marketing, Halmstad Högskola, Marketing programme at Berghs School of Communication

Professional experience and previous assignments
Richard Woodbridge has previous experience in the gambling industry from his six years with Expekt.com. He thereafter served as LUMA at MTG and spent seven years with Qliro Group as Chief Operating Officer for the e-commerce company Nelly.com, where he also developed and launched new businesses such as Members.com and NYYmasn.com. He joins LeoVegas most recently from a role as Chief Operating Officer for the Nordic e-commerce group Ellos Group

Own and related parties' shareholdings as per 31 December 2018
35,000 warrants

Avshalom Lazar, CCLO

Background Born 1975.

Education Bachelor of Law, IDC Herzliya, Israel

Professional experience and previous assignments
Avshalom Lazar has more than 10 years of experience in the gambling industry and extensive knowledge about compliance and legal matters. He has extensive experience from the industry as a whole and understands the high demands that are placed today on gaming companies, especially in regulated markets. He is a former Group Head of Legal & Compliance at Fortuna Entertainment Group and Head of Regulatory Affairs at 888Holdings

Own and related parties' shareholdings as per 31 December 2018
0

Mattias Wedar, CPTO

Background Born 1973 .

Education Bachelor of Social Science in Informatics, Lund University

Professional experience and previous assignments
MMattias has more than 15 years of experience in digital product and technology development for both B2B and B2C in technology-intensive industries. He has a broad base of experience from the gambling industry from his time as CEO of Mr Green Technology in the MRG Group. Prior to this he held executive positions in the search company Eniro and served as a manager for Accenture with focus on the media sector and digital transformations

Own and related parties' shareholdings as per 31 December 2018
0

REMUNERATION OF GROUP MANAGEMENT, 2018

Amounts in EUR 000s	Base salary	Pensions	Other benefits	Total
Gustaf Hagman, Group CEO	264	-	94	358
Other members of Group Management	1,195	26	53	1,274
Total, Group Management	**1,459**	**26**	**147**	**1,632**

AUDITOR’S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

To the Annual General Meeting of LeoVegas (publ), corporate identity number 556830-4300

ENGAGEMENT AND RESPONSIBILITY

It is the Board of Directors who is responsible for the corporate governance statement for the year 2018 and that it has been prepared in accordance with the Swedish Annual Accounts Act.

SCOPE OF THE AUDIT

Our examination has been 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.

OPINIONS

A corporate governance statement has been prepared. Disclosures in accordance with Ch. 6 § 6 second paragraph points 2–6 of the Annual Accounts Act and Ch. 7 § 31 second paragraph of the same Act are consistent with the annual accounts and the consolidated accounts, and are in accordance with the Annual Accounts Act.

Stockholm, 5 April 2019
PricewaterhouseCoopers AB

Aleksander Lyckow
Authorised Public Accountant

SHARES, SHAREHOLDERS AND SHARE CAPITAL

GENERAL INFORMATION

LeoVegas AB (publ) became listed on Nasdaq First North in March 2016. Since 5 February 2018 LeoVegas AB (publ) has been listed on Nasdaq Stockholm, Large Cap segment.

According to the company's Articles of Association, the share capital shall be at least EUR 1,100,000 and no more than EUR 4,400,000, and the number of shares shall be at least 60,000,000 and no more than 24,000,000. The company's share capital amounts to EUR 1,219,835.652184, divided among 101,652,970 shares. The shares are denominated in euros (EUR), and each share has a quota value of approximately EUR 0.0120. The company's shares have been issued in accordance with Swedish law. All issued shares are fully paid for and freely transferrable. The company's shares are listed on the regulated market Nasdaq Stockholm, and the ISIN code for LeoVegas' shares is SE0008091904. The company's shares are not the subject of any offer that has been made as a result of a mandatory bid, redemption right or redemption obligation. Nor has any public takeover offer been made for the shares during the current or preceding financial years.

Certain rights associated with the shares

The company's shares are of the same class. The rights associated with shares issued by the company, including those pursuant to the Articles of Association, may only be amended in accordance with the procedures stated in the Swedish Companies Act (Aktiebolagslagen (2005:551)).

Voting rights

Each share entitles the holder to vote and general meetings, and each shareholder is entitled to the number of votes corresponding to the shareholder's total holding of shares in the company.

Preferential rights to new shares

Should the company issue new shares, warrants or convertible debentures through a cash or set-off issue, in accordance with the Companies Act, the holders will have preferential rights to subscribe for such securities in relation to the number of shares they held prior to the issue.

DIVIDEND AND DIVIDEND POLICY

General

All shares carry equal entitlement to a share in the company's profits and to the company's assets and any surpluses in the event of liquidation. Resolutions regarding dividends in limited liability companies are made by a general meeting of shareholders. Entitlement to dividends accrues to those who, on the record date resolved by a general meeting of shareholders, are registered in the share register maintained by Euroclear Sweden as holders of shares. Dividends are normally paid to the shareholders as a cash amount per share through Euroclear Sweden, although they may also be paid in a form other than cash (in-kind dividend). If a shareholder cannot be reached through Euroclear Sweden, the shareholder will continue to have a claim against the company for the dividend amount for a period that is limited by rules concerning a ten-year statute of limitation. After expiration of this limitation period, the dividend amount accrues to the company. There are no restrictions on dividend rights in respect of shareholders who reside outside Sweden. Shareholders who are not tax residents in Sweden are usually required to pay Swedish withholding tax.

Dividend policy

LeoVegas' dividend policy is to pay a dividend, over time, of at least 50% of profit after tax. For 2018 the Board of Directors proposes a dividend of SEK 1.20 per share, representing a total dividend of EUR 11,871,533. As a basis for its proposed distribution of profit, pursuant to Ch. 17 §3 paragraphs 2–3 of the Companies Act, the Board of Directors has assessed the Parent Company's and Group's liquidity and financial position in general, as well as their ability over time to meet their obligations. The dividend for 2018 will be paid out on two occasions during the year.

CENTRAL SECURITIES DEPOSITORY

LeoVegas' shares are registered in an electronic VPC register in accordance with the Central Securities Depositories and Swedish Financial Instruments Accounts Act (Lagen (1998:1479) om värdepapperscentraler och kontoföring av finansiella instrument). No share certificates have been issued for the company's shares. The account operator is Euroclear Sweden.

CONVERTIBLES, WARRANTS, AUTHORISATIONS TO ISSUE SECURITIES, ETC.

Incentive programmes

The company has implemented two share-based incentive programmes based on warrants. The aim of the programmes is to create conditions to retain and increase motivation of senior executives, other employees and other persons in the company and Group. The Board of Directors believes that it is in the interest of all shareholders that senior executives, other employees and key persons have a long-term interest in good growth in the value of the company's shares. A long-term owner engagement is expected to stimulate greater interest in the business and its earnings performance overall and stimulate greater motivation among the participants, and aims to achieve a greater foundation for shared interests between the programmes' participants and the company's shareholders.

Warrant programme adopted by the 2018 Annual General Meeting

At the Annual General Meeting (AGM) on 29 May 2018 the company resolved to issue a maximum of 1,250,000 warrants with deviation from the shareholders' preferential rights. The right to subscribe for the warrants was conferred only to the company's wholly owned subsidiary Gears of Leo AB, with the right and obligation for the subsidiary to transfer the warrants to senior executives, other employees and key persons, who are or will become employed by the company or within the Group, at a price that is not less than the fair market value of the warrant according to the Black & Scholes valuation model and otherwise on the same terms as in the issuance.

All of the warrants were subscribed by the subsidiary and were registered with the Swedish Companies Registration Office on 19 June 2018. Each warrant carries entitlement to subscribe for one new share in the company during the period 1 June–30 June 2021 at a subscription price of SEK 124.55 per share.

A total of 633,766 warrants have been transferred from Gears of Leo AB to the persons entitled to subscribe, including persons in Group Management, corresponding to a market valuation based on the Black & Scholes valuation model. In connection with the transfer, each warrant holder has signed a warrant agreement containing standard terms and conditions for this type of agreement including provisions on repurchase rights, first refusal rights and duty of confidentiality.

Warrant programme adopted by Extraordinary General Meeting in 2017

At an Extraordinary General Meeting on 23 August 2017 the company resolved to issue a maximum of 1,000,000 warrants with deviation from the shareholders' preferential rights. The right to subscribe for the warrants was conferred only to the company's wholly owned subsidiary Gears of Leo AB, with the right and obligation to transfer the warrants to senior executives, other employees and key persons,

		Number of shares		Share capital (EUR)	
Registration date	**Event**	**Change**	**Total**	**Change**	**Total**
29 June 2018	Redemption of warrants – incentive programme	1,957,500	101,652,970	23,490.01 EUR	1,219,835.65 EUR
23 March 2016	New share issue	5,843,750	99,695,470	70,125.00 EUR	1,196,345.64 EUR
12 February 2016	1:4 share split	70,388,790	93,851,720	-	1,126,220.64 EUR
12 February 2016	Capitalisation issue	-	-	1,069,309.28 EUR	1,126,220.64 EUR
10 July 2015	Warrants	788,000	23,462,930	1,911.36 EUR	56,911.36 EUR
22 June 2015	1:10 share split	20,407,437	22,674,930	-	55,000.00 EUR
22 June 2015	Capitalisation issue	-	-	29,603.17 EUR	55,000.00 EUR
30 May 2015	Warrants	20,000	2,267,493	224.01 EUR	25,396.83 EUR
1 April 2015	Warrants	3,200	2,247,493	35.84 EUR	25,172.82 EUR
3 February 2015	Warrants	60,000	2,244,293	672.02 EUR	25,136.98 EUR
3 February 2015	Warrants	60,000	2,184,293	672.02 EUR	24,464.96 EUR
21 January 2015	New share issue	15,705	2,124,293	175.90 EUR	23,792.93 EUR
19 December 2014	New share issue	293,685	2,108,588	3,289.39 EUR	23,617.03 EUR
7 January 2014	Currency conversion			20,327.64 EUR	20,327.64 EUR

who are or will become employed by the company or within the Group, at a price that is not less than the fair market value of the warrant according to the Black & Scholes valuation model and otherwise on the same terms as in the issuance.

All of the warrants were subscribed by the subsidiary and were registered with the Swedish Companies Registration Office on 7 September 2017. Each warrant carries entitlement to subscribe for one new share in the company during the period 1 June–15 June 2020 at a subscription price of SEK 114 per share.

A total of 376,100 warrants have been transferred from Gears of Leo AB to the persons entitled to subscribe, including persons in Group Management, corresponding to a market valuation based on the Black & Scholes valuation model. In connection with the transfer, each warrant holder signed a warrant agreement containing standard terms and conditions for this type of agreement including provisions on repurchase rights, first refusal rights and duty of confidentiality.

Conversion of warrants 2018

The number of shares and votes in LeoVegas AB (publ) changed during the year through the issuance of 1,957,500 new shares through the conversion of warrants, which was the result of an incentive programme adopted by the Annual General Meeting on 28 May 2015. There were 500,000 warrants that carried entitlement to subscribe for 2,000,000 new shares (after a 1:4 split). The subscription price for the shares (the exercise price) was set in connection with the grant of warrants at EUR 1.75. The price per subscription option upon subscription was EUR 0.27. Valuation was done using the generally accepted model, Black & Scholes, which reflects the market value.

After exercise of the warrants, the total number of shares and votes is 101,652,970. After conversion the share capital increased by EUR 23,490.01, whereby the remaining share of equity was allocated to the share premium reserve. In connection with the transfer, each warrant holder signed a warrant agreement containing standard terms and conditions for this type of agreement including provisions on repurchase rights, first refusal rights and duty of confidentiality.

GROWTH IN SHARE CAPITAL

Since its formation the company has decided on new share issues on five occasions, in 2011, 2012, 2013, 2014 and 2016. In 2018 the number of shares and votes increased through the conversion of warrants. The table of the number of shares and registered share capital shows registrations (where applicable, divided into sub-registrations with the Swedish Companies Registration Office) related to the historical development of these new share issues and other events pertaining to the company's share capital.

OWNERSHIP STRUCTURE

The table below shows LeoVegas' largest shareholders (minimum 5% shareholding) as per 31 December 2018. The company had 18,328 shareholders on 31 December 2018.

Shareholder (incl. related parties)	No. shares	Share of ownership, (%)
Swedbank Robur Fonder	8,736,274	8.6
Gustaf Hagman	8,350,000	8.2
Robin Ramm-Ericson	7,085,560	7.0
Skandia Mutual Life Insurance Company	5,644,708	5.6
Total, largest shareholders	**29,816,542**	**29.4**
Other current shareholders	71,836,428	70.6
Total	**101,652,970**	**100.0**

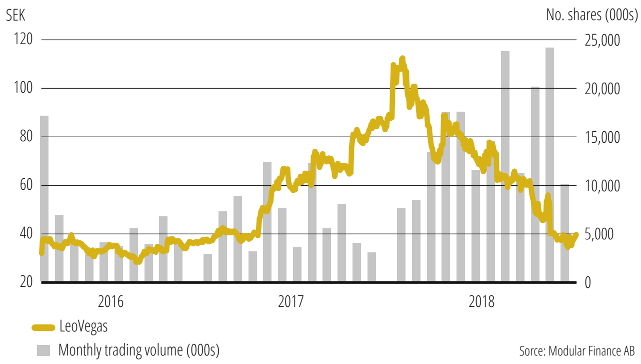
Shareholder agreements

To the best of the knowledge of LeoVegas' board of directors, there are no shareholder agreements or other agreements between the company's shareholders that are intended to influence the company. Nor is the company's board aware of any agreements or similar undertakings that could lead to changes in control over the company.

SHARE PRICE DEVELOPMENT

The table below shows movements in the company's share price during the year. LeoVegas' shares are traded under the ticker code "LEO". The initial listing was on Nasdaq First North Premier in March 2016. The listing price was SEK 32. The lowest price paid for the shares in 2018 was SEK 34.52 and the highest price paid during the year was SEK 112.50. The price of the shares was SEK 39.76 at year-end.

SHARE PRICE DEVELOPMENT, 17/3/2016 – 31/12/2018



DIALOGUE WITH THE CAPITAL MARKETS

The Group's investor relations activities focus on a dialogue with representatives from the capital markets with the purpose of stimulating interest in LeoVegas' shares among existing and potential investors by providing relevant and current information about the Group's operations and thereby to enhance shareholder value. The Group strives to ensure that the capital markets have good access to such information, primarily via presentations in Stockholm and London.

On LeoVegas' website, **www.leovegasgroup.com**, investors can access current information about the Group's financial results, corporate governance, press releases, stock market data, a financial calendar, and other important information.

BOARD OF DIRECTORS' REPORT

The Board of Directors and CEO of LeoVegas AB, corporate identity number 556830–4033, which is a public company with registered office in Stockholm, herewith submits the annual report and consolidated financial statements for the financial year 1 January–31 December 2018. The results of the company's operations and Parent Company's and Group's financial position are described in the Board of Directors' Report and accompanying income statements, balance sheets, cash flow statements, statements of changes in equity and notes, with accompanying comments. The Parent Company's and Group's reporting currency is euro (EUR).

OPERATIONS

LeoVegas is a fast-growing mobile gaming company with a leading position in mobile casino in the Nordic market. LeoVegas' product portfolio includes primarily slots, jackpot games, roulette and other table games, live casino and sports betting. Since 2018 LeoVegas also offers esports betting, which was made possible through the acquisition of Pixel.bet, and live streaming of casino games, which was enabled through the acquisition of CasinoGrounds.

LeoVegas' business concept is to create the ultimate gaming experience based on mobile devices and to be number one in mobile gaming. Guided by LeoVegas' passion – "Leading the way into the mobile future" – LeoVegas strives to leverage innovation in products, technology and marketing to offer world-leading gaming entertainment. LeoVegas has a leading position in mobile casino backed by award-winning innovation and strong growth. With a foundation in its leading gaming experience, long-term customer relationships and the establishment of a strong brand, LeoVegas has attracted a steadily growing customer base.

The Group's operations are based in Malta, while technology development is conducted primarily in Sweden. The Group's Parent Company, LeoVegas AB (publ), is based in Stockholm. The Parent Company invests in companies that offer games played on smartphones, tablets and desktop computers, and in companies that develop related technology. Gaming services are offered to end customers via subsidiaries. The Parent Company does not conduct any gaming activities.

During the year, on 5 February 2018, LeoVegas AB (publ) carried out a change in listing to Nasdaq Stockholm's Main Market list.

MARKET DEVELOPMENT

The online gaming market continues to experience strong growth. Regardless of whether customers play via smartphones, tablets or I-pads, the internet is the main distribution channel for LeoVegas' products. Games are played via websites, mobile apps and other wireless devices. Mobile gaming is the strongest growing segment, and the assessment is that the mobile channel will continue to grow. LeoVegas, which focuses on mobile gaming, will benefit from this strong market growth. LeoVegas' net sales are affected primarily by the following external drivers in the market:

- *Growth in the number and use of smartphones*
- *Continued migration of the gaming market from land-based to online platforms*
- *Continued growth in appeal to new customers of gaming on mobile devices*
- *Continued technological development and innovation in the gaming market*
- *Regulation of the gambling market in Europe and globally*

IMPORTANT EVENTS DURING THE YEAR

During the year LeoVegas acquired Rocket X for a purchase price of EUR 73.6 m. Rocket X's strategy is focused on digital and data-driven customer acquisition that incorporates search engine optimisation with multiple brands and customer acquisition sites. As a result, Rocket X operates one of the market's most effective customer acquisition models. The acquisition gives LeoVegas a firm stronghold in the UK with local expertise and further strengthens LeoVegas' presence in the UK and its position as the leading mobile gaming company.

The acquisition of CasinoGrounds was also completed during the first quarter of 2018. Through its wholly owned subsidiary LeoVentures Ltd, LeoVegas signed an agreement to acquire 51% of the shares in GameGrounds United AB (CasinoGrounds), which is the company behind the streaming network casinogrounds.com. CasinoGrounds is the leading live streaming site for casino games via YouTube and Twitch and has carved out a new niche with its live streaming and social platform. The purchase price was SEK 30 m, and a maximum earn-out payment of SEK 15 m was paid out.

Further, LeoVegas acquired World of Sportsbetting during the first quarter for EUR 2.6 m, and as a result LeoVegas obtained a sports betting licence and a casino licence in the German state of Schleswig-Holstein, and an approved application for a sports betting licence through the state of Hessen. The acquisition entailed no business acquisition.

During the first quarter LeoVegas carried out a change in listing to Nasdaq Stockholm (5 February 2018).

During the second quarter LeoVegas launched a new front-end platform. The technology gives LeoVegas new and improved opportunities to continue offering the best, fastest and most innovative mobile gaming experience. The new platform also enables LeoVegas to be more effective in its technology and product development due to the faster speed at which new functions can be put into production.

LeoVegas continues to be a driver of responsible gaming. During the second quarter LeoVegas took a further step in responsible gaming by registering with GAMSTOP, a central system in the British market that helps customers restrict their gambling with online gambling companies licensed in Great Britain. LeoVegas has also integrated all of the Group's brands with LeoSafePlay, which is a dedicated portal for identifying and addressing unsound gaming. The coming regulation of the market in Europe, such as in Sweden, will bring a set of regulations for responsible gaming. LeoVegas sees this as a vital part of its operations, and sustainable gaming is an obvious component of long-term business.

During the third quarter LeoVegas, through its wholly owned investment company LeoVentures Ltd, acquired Pixel Holding Group Ltd, which runs the esports betting operator Pixel.bet. The investment amounted to EUR 1.5 m for 51% of the company and was carried out through a new share issue. With this investment in Pixel.bet, LeoVegas as a Group has gained unique insight into a new and fast-growing segment. In its next phase Pixel.bet is gearing up for a broader launch of its business. Sweden and the Nordics are initial focus markets, with clear potential to grow further internationally. Pixel.bet has the ambition to position itself as the leading brand in esports betting.

During the fourth quarter LeoVegas applied for a gambling licence for the Spanish market, for which approval and implementation are expected during the first half of 2019. LeoVegas also received a gambling licence for the Swedish market as from 1 January 2019 and was one of the first operators to be granted a licence for both casino and sports betting in Sweden. Several large countries in Europe are already regulated, and several others are on track for regulation. LeoVegas is active in six regulated markets (2018): the UK, Denmark, Italy, Ireland, Malta and Germany. Sweden thus became the seventh regulated market for LeoVegas.

YEAR IN REVIEW

Consolidated revenue grew 51% in 2018. It was a year during which a number of strategic projects were carried out, which have formed the foundation for the company's continued growth journey. With focus on technology, product innovation and more brands in the portfolio, LeoVegas is poised for expansion and to penetrate new markets and consolidate its position in existing ones. In terms of employees the Group grew from 566 employees at the start of the year to 888 at year-end. LeoVegas is now ready to secure its continued growth.

GROUP REVENUE AND EARNINGS

LeoVegas' net sales are derived from revenue from its gaming operations and consist of total cash wagers less customer wins and costs for jackpot wins and bonuses. Net sales also include adjustments for changes in provisions for local jackpots and bonuses. LeoVegas also earns revenue coupled to affiliate business as well as royalties from live casino.

Since LeoVegas' launch in Sweden in January 2012 the company has had large revenue growth in pace with its international expansion. Revenue in 2018 grew 51% to EUR 327.8 m (217.0). LeoVegas' largest markets in terms of revenue are currently Sweden, the Other Nordics and the UK, which together accounted for 68% (72%) of revenue in 2018. Since its start LeoVegas has focused on the mobile gaming experience, which is reflected in net sales for the year, where deposits from mobile devices accounted for 70% (68%) of total deposits.

During the year LeoVegas invested heavily in its organisation and technology to support continued strong growth, further develop its business and to grow sales. Gross profit increased to EUR 235.5 m (162.7) during the year, or 45%. The gross margin for the year was 71.9% (75.0%).

Other operating expenses amounted to 12.6% (10.5%) of revenue. The increase is mainly attributable to a larger work force associated with the Group's growth and costs related to this (travel, new offices, etc.).

In 2018 LeoVegas continued to reinvest a large share of net sales in marketing to support sales growth. Marketing costs as a share of revenue amounted to 36.8% (42.3%), which is lower than a year ago but at a continued high level compared with the industry average.

Despite the relatively high rate of reinvestment in marketing, the Group delivered strong earnings. EBITDA increased to EUR 41.6 m (25.9), corresponding to an EBITDA margin of 12.7% (12.0%). Adjusted for items affecting comparability, EBITDA was EUR 41.1 m (27.9), corresponding to an EBITDA margin of 12.5% (12.9%). Items affecting comparability had a positive impact on EBITDA during the year of EUR 0.5 m (-1.9). Operating profit (EBIT) amounted to EUR 19.2 m (19.9), corresponding to an operating margin of 5.8% (9.2%). Operating profit adjusted for items affecting comparability amounted to EUR 36.2 m (24.7), corresponding to a margin of 11.0% (11.4%).

Depreciation and amortisation increased significantly compared with the preceding year, totalling EUR 22.4 m (6.0). The increase is mainly attributable to the acquisitions of Royal Panda and Rocket X,

SEVERAL-YEAR OVERVIEW

EUR 000s	2018	2017	2016	2015	2014
Condensed consolidated income statement					
Revenue	327,817	217,014	141,398	83,018	36,992
Gross profit	235,543	162,675	109,206	64,390	28,388
Operating profit before depreciation and amortisation (EBITDA)	41,605	25,947	16,001	1,193	2,217
Operating profit after depreciation and amortisation (EBIT)	19,175	19,914	14,602	505	1,925
Profit before tax	44,461	18,804	14,619	512	1,926
Net profit for the year	43,240	18,128	14,426	429	1,719
Condensed consolidated balance sheet					
Assets					
Intangible assets	178,457	105,570	5,860	3,872	1,759
Other non-current assets	7,116	4,411	2,031	701	303
Trade and other receivables	29,268	15,178	6,739	4,045	3,180
Cash and cash equivalents	56,738	52,758	60,218	22,605	17,483
Other current assets	7,768	7,074	3,098	1,813	348
Total assets	**279,347**	**184,991**	**77,946**	**33,036**	**23,074**
Shareholders' equity and liabilities, condensed					
Shareholders' equity	99,930	58,906	50,835	16,548	15,081
Non-current liabilities	73,368	23,811	924	906	-
Current liabilities	106,049	102,274	26,187	15,583	7,993
Total shareholders' equity and liabilities	**279,347**	**184,991**	**77,946**	**33,036**	**23,074**
Group cash flow, condensed					
Cash flow from operating activities	36,494	34,075	27,151	6,393	4,794
Cash flow from investing activities	-103,293	-50,102	-3,887	-2,289	-1,561
Cash flow from financing activities	71,638	9,937	15,353	1,004	11,456
Cash flow for the year	**4,839**	**-6,090**	**38,617**	**5,107**	**14,689**

where identified surplus value in the form of trademarks and customer databases is amortised during the estimated useful life. Operating profit was charged with EUR 17.5 m (2.9) in depreciation and amortisation related to identified surplus value associated with acquisitions.

Net financial items were positive during the year and totalled EUR 25.3 m (-1.1). The Group's net financial items are charged with interest related to the bank loan that was secured in connection with the acquisitions in 2018. However, the main effect arose from remeasurement of an earn-out payment to fair value. The acquisition of Royal Panda included a provision for an earn-out payment (contingent consideration) that could amount to a maximum of EUR 60 m. Initially the earn-out was measured at EUR 42.0 m (undiscounted). During the year, the provision was continuously remeasured to fair value based on management's assessment of the outcome. At the end of the reporting period, it was management's assessment that the final earn-out will amount to EUR 9.0 m (fully discounted). Remeasurement to fair value affected profit for the year, net, through revenue of EUR 27.0 m (1.0). The remeasurement had no impact on cash flow for the year. The measurement period for the earn-out ended on 1 December, and communication is in progress to determine the final earn-out payment.

The company's tax on profit for the year was EUR -1.2 m (-0.7). During the year the Group capitalised a deferred tax asset, as management has determined that tax loss carryforwards are available that may be used to offset future, taxable profits. Net profit for the 2018 financial year increased to EUR 43.2 m (18.1).

FINANCIAL POSITION, CASH FLOW, INVESTMENTS AND ACQUISITIONS

Balance sheet and funding

The Group's shareholders' equity amounted to EUR 99.9 m (58.9) on the balance sheet date, corresponding to EUR 0.98 per share (0.59). Cash and cash equivalents amounted to EUR 56.7 m (52.8). At year-end the Group had utilised interest-bearing bank loans of EUR 100 m (20). After the end of the year, the available bank facility was expanded to a total of EUR 140 m. The equity/assets ratio was 35.8% (31.8%). Total assets amounted to EUR 279.3 m (185.0) as per 31 December 2018. The consolidated balance sheet includes deposits from customers. Balances held on behalf of customers are included in the sum of cash and cash equivalents, but are segregated from the Group's assets, and their use is restricted. Customer balances at year-end amounted to EUR 11.9 m (7.1). Cash and cash equivalents, excluding customer balances, amounted to EUR 44.8 m (45.7).

Cash flow

Cash flow from operating activities totalled EUR 36.5 m (34.1). The increase is primarily attributable to higher EBITDA, which was partly offset by changes in working capital during the period.

Cash flow from investing activities totalled EUR -103.3 m (-50.1). Cash flow from investing activities was primarily affected by acquired subsidiaries in the amount of EUR 92.2 m (43.9). Investments in intangible non-current assets totalled EUR 8.6 m (4.3) and consisted mainly of capitalised development costs. Investments in property, plant and equipment totalled EUR 2.5 m (1.9) and consisted mainly of IT hardware, and furniture and equipment for new offices.

Cash flow from financing activities totalled EUR 71.6 m (9.9). The increase during the year is mainly explained by utilisation of the loan facility. In addition, a dividend of EUR 11.7 m (10.2) was paid to the Parent Company's shareholders. Cash and cash equivalents increased to EUR 4.8 m (-6.1) during the year.

Acquisitions

The Group completed four acquisitions during the year. At the start of the year the acquisition of CasinoGrounds was completed. LeoVegas acquired 51% of the shares for a purchase price of SEK 30 m plus an earn-out payment of SEK 15 m, which was paid in its entirety during the third quarter. Transfer of possession and consolidation took place on 1 January 2018.

During the first quarter the acquisition of Rocket X was completed, for a total purchase price of EUR 73.6 m. The acquisition was an asset/liability acquisition, whereby no shares were acquired. Transfer of possession and consolidation took place on 1 March 2018.

On 26 March 2018 an agreement to acquire all of the shares in the Maltese company World of Sportsbetting Ltd was concluded. The company holds a sports betting licence and a casino licence in the German state of Schleswig-Holstein, and an approved application for a sports betting licence through the state of Hessen. The acquisition was made for cash consideration of EUR 2.6 m. The company has no existing operations or personnel and is therefore not recognized as a business acquisition.

During the third quarter, the acquisition of shares in Pixel.bet was completed, representing an investment of EUR 1.5 m for 51% of the shares, which was carried out through a new share issue. Transfer of possession and consolidation took place on 5 September 2018.

FACTORS THAT AFFECT LEOVEGAS' EARNINGS

LeoVegas believes that its operating profit is affected primarily by the following factors:

- *The company's ability to continue attracting existing and new customers*
- *Product and technological innovation*
- *The level of marketing investments*
- *Operational efficiency*
- *Market growth*
- *Regulation of new and existing markets*

FOUR CENTRAL KPIS

LeoVegas has defined four central key performance indicators (KPIs) that it uses to govern its operations. These are:

- *The number of new customers*
- *The number of returning customers*
- *Deposits*
- *Net Gaming Revenue (NGR)*

Number of new customers

A new customer is a customer who makes his or her first deposit. LeoVegas has had a strong increase in new customers since the start of its operations, largely owing to an effective marketing strategy combined with an entertaining gaming service with a consistent mobile focus. LeoVegas acquired 566,511 (373,650) new customers in 2018. The level of marketing investments and marketing effectiveness are the most important factors in attracting new customers.

Number of returning customers

A returning customer is defined as a customer who makes a deposit during a given period after making his or her first deposit during a previous period. The number of returning customers increased steadily in 2018. LeoVegas' growth is a function of the number of new customers and the number of returning customers. LeoVegas' high customer loyalty can be credited primarily to effective customer management and an attractive customer and gaming experience. At year-end the number of depositing customers was 327,156 (253,299). Of these, 181,747 (124,890) were returning, depositing customers at year-end. Returning customers is an important KPI that shows the steadiest trend during the year.

Deposits

Deposits are defined as the total amount in EUR deposited by

LeoVegas' new and returning customers in a given period. Deposits are largely a function of the number of new and returning customers, as average deposits for these groups are relatively stable over time. Driven by a growing customer base, total deposits per month have increased steadily since the start. Deposits in 2018 totalled EUR 1,044.8 m (735.3).

Net Gaming Revenue (NGR)

Net Gaming Revenue (NGR) is defined as the total of cash wagers less all customer wins after bonus costs and jackpot contributions. NGR can also be referred to as the gaming surplus. NGR in 2018 amounted to 31% (29%) of total deposits. The relationship between NGR and total deposits is called "hold". Hold is closely correlated to the gaming margin. For LeoVegas, NGR differs marginally from net sales, and the difference was less than 1% in 2018. For the full year 2018, the gaming surplus was EUR 323.0 m (215.9).

SEASONAL EFFECTS

LeoVegas experiences a certain level of seasonal effects, where months in which people are off work generally show stronger performance. December, during which the Christmas holidays fall, is such a month, while the summer months of June, July and August also often show strong results. One reason for this is that customers have more free time and use their smartphones to a higher degree for entertainment. January, February and September, on the other hand, are months that tend to show slightly weaker performance. The growing share of sports betting as a portion of total revenue may lead to variations in sales, as periods with a large number of sporting events will periodically drive higher customer activity.

EXCHANGE RATE FLUCTUATIONS

LeoVegas' largest markets are the Nordic countries and the UK. The Group's earnings are thus affected by currency translation effects of the Swedish krona and the British pound against the euro. See also Note 30 for a description of the Group's exposure to currency effects.

ANTICIPATED FUTURE DEVELOPMENT

LeoVegas believes that the online gaming market will continue to develop strongly. The number of internet users is growing steadily, which is a primary driver of growth in the industry. In regions with internet access, confidence is growing in the internet as a trading place, and growing numbers of people are using the internet for banking, equity trading, insurance and other commerce. This behaviour and growing confidence in e-commerce are important for the market's development. Growing demand for mobile consumer solutions is contributing to sharp growth in games played on smartphones and tablets. The company sees continued strong demand for gaming services and believes that the opportunities for continued expansion in new markets are very favourable. External market forecasts indicate that growth in mobile gaming will continue to outpace growth in the traditional gaming market. Mobile penetration and the use of smartphones continue to grow worldwide, and smartphones are being used to a greater extent for entertainment and gaming. LeoVegas will continue to invest in growth and assesses the growth potential to be very favourable in LeoVegas' main markets.

LeoVegas does not provide future forecasts, but has the following long-term targets:

- *Long-term organic growth that outperforms the online gaming market*
- *Long-term EBITDA margin of no less than 15% assuming that 100% of revenue is generated in regulated markets subject to gambling tax*
- *To pay a dividend, over time, of at least 50% of profit after tax*

RESEARCH AND DEVELOPMENT

Costs for development of gaming platforms, LeoVegas' proprietary technology platform, Rhino, and integration of gaming and payment solutions are capitalised to the extent it is judged that they will provide future economic benefit and that they meet other criteria for capitalisation. Further information about what the Group recognises as capitalised development costs is provided under the section "Intangible assets, excluding goodwill".

ENVIRONMENT AND SUSTAINABILITY

LeoVegas does not conduct any operations that are subject to a permit or notification requirement pursuant to the Environmental Code. LeoVegas adheres to a sustainability policy, which stipulates among other things that the Group shall strive for limited environmental impact in its use of resources and creation of shareholder value. LeoVegas' goal in this respect is to avoid wasting resources, with special focus on limiting climate-affecting emissions. Starting with the 2017 financial year, LeoVegas prepares a Sustainability Report. In addition to what is presented in the Board of Directors' Report, the sustainability report is to include disclosures needed to gain an understanding of "consequences of operations". Specific disclosures should be provided with respect to the environment, social and employee-related issues, respect for human rights, and efforts to counter corruption. Disclosures are provided about the most material issues, i.e., issues where there is a risk that the company's operations will result in serious consequences for the environment, employees, etc. For further information, see the LeoVegas Sustainability Report.

EMPLOYEES

The number of employees at year-end (full-time equivalents) was 888 (566). LeoVegas was also using the services of 33 (20) full-time consultants at year-end. The increase in the number of consultants is attributable to technology development and innovation. The number of employees grew at a fast pace in connection with the acquisitions of Royal Panda and Rocket X, but also to accommodate the continued high rate of growth and compliance requirements. Of the number of FTE employees at year-end, 51 were employed in Royal Panda, 133 were employed in Rocket X, and 72 were employed in LeoVentures.

SIGNIFICANT RISKS AND UNCERTAINTIES

LeoVegas' operations are subject to numerous risks and uncertainties that could affect the Group's financial position and results of operations. Following are some of the business and industry-related risks that may be of significance for LeoVegas' future development. LeoVegas can affect or mitigate certain risks in its continuing operations, while other risks may arise randomly or be completely or partly outside of the company's control. In addition to these are risks coupled to significant estimations and assessments in the financial reporting. See also Note 3.

LEGAL RISKS

General legal status and maintenance of licences

The main risk and uncertainty that LeoVegas faces is the general legal status of online gaming. Rulings and changes in laws and regulations could affect LeoVegas' business activities and expansion opportunities. In most national markets, gaming is regulated by law, and all gaming activities are in principle subject to a licence. The Group is dependent on maintaining its licences, permits and certifications in several countries in order to conduct its business. Regulatory decisions may change the ability to conduct business in certain countries.

LeoVegas' subsidiary LeoVegas Gaming Plc is based in Malta and is licensed and regulated by the Malta Gaming Authority. As of 2018 LeoVegas Gaming Plc has licences in the UK, Denmark and Italy, and a sports betting licence in Ireland, which have been issued and are regulated by the gambling authorities in those countries. In addition, LeoVegas has a sports betting licence and a casino licence in the German state of Schleswig-Holstein and an approved application for a sports betting licence through the state of Hessen.

In late 2018 LeoVegas was one of the first companies to receive a gambling licence for the Swedish market, which became regulated on 1 January 2019.

During the first half of 2019 LeoVegas expects to receive a licence also for casino and sports betting in the Spanish market. The licence application was submitted in December 2018.

At present, largely under its Maltese licence, LeoVegas can offer and market gaming within the EU without country-specific licences as long as the jurisdictions in question do not have any regulations that require local licences, such as the UK and now also Sweden. The Maltese gaming licence requires that LeoVegas continuously meets certain requirements, such as that the Group's operations maintain detailed verification processes in relation to their customers, and that the Group conducts activities to counter gambling addiction, corruption, money laundering and other unlawful activity. Should LeoVegas not be able to maintain its licences, the Group's earnings and financial position would be significantly negatively affected. If a gambling authority that issues licences were to find that LeoVegas no longer meets the licensing requirement, the authority could revoke the licence. It is thus imperative that licences can be maintained and that new licences, permits and/or certification can be received. An essential part of LeoVegas' strategy is to continue to establish operations in additional, locally regulated markets by obtaining local licences. LeoVegas believes that these regulated markets help mitigate risk as a result of greater predictability and greater opportunities for targeted marketing.

Lack of an international regulatory framework or EU directives for online gaming

LeoVegas is dependent on the legal status of the gaming industry, especially in the EU, where the majority of the company's customers are. At present, there is no international regulatory framework or EU directives for online gaming. Even though regulation of traditional, physical casinos is well-established in many countries, this does not necessarily mean that the rules are applicable for online gaming. In several countries the legal status of online gaming is uncertain. Certain markets have laws that prohibit the offering of gaming services irrespective of where the gaming operator is domiciled and licensed.

A debate is currently ongoing to the effect that the EU countries should adapt their local laws to EU legislation regarding the free movement of products and services. Since most of LeoVegas' customers are in Europe, the legal status in the EU has the greatest significance for existing operations, even though developments outside of the EU are also important. This is because parts of LeoVegas' existing operations may be affected, but primarily because it could affect the company's opportunities for expansion and continued growth.

On 1 January 2019 the new Swedish gambling law took effect. On 30 November LeoVegas was informed that through its subsidiary LeoVegasGaming Plc, as one of the first operators in the market, its application to conduct online casino and sports betting in Sweden was approved. The gambling tax is 18% of revenue, and the regulations included a number of requirements to promote responsible gaming.

In the UK, effective 1 April 2019 the gambling tax for online casino will be raised from 15% to 21%. The gambling tax for online sports betting remains at 15%. The background to the tax increase is that the UK Gambling Commission has cut the maximum stake on Fixed Odds Betting Terminals (FOBTs) from GBP 100 to GBP 2. This will result in a loss of tax revenue from FOBTs, which the authorities will compensate for through an increase in the tax on online gambling. Discussions on a tax increase have been in progress for quite some time, and this is something that LeoVegas has factored in to its forecasts.

Another jurisdiction that is considering re-regulation and licensing to adapt to the EU's requirements and basic principles for the free movement of services is the Netherlands. In the Netherlands, the authorities have proposed the introduction of a 29% gambling tax. This is the same tax rate paid by land-based operators. Implementation of this has been delayed and will likely be pushed back until 2020.

In Italy the new government has introduced legislation that would ban most advertising for gambling starting in June 2019. LeoVegas feels this is unfortunate for the market, since it will benefit unserious actors and undermine consumer protection, as actors that do not follow the rules will gain relatively more exposure. However, it is unclear if the proposed legislation is compatible with EU law, and it may change further by June 2019. However, LeoVegas is working from the assumption that the advertising ban will go through. Italy also increased its gambling tax from 20% to 25% in January 2019.

Overall, future developments and their consequences for the online gaming market are uncertain. LeoVegas' assessment is that both re-regulation and the introduction of legislation, both within and outside the EU, or changes in national legislation regarding wager levels, marketing, and restrictions regarding online gaming or taxes, etc., could entail a significant ad-verse impact on LeoVegas' operations, financial position and earnings. In jurisdictions where LeoVegas' offering is prohibited, a violation could lead to fines and thus have a significant, negatively impact on LeoVegas' financial results and position.

However, regulated markets such as Sweden, Denmark, Italy and the UK have many positive aspects, such as opportunities to grow in a market with high transparency and security, which LeoVegas looks very favourably upon. Developments in the legal area are monitored and assessed on a continuous basis within LeoVegas.

Responsible gaming

LeoVegas' offering is based on gaming as a fun and attractive form of entertainment. However, some people are at risk of developing gambling-related problems. LeoVegas takes this with utmost seriousness, and responsible gaming is a fundamental principle in the design of the company's offerings and customer contacts. LeoVegas has dedicated staff responsible for promoting responsible gaming and who work solely with responsible gaming issues. LeoVegas has implemented a number of functions and tools to help customers and is working continuously through commitment and knowledge to promote a positive and safe gaming experience. In late 2017 LeoSafePlay.com was launched, which is a website dedicated to promoting responsible gaming. LeoVegas is at the vanguard in the industry with respect to responsible gaming, both with respect to protecting customers and working proactively, and providing support for individuals who develop unsound gaming behaviours. LeoVegas has invested heavily in technology and the development of algorithms that detect early signs among players that can indicate a risk for unsound gambling. Within the framework of LeoSafePlay the company has launched a tool based on machine learning and algorithms that help in the creation of risk profiles for customers who are at risk of developing a gambling problem. The ambition in responsible gaming is to be best in the industry and to use state-of-the-art technology to build the next generation system for responsible gaming. Despite all efforts, persons with gambling addictions may sue companies in the Group for their involvement in the customers' problem gaming. Even though such claims would likely be dismissed, they could give rise to costs, but above all to a decrease in trust in LeoVegas, which by extension could lead to lower revenues and thereby affect the Group's financial results and position.

Affiliate partnerships

One part of LeoVegas' marketing involves cooperation with affiliates, or advertising networks. Affiliates serve as comparison sites between various online casino alternatives and in other product segments, and receive payment for the new customers they generate for gaming operators through two main methods. One is revenue-sharing, where the operator pays a percentage share of the revenue the customer generates, and the other is a fixed fee for each new customer. In connection with this it may happen that the LeoVegas brand is exposed in contexts that are not desirable. Due to the complexity and volume of traffic sources, it is not possible for LeoVegas to verify each and every one of these traffic sources. However, in the event of violations of the company's terms of cooperation, LeoVegas has the opportunity to withhold payment and cancel the cooperation with the source in question. If an affiliate that LeoVegas works with were to contribute to the LeoVegas brand being exposed in a manner that is unfavourable for the company, it could have a negative impact on the Group's brand and image, which in turn could have a significantly negative effect on the Group's operations, financial position and earnings. LeoVegas works together with the Swedish Trade Association for Online Gambling (BOS) to address this problem together with BOS and its members.

Processing of personal information and data

When registering new customers and in connection with deposits and payments, for example, LeoVegas processes personal data. In the course of this processing it is highly important that registration and processing of personal data are conducted in compliance with applicable laws personal data legislation in the EU. For example, a strict requirement is that the customer is informed about the processing of personal data and that this processing is conducted in a way that is not incompatible with the purpose for which the personal data was obtained. In the event LeoVegas is deficient in its processing of personal data or if LeoVegas were to be exposed to a hacking attack, or in some other way by mistake violates the law, it would be at risk of claims for damages for the harm and violation that such processing resulted in.

New laws and legislation from the EU on the processing of personal data and data confidentiality may result in additional regulations and new industry and platform standards. A new data protection law, the EU General Data Protection Regulation (EU 2016/679) ("the GDPR"), has been adopted by the EU and took effect on 25 May 2018. The GDPR applies throughout the EU and, for Sweden's part, has replaced the Swedish Personal Data Act with respect to the processing of personal data. In addition, the GDPR will be followed up by a number of national laws as a result of the use of so-called opening clauses, which require or allow national implementation of the GDPR. It is currently uncertain exactly how authorities in the countries in which the Group conducts business will interpret and apply these rules and regulations. The GDPR encompasses principles that already exist in the Swedish Personal Data Act (which in turn are based on the EU Data Protection Directive (94/46/EC)), but there are also additional new or modified stipulations and principles. The GDPR also stipulates stricter sanctions for parties who do not comply with the regulation. In this respect the supervisory authorities have the right, if certain rules are not followed, to assess administrative fines of up to the higher of EUR 20 m or 4% of a company's annual global sales. In the course of its operations LeoVegas processes a large volume of personal data on a regular basis, mainly in connection with customers registering and opening accounts on the company's website, but also in connection with the processing of employee information, such as for payroll routines and other matters involving the Group's employees. There is a risk that the measures that LeoVegas takes, and has already taken, to ensure and maintain confidentiality and integrity with respect to personal data, prove to be insufficient or in some other respect not in compliance with applicable laws in the jurisdictions in which LeoVegas conducts its operations. In addition, there is a risk that the measures the company has taken to ensure compliance with the GDPR are insufficient, which could lead to major costs for the company. There is also a risk that relevant supervisory authorities, pursuant to the GDPR, will apply or interpret the GDPR requirements differently, which may make it hard for LeoVegas to formulate principles for the processing of personal data in a uniform manner for the entire Group, which in return could result in higher costs and require more resources from company management. If LeoVegas does not process customers' and employees' personal data in a way that is in compliance with applicable requirements for the processing of personal data in the jurisdictions that LeoVegas operates in, including the GDPR, it could have a negative effect on the Group's operations, financial position and earnings, and could also harm the Group's reputation.

Legal processes and investigations

LeoVegas could be negatively affected by judicial rulings, settlements and costs associated with legal processes and investigations, and disputes with e.g., business partners, bodies that oversee marketing methods, lawsuits from third parties, regulatory processes and other regulatory disputes. LeoVegas may also in the future become party to legal action due to customers' problem gaming. If LeoVegas were to be unsuccessful in such legal processes and investigations, the company could incur costs for damages and compensation. As per the date of this report's signing, the company was not involved in any material disputes or administrative procedures that could materially affect the Group's financial position or earnings.

INDUSTRY AND MARKET-RELATED RISKS

Greater competition in markets undergoing regulation

LeoVegas' rate of growth, strategy and future revenue may be affected by market regulation. LeoVegas has a positive view of regulation, as it is conducive to greater interest from end users at the same time that it instils an acceptance for the gaming market as well as greater transparency and security. The introduction of regulation entails a cost in the form of a gambling tax, which may change the competitive picture.

A fast-growing and competitive industry with high demands on technological development

LeoVegas' competitors can be divided into two categories: national monopolies and international gaming companies that operate in the same markets as LeoVegas. The Group faces considerable competition-related risks since the market is made up of a number of actors, and the barriers for establishment in the market are not significant. The Group is also exposed to both seasonal and cyclical variations. Seasonal variations can affect the company's operations significantly during periods with lower gaming activity and shifting outcomes of various sport events. Cyclical fluctuations have thus far not affected business to any significant extent. The market for online and mobile gaming is experiencing strong growth at the same time that the requirements for a continued high pace of innovation to be able to attract new customers and retain existing ones are growing. If the company fails to hold its own against the competition, it could have a negative impact on LeoVegas' operations, financial position and earnings. In addition, LeoVegas needs to ensure that the company continuously launches new games and functions, and upgrades its technical platform.

BUSINESS-RELATED RISKS

Dependence on external parties to conduct operations

LeoVegas is generally dependent on suppliers of technical solutions, game developers and game suppliers, internet service providers, payment solution providers and providers of IT services to be able to conduct its operations and ensure that the company offers uninterrupted and high quality service to its customers. For its sport betting offering, LeoVegas is also dependent on third-party vendors for the setting of odds and other betting-related services. If one or more of these external parties were to fail to meet its obligations to the company, LeoVegas' online operations or its mobile gaming platforms could be impacted, which could harm the LeoVegas brand, the company's reputation in the market, result in a loss of revenue, affect customer loyalty long-term, and by extension also the Group's operations, financial position and earnings.

The price level of online advertising space may change

For LeoVegas, digital marketing is an important channel for building its brand and for reaching out to new, potential customers. Greater competition for advertising space in local marketing channels that are important for the company could give rise to a higher cost and impede its opportunities to acquire new customers. A lower pace of new customer acquisition could have a negative impact on the Group's revenue.

LeoVegas' brands

LeoVegas' success is partly dependent on upholding the strength of its brands. The company believes it has established, reliable and well-known brands (such as LeoVegas and Royal Panda), which together with a good reputation in the online gaming market present a competitive advantage. Both the development of new and existing customer relationships and future success will be dependent on LeoVegas' ability to uphold and further build its brands.

There is a risk that the company's efforts, or any other measures the company has taken to uphold and strengthen the brand, are unsuccessful or that the brand is harmed by a third party acting in a way that impacts negatively upon LeoVegas. If the company does not succeed in upholding or strengthening its brands, it is possible that this would hurt the company's ability to retain and widen its customer base, and this could have a significantly negative impact on the Group's operations, financial position and earnings.

Dependence on functioning and secure external payment solutions

An important precondition for LeoVegas' operations is that the company is able to provide external payment solutions that meet customers' preferences for security and method. In order for LeoVegas' service to work smoothly for the user, speed in registration, deposits and withdrawals are central factors that contribute to customers' sense of security and user experience. Payment solutions and customer preferences differ from country to country, which requires that LeoVegas' IT platform is adapted to various technical solutions. If LeoVegas were to fail to offer the payment solutions and withdrawal opportunities preferred by potential customers, this could have a negative impact on the Group's operations, financial position and earnings.

Risks associated with IT systems

LeoVegas is exposed to certain risks associated with the company's IT systems. The company's proprietary IT platform is made up of a number of advanced sub-systems which together handle operations of online games, revenue optimisation, payments and management of the loyalty programme. This technology requires maintenance and supervision at the same time that developments in this area are unfolding rapidly, which entails a need for continuous inno-vation and development. In addition, since the acquisition of Rocket X, LeoVegas also has an external developer of IT platforms, entailing that the company is partly dependent on third parties for development of the technology required to offer games on the website.

The other obvious IT risks that the company is exposed to include access to online or mobile platforms, risks related to hacker attacks, viruses and distributed denial-of-service (DDoS) attacks, interruptions to the company's website, and diverse risks associated with the collection, collation, storage and transmission of sensitive information. In the event of an operational disruption, the company's products would be fully or partly inaccessible for end users, which would have a negative impact on LeoVegas' revenue. An operation disruption or technical problem with the company's servers could thus result in lost revenue, a loss of trust in the company and possible claims for damages. The company is working continuously to minimise the risk for operational disruptions, such as by ensuring high technical security in systems and constant monitoring.

Competence and ability to attract talent

The company conducts extensive technical development on a regular basis of its proprietary IT platform and regularly releases new, innovative functions for the service. LeoVegas' success is dependent in large part on its ability to recruit employees with a high level of technical competence and experience from the online gaming industry, and to retain people with extensive knowledge of related technology. In addition, LeoVegas and its subsidiaries are dependent on certain key persons at the management level. LeoVegas is working actively to bring in and retain engaged and loyal employees through training and by providing opportunities for advancement within the organisation.

If LeoVegas were to lose key persons in the organisation, it could have a negative impact on the Group's operations, earnings and financial position. LeoVegas works actively to promote a pleasant and stimulating company culture, and to invest in engaged and loyal employees.

FINANCIAL RISKS

Financing and liquidity risks

To pay for investments in technical development, business acquisitions or other investments, financing is needed. Access to financing is dependent on the overall market conditions and the company's credit ratings and earnings capacity. A negative development in the company's sales or profitability could affect its need of liquidity. The Group's finance activities are conducted on the basis of a treasury policy that has been adopted by the Board of Directors, which is distinguished by an ambition to minimise the Group's level of risk. Liquidity risk is monitored at the Group level by ensuring that sufficient funds are available for every subsidiary within the Group. Following is a presentation of identified financial risks that could affect the Group's financial position and earnings.

Interest rate risk

The Group's revenue and cash flows from operations have largely been independent of changes in interest rates in the market. In connection with the acquisition of Royal Panda at the end of 2017 and prior to the acquisition of Rocket X in early 2018 the Group secured combined debt financing of EUR 100 m. Of this amount, EUR 40 m is a Revolving Credit Facility (RCF), and the remainder is a Term Loan of EUR 60 m. At year-end this debt financing was fully utilised.
The financing has a term of three years, and amortisation will commence in the second quarter of 2019 in the amount of EUR 10 m quarterly. The interest rate on the financing is approximately 2%. However, changes in interest rates in the market are not expected to have any material impact on the Group's financial position and earnings. Most of the Group's liquid resources are held in transaction accounts in order to provide the necessary liquidity required to finance the Group's operations.

Currency risk

LeoVegas' multinational operations entail that the company is exposed to currency risks, particularly related to EUR, SEK and GBP. LeoVegas does not take out forward exchange contracts or options to hedge against currency fluctuations, which means that currency movements could have a negative impact on the Group's financial position and earnings.

Credit risk

Credit risk entails the risk of LeoVegas' customers and counterparties being unable to pay their debts and thereby causing loss to LeoVegas. LeoVegas has very limited credit risk, since the Group's external customers for casino and sports betting are private persons, and payment for LeoVegas' online gaming services is made through customer deposits in advance. There are thus no outstanding receivables for the Group's external customer base. However, the Group has credit risk with companies that provide payment services. To mitigate this credit risk LeoVegas works with well-established vendors in the business. Other credit risks that the company is exposed to include the risk of fraudulent transactions and repayments to customers by banks or other payment service providers. In addition, the Group's cash and cash equivalents are managed by banks with high credit ratings. LeoVegas' Swedish bank, SEB, has a credit rating of AAA (Fitch), while its Maltese bank, Bank of Valetta, has a credit rating of BBB (Fitch). In the UK, LeoVegas uses the bank Barclays, which has a credit rating of A+ (Fitch).

Management of capital structure

The goal of the Group's capital management is to ensure the Group's ability to uphold continuous operations and thereby generate a return for the shareholders and benefits for other stakeholders. The goal is also to maintain an optimal capital structure that both reduces the cost of capital and provides sufficient financing for expansion of the business. To uphold or modify the capital structure, the Group can adjust the amount of dividends paid to shareholders, return capital to the shareholders, issue new shares or sell assets. For further information about financial risk management, see Note 30.

SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

Events after the balance sheet date refer to events that occurred during the time between the balance sheet date and the day the financial statements were signed by LeoVegas' board of directors.

Financial targets

After the end of the fourth quarter the Board of Directors of LeoVegas adopted new financial targets for the Group. The targets are unchanged in absolute figures but have been pushed back one year in time, from 2020 to 2021. LeoVegas has pushed back its financial targets due to developments in the UK market. However, the direction remains firm with financial targets in absolute figures to reach at least EUR 600 m in revenue and at least EUR 100 m in EBITDA.

Licence in Sweden

Sweden's new gambling law took effect on 1 January 2019. LeoVegas was one of the first operators to be licensed for both casino and sports betting in Sweden and looks forward to working in a regulated market in Sweden. The gambling tax rate is 18%, and the regulations include a number of requirements to promote responsible gaming.

Earn-out payment

At the acquisition of Royal Panda, an additional purchase price was agreed which within a year from the time of acquisition could amount to a maximum of EUR 60.0 m. The mechanism for the additional purchase price outcome consists of different variables relating to Royal Panda's financial performance. Discussions between LeoVegas and the Sellers of Royal Panda has been initiated to determine the outcome. The presentation of the additional purchase price (as of December 31, 2018, reported at EUR 9.0 m) is based on LeoVegas management assessments and estimates. There is therefore a risk that the final amount deviates from that reported.

DECISION ON GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES

For a description of guidelines for salaries and other remuneration of senior executives that were decided on by the 2018 Annual General Meeting, see Note 6.

BOARD OF DIRECTORS' PROPOSED GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES

The Board of Directors of LeoVegas AB (publ) recommends that the 2019 Annual General Meeting vote in favour of the following guidelines for remuneration of senior executives:

Remuneration of senior executives of LeoVegas AB shall consist of a base salary, possible variable remuneration, other customary benefits and possible pension. The combined yearly remuneration shall be in line with the going rate in the market and competitive in the labour market in which the executive works, and shall be commensurate with the individual's qualifications and experience, and outstanding performance shall be reflected in the overall level of remuneration. The base salary shall be reviewed yearly. By senior executives is meant the CEO and other members of Group Management. The base salary and variable remuneration shall be commensurate with the executive's responsibility and authority. Any variable remuneration shall be paid in cash and/or in shares/warrants/convertibles, and shall be based on the outcome in relation to set targets, and shall be structured so as to align the executive's interests with those of the company's shareholders. The vesting period or, alternatively, the time from the contract's inception until such time that shares may be acquired, shall not be less than three years. Variable remuneration shall be capped at 50% of base salary (based on the level at the vesting date or, with respect to shares/warrants, the grant date). The terms for variable remuneration should be formulated to allow the Board, in the event of particularly strained financial conditions, to limit or rescind any variable remuneration awards if such are considered to be unreasonable and incompatible with the company's responsibility to the shareholders. For annual bonuses, the Board should have the opportunity to limit or rescind any variable remuneration if the Board deems such as being justified for other reasons. If a board member performs work on behalf of the company, in addition to his or her board duties, a consulting fee and other remuneration shall be possible after special decision by the Board. An executive's base salary during a notice period and severance pay shall together not exceed an amount corresponding to two years' base salary. Pension benefits shall be based on a defined contribution solution. Pension premiums may amount to a maximum of 45% of pensionable salary. Employees have a right to salary exchange (i.e., they may take out a portion of their salary as pension contributions; the salary exchange solution shall be cost-neutral for the employer). Normally an employee is entitled to retire at 65 years of age. Variable remuneration shall for the most part not be pensionable. The Board shall have the right to depart from the above guidelines if the Board is of the opinion that such is justified for special reasons in individual case. Matters concerning salary and other remuneration for the CEO and other senior executives are prepared by the Remuneration Committee and decided on by the Board.

PARENT COMPANY

LeoVegas AB (publ), the Group's Parent Company, invests in companies that offer games via smartphones, tablets and desktop computers, as well as in companies that develop related technology. Gaming services are offered to end consumers through subsidiaries. The Parent Company's revenue for the year totalled EUR 1.0 m (1.4), and net profit for the year was EUR 5.1 m (-0.2). An anticipated dividend was decided on after the end of the financial year to strengthen the Parent Company's liquidity ahead of the proposed dividend to the Parent company's shareholders. The Parent Company further invoices for consulting and management services, which is why its earnings are affected mainly by how large a share of the Parent company's costs are passed on to other Group companies, and the intra-Group price level. The Parent Company does not make investments in intangible assets. Technological development is conducted primarily in the Swedish subsidiary Gears of Leo AB, which develops the gaming portal and the technical platform Rhino. Cash and cash equivalents amounted to EUR 0.3 m (3.0). During the year the company took out a loan of EUR 10 m (0) with a credit institution. Loans raised in connection with the acquisition of Royal Panda and Rocket X are recorded in the Group's subsidiaries.

SHARE CAPITAL AND OWNERS

LeoVegas AB was listed on Nasdaq First North Premier on 17 March 2016. On 5 February 2018 a change in listing was carried out to Nasdaq Stockholm's Main Market list. The total number of shares and votes outstanding is 101,652,970. The registered share capital on 31 December 2018 was EUR 1,219,835.652184. The share quota value is EUR 0.012. As per 31 December 2018 LeoVegas had 18,328 shareholders. The five largest shareholders were Swedbank Robur, with 8.6%; Gustaf Hagman, with 8.2%; Robin Ramm-Ericson, with 7.0%; Skandia Mutual Life Insurance Company, with 5.6%; and Torsten Söderberg, with 3.7% of the shares and votes. All shares in the company are of the same class, and all shares carry equal entitlement to profit distribution. At an Extraordinary General Meeting on 23 August 2017 the company resolved to issue 1,000,000 warrants with deviation from the shareholders' preferential rights. The right to subscribe for the warrants was given only to the company's wholly owned subsidiary Gears of Leo AB, which with rights and obligations shall transfer these to employees of the company and the Group. Of the 2017 programme a total of 376,100 warrants were subscribed. As per the balance sheet date the remainder are in the possession of the wholly owned subsidiary Gears of Leo AB.

At the Annual General Meeting on 29 May 2018 it was resolved to issue an additional 1,250,000 warrants. Of these, 633,766 warrants were subscribed. As per the balance sheet date, the remainder were thus in the possession of the subsidiary Gears of Leo AB. A total of 1,240,134 warrants were in the possession of the wholly owned subsidiary Gears of Leo AB at the end of the reporting period.

As far as the company's board is aware, there are no shareholder agreements or other agreements between the company's shareholders that aim to jointly affect the company. Nor is the company's board aware of any agreements or similar that could lead to a change in control over the company.

DIVIDEND AND PROPOSED DISTRIBUTION OF PROFIT

LeoVegas' dividend policy is to pay a dividend, over time, of at least 50% of profit after tax. The following funds are at the shareholders' disposal as per 31 December 2018.

PROPOSED DISTRIBUTION OF PROFIT

The following unrestricted shareholders' equity in the Parent Company is at the disposal of the Annual General Meeting (EUR)

Share premium reserve	41,248,970
Profit brought forward	-27,593,223
Net profit for the year	5,110,541
Total	**18,766,288**
Payment of dividend to the shareholders (101,652,970 shares x EUR 0.12)	-11,871,533
Profit brought forward	**6,894,755**

The Board of Directors proposes a dividend of SEK 1.20 per share (1.20), corresponding to EUR 0.12 (0.12) per share. The total proposed dividend to the Parent Company's shareholders for the full year 2018 amounts to SEK 121,983,564 (119,634,564), corresponding to EUR 11,871,533 (12,156,156). The dividend in EUR has been calculated at the exchange rate in effect on 31 December 2018. The remainder of retained profit and unrestricted reserves shall be carried forward. The dividend will be paid out on two occasions during the year. The final amount in EUR may vary, depending on the exchange rate in effect on the payment date.

BOARD OF DIRECTORS' STATEMENT PURSUANT TO CH. 18 § 4 OF THE SWEDISH COMPANIES ACT

In reference to the Board's proposed distribution of profit, the Board has issued the following statement:

Disposable profits of EUR 18,766,288 are at the disposal of the Annual General Meeting. If the Annual General Meeting resolves in favour of the proposal, EUR 6,894,755 will be carried forward. Full coverage exists for the company's restricted equity after the proposed dividend. The Parent Company's equity/assets ratio, after the proposed dividend, amounts to 26% (44%). The Group's equity/assets ratio, after the proposed dividend, amounts to 32% (25%). The company's and Group's need for a strong balance sheet and liquidity have been taken into consideration through a comprehensive assessment of the financial position and – in relation to the industry in which the company and Group operate – opportunities in the short and long term to fulfil their obligations. In addition to this, consideration has been given to all other known conditions that could be of importance for the company's and Group's financial position. In view of the above, the Board of Directors is of the opinion that the dividend is justifiable in view of the requirements that the nature, scope and risks of the business put on the size of the company's equity and the company's and Group's need to maintain a strong balance sheet, liquidity and position in general.

FINANCIAL STATEMENTS

Consolidated financial statements

Parent Company financial statements

Notes

CONSOLIDATED INCOME STATEMENT

Amounts in EUR 000s	Note	2018	2017
Revenue	5	327,817	217,014
Cost of sales		-62,588	-39,195
Gaming duties		-29,686	-15,144
Gross profit		**235,543**	**162,675**
Personnel costs	6	-40,980	-26,402
Capitalised work performed by the Company for its own use		7,192	3,713
Other operating expenses	7,8,12	-41,204	-22,878
Marketing costs		-120,752	-91,727
Other income and expenses	9	1,806	566
EBITDA		**41,605**	**25,947**
Depreciation and amortisation	14,15	-4,925	-3,165
Amortisation of acquired intangible assets	14,15	-17,505	-2,868
Operating profit (EBIT)		**19,175**	**19,914**
Financial income		10	13
Financial expenses		-1,746	-130
Financial liability valuation profit/loss		27,022	-993
Financial items – net	**10**	**25,286**	**-1,110**
Income tax	11	-1,221	-676
Net profit for the year		**43,240**	**18,128**
Net profit for year attributable to owners of the Parent Company		43,150	18,128
Net profit for the year attributable to non-controlling interests		90	-
Other comprehensive income attributable to owners of the Parent Company (translation differences in foreign subsidiaries)		-3	-
Other comprehensive income		**-3**	**-**
Total comprehensive income for the year		**43,237**	**18,128**
Total comprehensive income for the year attributable to owners of the Parent Company		43,147	18,128
Total comprehensive income for the year attributable to non-controlling interests		90	-
Earnings per share			
- Before dilution	13	0.43	0.18
- After dilution	13	0.43	0.18

CONSOLIDATED BALANCE SHEET

Amounts in EUR 000s	Note	31/12/2018	31/12/2017
ASSETS			
Non-current assets			
Property, plant and equipment	14	4,141	2,870
Intangible assets	15	14,032	9,948
Intangible assets related to surplus values from acquisitions	15	61,467	51,018
Goodwill	15	102,958	44,604
Deferred tax assets	11	2,975	1,541
Total non-current assets		**185,573**	**109,981**
Current assets			
Trade and other receivables	18	29,268	15,178
Prepaid expenses and accrued income	19	7,768	7,074
Cash and cash equivalents	20	56,738	52,758
of which, restricted funds (customer account balances)		*11,922*	*7,097*
Total current assets		**93,774**	**75,010**
TOTAL ASSETS		**279,347**	**184,991**
EQUITY AND LIABILITIES			
Share capital	21	1,220	1,196
Other capital contributions		40,409	36,588
Translation reserve		485	-
Retained earnings incl. profit for the year		52,116	21,122
Equity attributable to owners of the Parent Company		**94,230**	**58,906**
Non-controlling interests		5,700	-
Total equity		**99,930**	**58,906**
LIABILITIES			
Non-current liabilities			
Non-current liabilities to credit institutions	22	69,642	20,015
Other non-current liabilities	22	961	942
Deferred tax liability	22	2,765	2,854
Total non-current liabilities		**73,368**	**23,811**
Current liabilities			
Trade and other payables	23	18,022	14,818
Player liabilities	23	11,922	7,097
Tax liability		5,111	3,032
Accrued expenses and deferred income	24	31,994	27,302
Current liability pertaining to acquisitions	25	-	13,644
Current liabilities to credit institutions	22	30,000	-
Provision for conditional purchase price (earn-out)	25	9,000	36,381
Total current liabilities		**106,049**	**102,274**
Total liabilities		**179,417**	**126,085**
TOTAL EQUITY AND LIABILITIES		**279,347**	**184,991**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in EUR 000s	Share capital	Other contributed share capital	Translation difference	Retained earnings, incl. profit for the year	Equity attributable to owners of the Parent Company	Non-controlling interests	Total equity
Opening balance, 1 January 2017	**1,196**	**36,411**		**13,228**	**50,835**	**-**	**50,835**
Profit for the year	-	-		18,128	18,128	-	18,128
Other comprehensive income	-	-	-	-		-	-
Total comprehensive income for the year		**-**	**-**	**18,128**	**18,128**	**-**	**18,128**
Transactions with shareholders in their capacity as owners:							
Dividend	-	-		-10,233	-10,233	-	-10,233
Premium received for warrants	-	177		-	177	-	177
	-	**177**	**-**	**-10,233**	**-10,056**	**-**	**-10,056**
Closing balance, 31 December 2017	**1,196**	**36,588**		**21,122**	**58,906**	**-**	**58,906**
Opening balance, 1 January 2018	**1,196**	**36,588**	**-**	**21,122**	**58,906**	**-**	**58,906**
Profit for the year	-	-	-	43,150	43,150	90	43,240
Other comprehensive income (translation differences in foreign subsidiaries)	-	-	-3	-	-3	-	-3
Total comprehensive income for the year	**-**	**-**	**-3**	**43,150**	**43,147**	**90**	**43,237**
Transactions with shareholders in their capacity as owners:							
Share issuance from redemption of warrant programmes	24	3,402	-	-	3,426	-	3,426
Dividend	-	-	488	- 12,156	-11,669	-	-11,669
Premium received for warrants	-	419	-	-	419	-	419
Transactions with non-controlling interests:							
Acquisitions of non-controlling interests	-	-	-	-	-	5,610	5,610
	24	**3,821**	**488**	**-12,156**	**-7,824**	**5,610**	**-2,214**
Closing balance, 31 December 2018	**1,220**	**40,409**	**485**	**52,116**	**94,230**	**5,700**	**99,930**

The Board's proposed dividend and proposed distribution of earnings are presented in notes and in the Board of Directors' Report.

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in EUR 000s	Note	2018	2017
Cash flow from operating activities			
Operating profit		19,175	19,914
Adjustments for non-cash items:			
Depreciation and amortisation	14, 15	22,430	6,033
Other non-cash items		577	219
Paid income tax		-1,078	-37
Interest received		10	13
Interest paid		-1,746	-130
Cash flow from operating activities before changes in working capital		**39,368**	**26,012**
Cash flow from changes in working capital			
Decrease in operating receivables		-15,712	-9,095
Increase in operating payables		12,838	17,158
Cash flow from operating activities		**36,494**	**34,075**
Cash flow from investing activities			
Acquisitions of property, plant and equipment	14	-2,475	-1,855
Acquisitions of intangible assets	15	-8,633	-4,312
Acquisitions of subsidiaries	15,31	-20,213	- 43,935
Acquisitions of assets	15,31	-73,472	-
Sales of intangible assets	15	1,500	-
Cash flow from investing activities		**-103,293**	**-50,102**
Cash flow from financing activities			
Loans from credit institutions	22	79,475	20,000
Proceeds from issue of equity instrument	21	3,832	170
Shareholder dividend	21	-11,669	-10,233
Cash flow from financing activities		**71,638**	**9,937**
Cash flow for the year		**4,839**	**-6,090**
Cash and cash equivalents at start of the year		52,758	60,218
Exchange rate differences in cash and cash equivalents		-859	- 1,370
Cash and cash equivalents at end of year	20	**56,738**	**52,758**
of which, restricted funds (customer account balances)		11,992	7,097

PARENT COMPANY INCOME STATEMENT

Amounts in EUR 000s	Note	2018	2017
Net sales	5	988	1,411
Marketing costs		-	-3
Other operating expenses	8,12	- 2,796	-3,463
Personnel costs	6	- 1,678	-908
EBITDA		**-3,486**	**-2,963**
Depreciation, amortisation and impairment losses		-	-
Operating profit (EBIT)		**-3,486**	**-2,963**
Result from participations in Group companies		7,779	1,450
Other interest income and similar income		618	623
Other interest expenses and similar expenses		-253	-
Total financial items	10	**8,144**	**2,073**
Profit/loss before tax		**4,658**	**- 890**
Tax on profit/loss for the year	11	454	668
Net profit/loss for the year[1)]		**5,111**	**-222**

1) Profit/loss for the year corresponds to comprehensive income for the year.

PARENT COMPANY BALANCE SHEET

Amounts in EUR 000s	Note	31/12/2018	31/12/2017
ASSETS			
Non-current assets			
Property, plant and equipment	14	4	-
Participations in Group companies	16	236	236
Receivables from Group companies (non-current)	17	15,486	12,537
Deferred tax assets	11	1,956	1,502
Total non-current assets		**17,682**	**14,275**
Current assets			
Receivables from Group companies	17	12,770	5,763
Other receivables	18	55	5
Prepaid expenses and accrued income	19	58	63
Cash and cash equivalents	20	326	2,975
Total current assets		**13,209**	**8,806**
TOTAL ASSETS		**30,891**	**23,081**
EQUITY			
Restricted equity			
Share capital	21	1,220	1,196
		1,220	**1,196**
Unrestricted equity			
Share premium reserve		41,249	36,953
Retained earnings including profit/loss for the year	32	-22,483	-15,925
		18,766	**21,028**
Total equity		**19,986**	**22,224**
LIABILITIES			
Non-current liabilities			
Non-current liabilities to credit institutions		10,000	-
Total non-current liabilities		**10,000**	**-**
Current liabilities			
Trade and other payables	23	206	488
Accrued expenses and deferred income	24	422	369
Liabilities to Group companies	23	277	-
Total current liabilities		**905**	**857**
Total liabilities		**10,905**	**857**
TOTAL EQUITY AND LIABILITIES		**30,891**	**23,081**

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

	Restricted equity	Unrestricted equity		
Amounts in EUR 000s	**Share capital**	**Share premium reserve**	**Retained earnings, incl. profit for the year**	**Total equity**
Opening balance, 1 January 2017	**1,196**	**36,411**	**-5,470**	**32,137**
Loss for the year[1)]	-	-	-222	-222
Total comprehensive income for the year	**-**	**-**	**-222**	**-222**
Transactions with shareholders in their capacity as owners				
Dividend	-	-	-10,233	-10,233
Effects of warrant programme	-	542	-	542
	-	**542**	**-10,233**	**-9,691**
Closing balance, 31 December 2017	**1,196**	**36,953**	**-15,925**	**22,224**
Opening balance, 1 January 2018	**1,196**	**36,953**	**-15,925**	**22,224**
Profit/loss for the year[1)]	-	-	5,111	5,111
Total comprehensive income for the year	**-**	**-**	**5,111**	**5,111**
Transactions with shareholders in their capacity as owners				
Share issue from redemption of warrant programme	24	3,402		3,426
Dividend incl. translation reserve, currency effect	-	-	-11,669	- 11,669
Effects of warrant programme	-	894		894
	24	**4,296**	**- 11,669**	**- 7,349**
Closing balance, 31 December 2018	**1,220**	**41,249**	**-22,483**	**19,986**

1) Profit/loss for the year corresponds to comprehensive income for the year.

The Board's proposed dividend and proposed distribution of earnings are presented in Note 32 and in the Board of Directors' Report.

PARENT COMPANY STATEMENT OF CASH FLOWS

Amounts in EUR 000s	Note	2018	2017
Cash flow from operating activities			
Operating loss [1]		-3,486	-2,963
Interest received		92	989
Adjustments for non-cash items:			
Unrealised exchange rate differences		135	-
Cash flow from operating activities before changes in working capital		**-3,259**	**-1,975**
Cash flow from changes in working capital			
Increase/decrease in operating receivables		1,478	-1,554
Increase/decrease in operating liabilities		222	681
Cash flow from operating activities		**- 1,559**	**-2,847**
Cash flow from investing activities			
Acquisitions of property, plant and equipment		-4	-
Cash flow from investing activities		**-4**	**-**
Cash flow from financing activities			
Dividend	21	- 11,669	-10,233
Proceeds from issue of equity instrument	21	3,426	-
Repayment of loans from subsidiaries		287	5,000
Loans from credit institutions	22	10,000	-
Loans to subsidiaries		-3,237	-7,963
Cash flow from financing activities		**-1,193**	**-13,196**
Cash flow for the period		-2,756	-16,043
Cash and cash equivalents at start of period		2,975	19,249
Currency effect on cash and cash equivalents		106	-231
Cash and cash equivalents at end of period	20	**326**	**2,975**

1) Profit/loss for the year corresponds to comprehensive income for the year.

NOTE 1 Reporting entity

LeoVegas AB (publ) ("LeoVegas", the "Parent Company" or the "Company"), corporate identity number 556830-4033, is a public limited liability company registered in Sweden and domiciled in Stockholm. The Company's offices are located at Luntmarkargatan 18, SE-111 37, Stockholm, Sweden. These consolidated financial statements pertain to the Company and its subsidiaries (together referred to as "the Group").

About the LeoVegas Mobile Gaming Group

LeoVegas' business concept is to create the ultimate gaming experience and be number one in mobile gaming entertainment. With LeoVegas' passion – "Leading the way into the mobile future" – LeoVegas will offer world-leading gaming entertainment through innovation in products, technology and marketing. LeoVegas has a leading position in mobile casino and is characterised by award winning innovation and strong growth. The Group's operations are based primarily in Malta, while technology development is conducted mainly in Sweden. The Parent Company LeoVegas AB (publ) invests in companies that operate in gaming on mobile devices as well as in companies that develop related technology.

The consolidated financial statements were approved for issuance by the Board of Directors on 5 April 2019.

NOTE 2 Significant accounting and valuation policies

This note describes significant accounting and valuation policies used in the preparation of the consolidated and Parent Company financial statements. These policies have been applied consistently for all years presented, unless stated otherwise.

Basis of preparation

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IAS/IFRS as endorsed by the European Union) issued by the International Accounting Standards Board as well as the interpretation statements of the International Financial Reporting Interpretations Committee (IFRIC), the Swedish Annual Accounts Act, and the Swedish Financial Reporting Board's Recommendation RFR 1 "Supplementary Accounting Rules for Groups".

Preparation of the financial statements in conformity with IFRS requires the use of certain estimates and assessments, which requires the Board of Directors to exercise their judgement in the process of applying the Company's accounting policies (see also Note 3 – Significant estimations and assessments in the accounting).

The Company prepares its annual financial statements in accordance with the Swedish Annual Accounts Act (Årsredovisningslagen 1995:1554) and RFR 2 "Accounting for Legal Entities". RFR 2 requires the Parent Company to apply all EU-approved IFRSs and statements to the extent possible within the bounds of the Swedish Annual Accounts Act and with due consideration for the relationship between accounting and taxation. The difference between the Parent Company's financial statements and the consolidated financial statements is the presentation of the statement of comprehensive income and statement of financial position as set out by the Swedish Annual Accounts Act. The accounting policies for the Parent Company are described below in the section "Parent Company accounting policies".

The amounts presented in the financial statements and notes are rounded to the nearest thousand euros (EUR), unless indicated otherwise.

Alternative Performance Measures and items affecting comparability

Reference is made in the annual report to key ratios that the Company and other stakeholders use to assess the Group's performance, which are not expressly defined in IFRS. All key ratios that are not defined in IFRS (i.e., key ratios on Sales, Earnings per share and Profit for the year) constitute Alternative Performance Measures (APMs). These measures provide management and investors with meaningful information to analyse trends in the Company's business operations. The APMs are conceived to complement, not replace, financial measures presented in accordance with IFRS. For definitions of the Group's APMs, please refer to the definitions in the section "Alternative Performance Measures and other definitions". Items affecting comparability have been reported for the year. These are presented and described in more detail in Note 12.

Standards, amendments and interpretations that took effect in 2018

The standard presented below is effective for financial years beginning on or after 1 January 2018. The impact on the financial reporting during the financial year is also presented below.

Effect on the financial statements after adoption of IFRS 15

IFRS 15 Revenue from Contracts with Customers addresses revenue recognition. The principles that IFRS 15 is based on are intended to give reader user of financial statements more useful information about the Company's revenue. The expanded disclosure requirement entails that information is to be provided about the nature, amount, timing and uncertainty of revenue and cash flows arising from the Company's contracts with customers. According to IFRS 15, revenue is recognised when a customer obtains control of a sold product or service and thus has the ability to use and benefit from the product or service.

LeoVegas' revenue streams are derived primarily from activities such as casino games and sports betting. Payment for wagers made on these gaming activities are thus typically known at the time the wager was made. Such wagers are called "fixed odds wagers" and are considered to fall within the definition of a financial instrument under the framework of IFRS 9 Financial Instruments and are thereby excluded from IFRS 15. In cases where IFRS 9 is applied instead of IFRS 15, the Group has determined that it does not affect the point in time, size, etc. for how revenue is recognised; rather, it will be the same regardless of which standard is applied. With respect to other revenue streams (affiliate and royalty revenue) that fall within the framework of IFRS 15, it can also be ascertained that no significant effects have arisen from adoption of the standard.

Effect on the financial statements of after adoption of IFRS 9

IFRS 9 Financial Instruments has replaced IAS 39, the previous standard regulating financial instruments. IFRS 9 includes revised guidelines for classification and measurement of financial instruments as well as a new model for expected credit losses.

Classification and measurement

With respect to classification of financial assets, different measurement categories are used: those that are measured at fair value (through comprehensive income or through profit or loss) and those that are measured at amortised cost. Classification is done on the initial reporting occasion. Classification depends on the unit's business model for managing its financial instruments and the instrument's contractual cash flow characteristics. IFRS 9 draws a distinction between business models based on cash flows arising from sales (other business models), where the cash flows consist mainly of the asset's contractual cash flows (hold to collect), or a third business model that is a mix of the two preceding ones (hold to collect and sell).

LeoVegas' assessment is that classification and measurement of financial instruments according to IFRS 9 does not have any significant effect on the financial statements compared with previous reporting. The business models for financial assets, and the tests required by IFRS 9, show that the financial assets that are recognised and measured at fair value through profit or loss or at amortised cost under IAS 39 are recognised in the same way under IFRS 9.

Classification and measurement of financial liabilities is mainly unchanged compared with IAS 39.

Credit loss reserves

In addition to the above, the standard changes the basis for calculating the credit loss reserve, from a model that is based on incurred losses to a model that is based on expected losses. This means that a credit loss can be recognised as early as the first day, which differs from the previous accounting, where a credit loss arises only if there is an objective assessment as a result of an event that has occurred ("a loss event"). The Group has thereby revised its previous models for calculating credit loss provisions in order to also make provisions for potentially expected losses.

Credit risk arises in the Group through cash and cash equivalents, trade receivables and other receivables. Trade and other receivables pertain to money that is held by payment service providers and other outstanding receivables. For online gaming activities there are no outstanding receivables from external customers, since payments for games are made in advance. The Group has outstanding trade receivables only for B2B activities, which are a very limited part of the Group's business (royalty and affiliate revenue).

On the whole, most of the Group's financial assets consist of receivables from payment service providers, and no material effects of credit losses have arisen as a result of adoption of IFRS 9. An assessment has been made of the expected credit loss provision, partly based on credit and loss history, which has determined that all payment service providers have paid their receivables, whereby no credit losses have arisen previously. In addition, the Group works with well-established payment service providers in the business, which means that future credit risk is limited. Further, the Group conducts frequent settlement of these receivables. The Group's receivables are regulated in all essential respects within a few days. In cases where a payment service provider indicates difficulties in making payments, the Group can thus shut down the provider and thereby mitigate the credit risk. Against the background of the above, the provision for expected credit losses is judged to be near zero, as the credit risk was judged to be very limited during the year. All in all the Group has not had any material effects from adoption of IFRS 9.

No other new, amended or revised standards or interpretations took effect during the 2018 financial year that have had any impact on the consolidated financial statements.

Standards, amendments to published standards and interpretations that take effect after 1 January 2019

Following is a presentation of new and amended standards issued by the International Accounting Standards Board (IASB) that have not yet taken effect as well as their effects on the Group's financial reporting.

Effect on the financial statements of adoption of IFRS 16

IFRS 16 Leases introduces a right of use model, which replaces the current standard IAS 17 Leases. Upon adoption of IFRS 16 (1 January 2019), the Group will not report any operating leases. This means that rental costs and other lease payments will be recognised on the balance sheet, corresponding to finance leases. The simplified transitional method will be used, which entails that no adjustments of comparison figures will be presented. A quantitative analysis has been performed prior to the transition. The Group's assets are estimated to increase by EUR 10.9 m. Initially, assets under leases will in all essential respects correspond to the value of the lease liability, which is a present value discounting of future contractual cash flows. The interest rate used in the present value discounting is the incremental borrowing rate, since the implicit rate has not been available.

During the 2018 financial year, recognised rental costs and other lease payments amounted to EUR 3.0 m, all of which are reported under Other operating expenses. In connection with adoption of IFRS 16, EBITDA is thereby expected to be affected positively in the corresponding amount (1% for the EBITDA margin %), given that the leases are constant. Assets and liabilities under leases may be remeasured, which may thus affect the expected outcome. Leases with terms shorter than 12 months and leases of low value (<USD 5,000) are exempted from IFRS 16.

IFRS 16 will lead to recognition of higher costs at the beginning of the lease term and lower at the end. This is because interest expenses decrease in pace with amortisation of the lease liability. Previously, under IAS 17, LeoVegas' operating leases affected earnings with an equal expense every year during the entire lease term. Classification in the statement of cash flows will also be affected by IFRS 16. In the statement of cash flows, payment – i.e., amortisation of lease liability – will be reported under financing activities. This differs from the current standard, where lease payments are reported in their entirety under operating activities. The interest portion of payments will be recognised under operating activities, since this is in accordance with the Group's classification of interest. All in all the new standard entails that new assets and liabilities shall be taken up on the balance sheet, which will affect reported EBITDA, capex, and the debt-equity ratio.

For further disclosures about IFRS 16 and its effects on the financial statements, please see Note 7.

No other IFRSs or IFRIC interpretations that have not yet taken effect are expected to have any significant effect on the Group.

Principles of consolidation

The consolidated financial statements include the Parent Company and companies in which the Parent Company directly or indirectly holds more than 50% of the votes, or in some other way has control. Control is achieved when the Company has influence over an entity and is exposed to, or is entitled to, a variable return from the investment in the entity and can exercise its control to influence the return.

The consolidated financial statements are prepared in accordance with the acquisition method, which entails that the Group's equity includes only the share of subsidiaries' equity that arises after the acquisition. In addition, it entails that in a case where a subsidiary is divested, the subsidiary's earnings are included in the consolidated income statement only from the point of acquisition to the point of divestment. The consolidated cost of participations in subsidiaries consists of the sum of the fair value of what is paid for in cash at the time of acquisition, via the takeover of liabilities to former owners or own issued shares, the value of non-controlling interests in the acquired subsidiary, and the fair value of the previously owned interest. Contingent consideration is included in the cost and is stated at fair value at the time of acquisition. Subsequent effects of remeasurements of contingent consideration are recognised through profit or loss. Acquired, identified assets and liabilities taken over are initially stated at their fair value at the time of acquisition. Any goodwill that arises is tested annually for impairment. Acquisition-related costs (transaction costs) are recognised as costs in the period in which they arise.

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed to, or is entitled to, a variable return from its investment in the entity and has the ability to influence this return through its control over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary. Any resulting gain or loss is recognised through profit or loss. Intercompany transactions, balance sheet items and unrealised gains on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Foreign currency translation

(a) Functional currency and reporting 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 financial statements are presented in euros (EUR), which is the Parent Company's functional currency and the Group's reporting currency.

(b) Transactions and balance sheet items

Transactions in foreign currency are translated to the functional currency using the exchange rates in effect on the transaction date or the date on which the items were remeasured. Assets and liabilities for each balance sheet are translated at the rate in effect on the balance sheet date. Revenues and expenses for each of the income statements are translated at the rate on the transaction date. Foreign exchange gains and losses that arise through recalculation of monetary assets and liabilities in foreign currency to the rate in effect on the balance sheet date are recognised through profit or loss. Foreign exchange gains and losses attributable to loans and liquid assets are recognised through profit or loss as financial income and expenses.

Any difference in the exchange rate between the functional currency and the currencies in which the Group companies report is recognised as a translation difference in other comprehensive income.

Goodwill and adjustments of fair value that arise in connection with an acquisition of a foreign business are treated as assets and liabilities in such business and are translated at the exchange rate in effect on the balance sheet date.

Segment reporting

Segments are reported in accordance with IFRS 8 Operating Segments. Segmental information is reported in the same way that it is analysed and studied internally by the chief operating decision makers – mainly the CEO, Group Management and the Board of Directors.

The CEO analyses and monitors the operations' operating profit based on the total operations. Online gaming is the only business within LeoVegas that generates external revenue. Online gaming includes the products casino games and, since 2016, also sports betting. LeoVegas also offers live casino, which is part of the casino games concept.

No monitoring is conducted of operating profit per product or geographic area. The business is monitored at an overall level, of which no allocation is made of expenses. Note 4, Segment reporting, describes the Group's revenue from gaming activities broken down into geographic area and per product.

Revenue recognition

Revenue consists of the fair value of consideration received or receivable for services provided in the ordinary course of the Group's activities. Revenue includes revenue from the Group's gaming operations. In addition to this, the Group has insignificant royalty revenue and insignificant revenue from affiliate activities. The Parent Company receives revenue from consulting and management fees, and interest income on loans to subsidiaries. See further under Note 5.

Revenue is recognised when the customer gains control over the sold product or service and has the opportunity to benefit from the product or service.

Revenue from sold services is recognised exclusive of VAT and discounts, and after elimination of intra-Group sales. The Group's gaming revenue generated by the gaming activities consists of a net amount that is based on players' wagers less players' winnings, less bonus costs and jackpot contributions to external parties. The net of this amount is commonly referred to in the industry as Net Gaming Revenue (NGR). Revenue from the gaming activities is recognised at the time the wager was made and arises during the period in which the player chooses to wager deposited funds. Control is transferred at the same point that the service (the gaming experience) is delivered.

NGR together with the Group's other deductions for adjustments, changes in provisions for local jackpots and provisions for bonuses that have not yet been converted is referred to in the income statement as "Revenue". Any resulting increases or decreases in estimated revenues and expenses are reflected in the income statement in the period in which the circumstances that gave rise to the revision became known. Provisions for unconverted bonuses are based on historical outcomes and are evaluated on a continuous basis.

The Group's other revenue pertains to royalty revenues (B2B) and revenue from affiliate activities, and is recognised when the customer gains control over the sold service and has the opportunity to use and benefit from the service.

Capitalised work performed by the Company for its own use

Capitalised work performed by the Company for its own use refers to direct costs for salaries, other payroll-related costs, purchased services and indirect expenses attributable to development projects, which are carried as an asset on the balance sheet. Depreciation of projects is recognised in the period in which the asset is put in operation.

Cost of sales

Cost of sales consists of variable costs in the Group's gaming activities. These costs include fees and royalties for contracted game providers, fees to payment service providers, and costs for fraud.

Gambling duties

Gambling duties pertain to costs for gaming activities in a regulated market, such as Denmark, Italy or the UK. In certain cases it also pertains to a cost for VAT on revenue generated in regulated markets (Germany, Malta, Ireland).

Marketing costs

Marketing costs include external production costs and costs for distribution of marketing material for the Group, and costs associated with brand ambassadors and affiliate partnerships. Affiliate partnerships are aimed at driving traffic to LeoVegas through advertising networks and websites. The cost for these partnerships is based on a profit-share or a fixed fee per new customer, or by a hybrid mix of these models.

Employee remuneration

Remuneration of senior executives in the Parent Company consists of a base salary, possible variable remuneration, and other customary benefits. The CEO is entitled to a pension, which is a defined contribution pension plan. In this context the Parent Company does not have any legal or constructive obligation once the fees are paid. Payments to defined contribution pension plans are expensed during the period that the employee provides the services that the premiums pertain to. Other employees have the right to salary exchange, i.e., the option to exchange a portion of salary for private pension contributions. No provision for pensions is thus made on the consolidated balance sheet.

The Group applies other share-based remuneration plans from time to time, in which settlement is done with shares. A premium corresponding to the fair value of warrants is paid by the employee on the grant date. The warrant premium increases the amount of other capital contributions. Payments received for the shares, after deducting any directly attributable transaction costs, are credited to the share capital (based on the share quota value) and other capital contributions when the warrants are exercised. For all outstanding warrants the payment made by employees is based on a market price that has been determined using the Black & Scholes valuation model. No benefit or remuneration is payable to the employees, and therefore no personnel cost is recognised in the income statement in accordance with IFRS 2.

Leases

Starting with the 2018 financial year, every rental contract is subject to a determination of whether it is a finance lease or an operating lease. Through the 2018 financial year, all of the Group's rental contracts were classified as operating leases, entailing that payment of rents was reported in the income statement on a linear basis over the contract period as an operating expense. Starting on 1 January 2019, the Group will recognise all leases as finance leases, in accordance with IFRS 16.

The Group's assessment of the effect of adoption of IFRS 16 on the financial statements is reported in the paragraph "Effect of adoption of IFRS 16 on the financial statements" and in Note 7.

Financial income and expenses

Financial income and financial expenses include interest expenses on loans raised, bank charges and similar items. The Group has also reported the earnings effect of fair value in connection with the discounting of remaining debt for payment of business acquisitions.

Income tax

Expensed income tax consists of the sum of current tax and deferred tax. Current tax is based on taxable earnings for the year. Taxable earnings differ from the earnings reported in the income statement, since they are adjusted for non-taxable revenue and non-deductible expenses. Income tax is adjusted for changes in deferred tax assets and tax liabilities attributable to temporary differences and unutilised tax-loss carryforwards. This also includes adjustments of current tax attributable to earlier periods. Current and deferred tax are recognised through profit or loss, except to the extent that they pertain to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income and directly in equity, respectively.

Current tax

Current income tax is calculated on the basis of tax laws that have been decided on or essentially decided on at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable earnings. Management regularly evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Where suitable, provisions are reported on the basis of amounts that are expected to be paid to the tax authorities.

Deferred tax

Deferred tax is calculated in accordance with the balance sheet method with a starting point in temporary differences between reported and taxable values of assets and liabilities. Measurement of tax liabilities and tax assets is done at nominal amounts and in accordance with the tax rules and tax rates that have been decided on or have been notified as per the balance sheet date and which are expected to apply when the deferred tax asset in question is realised, or when the deferred tax liabilities are settled. Temporary differences are not included in Group goodwill, nor in differences attributable to participations in subsidiaries and associated companies that are not expected to be taxed in the foreseeable future. Deferred tax assets pertaining to deductible temporary differences and tax-loss carryforwards are reported only to the extent that it is probable that they will be utilised against future taxable earnings. In connection with recognised losses, an assessment is made to determine if compelling factors exist that suggest that there will be sufficient future profits that the deficits can be offset against.

Deferred tax assets and liabilities are offset when there is a legal right to offset. The right to offset arises when the deferred tax assets and tax liabilities pertain to income taxes that are charged by one and the same tax authority or pertain either to the same taxable entity or different taxable entities where there is an intention to settle the balances through net payments.

Management continuously updates assessments made with respect to deferred tax. Valuation of deferred tax assets is based on expectations of future earnings and market conditions, which by their nature are subjective. The actual outcome may deviate from assessments made, among other things due to currently unknown future changes in business conditions, unknown changes in tax laws or interpretations, or as a result of tax authorities' or courts' final reviews of submitted tax returns.

Business combinations

Acquisitions of companies or businesses are reported in accordance with the acquisition method. Identifiable acquired assets and liabilities and contingent liabilities assumed in a business combination are, with a few exceptions, measured initially at their fair value at the acquisition date. The difference between the cost of the shares and the fair value at the time of acquisition – corresponding to the Group's share of acquired, identified net assets – is reported as Group goodwill. The cost of the participations in the acquired company consists of the cash consideration paid or the fair value on the transaction date that corresponds to another form of consideration. If the cost is less than the fair value of identifiable net assets in the acquired subsidiary, the difference is recognised directly through profit or loss as a bargain purchase. Acquisition-related costs are expensed as incurred. Where settlement of any part of cash consideration is deferred, the amount payable in the future is discounted to its present value on the transaction date. The effect of discounting to fair value has been charged against profit for the year. The Group classifies the effect of the discounting as a financial expense. Further information about the Group's acquisitions and earn-out payments is provided in Note 31.

Property, plant and equipment

Property, plant and equipment is reported as an asset on the balance sheet if it is probable that the Company will receive future economic benefit and the cost of the asset can be calculated in a reliable manner. Property, plant and equipment are carried at cost after deducting accumulated depreciation and any impairment. Historical cost includes costs directly attributable to the acquisition. For obsolete equipment, the carrying amount is derecognised from the balance sheet. Repairs and maintenance are recognised as costs in the period in which they are incurred.

Property, plant and equipment in the Group include leasehold improvements, equipment, furniture, fixtures and fittings. Depreciation is based on historical cost less an estimated residual value, taking into account any recognised impairment losses. Depreciation is calculated on a straight line basis over the asset's estimated useful life. The following useful lives (years) are used:

- Leasehold improvements 3-5 years
- Fixtures, furniture and fittings 3-5 years
- Equipment 3 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date and adjusted where necessary. Tangible assets are written down to their recoverable amount if this is lower than the carrying amount. The recoverable amount is the higher of the net sales value and value in use. The result of a sale of property, plant and equipment is calculated as the difference between the sales price adjusted for selling costs and the booked residual value at the time of sale.

Intangible assets, excluding goodwill

Intangible assets consist mainly of internally developed assets. The Group has capitalised costs for the gaming portal and development of Rhino, the proprietary platform that enables technical innovation and high flexibility for continued expansion in new markets. With a proprietary technical platform it is possible to control product development and choice of technology as well as the development areas and payment solution providers that will be used and integrated without having to adapt to external vendors. Development and integration of the gaming portal enables an innovative gaming and user experience.

On the balance sheet, development costs are carried at cost less accumulated amortisation and any impairment losses. The value of an internally developed asset is carried at cost only if the following criteria are met:

a. An identifiable asset is created (such as a database)
b. Company management intends to complete the development
c. Conditions and internal resources are in place to use the asset
d. It is probable that the created asset will generate future economic benefit
e. The development cost for the asset can be calculated in a reliable manner

The Company's intangible assets have finite useful lives and are amortised over a period of five years on a straight line basis. Costs to continuously maintain gaming platforms are recognised as they are incurred. Measurement of projects' revenue generation is conducted continuously to identify any need to recognise impairment.

Intangible assets identified in connection with business combinations are measured at fair value in accordance with IAS 38 and are recognised on the consolidated balance sheet as per the acquisition date. When an intangible asset arises as a result of an acquisition of a foreign entity, it is treated as the foreign entity's asset and is remeasured using the exchange rate in effect on the acquisition date.

Capitalised development costs
Capitalised development costs pertain to internally developed assets for the gaming portal and the technical platform. They are recognised at cost including salaries and other personnel-related costs that may be attributed to the asset in a reasonable and consistent manner, less accumulated amortisation and any impairment. Capitalised development costs have a finite useful life and are amortised on a straight line basis over their useful life of five years. Development costs that are directly attributable to design and testing of identifiable and unique development controlled by the Group are recognised as intangible assets when they meet the criteria for classification as an intangible asset. All other costs are recognised through profit or loss when they are incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

At the end of every accounting period the Group assesses if indications exist of a need to recognise impairment of capitalised development costs. Capitalised development costs for platforms that are not yet complete and which are deemed to have an unknown useful life are not amortised, but are tested annually for impairment, regardless of whether or not there is an indication of this or not.

Software
Capitalised development costs for acquired software pertains to costs for complementing the proprietary platform. Recognition is done at cost less accumulated amortisation and any impairment. These costs have a finite useful life and are amortised on a straight line basis over their estimated useful life of five years.

Impairment of property, plant and equipment and of intangible assets, excluding goodwill
In connection with every book-closing the Group reviews the carrying amounts of its tangible and intangible assets to determine if there are any indications that the assets have decreased in value. If any such indications exist, the recoverable amount of the asset is set to determine the need to recognise impairment (if such exists). If it is not possible to calculate the recoverable amount for a certain asset, the Group shall calculate the recoverable amount of the cash-generating unit that the asset belongs to. The recoverable amount is the higher of the fair value less selling costs and value in use. When calculating value in use, future cash flows are discounted to present value using a discount rate before tax, which reflects the present market valuation. If the recoverable amount of an asset (or cash-generating unit) is determined to be lower than its carrying amount, the carrying amount of the asset is lowered and a cost is recognised in the income statement.

For projects with capitalised development costs that have not yet been put in use, an impairment test is performed yearly until the asset is ready to be used.

Goodwill
Goodwill is considered to have indefinite useful life and is not subject to annual amortisation. Goodwill is considered to have a useful life whose end has not been determined, and its value remains as long as the expected, discounted net inflow from the intangible asset corresponds at a minimum to its carrying amount. Goodwill is carried at cost less accumulated amortisation. Any impairment of goodwill is not reversed. Gains and losses on the sale of a unit include the carrying amount of goodwill associated with the sold unit.

Impairment testing of goodwill
Each year tests are performed to identify any need to recognise impairment of goodwill. Goodwill is allocated to cash-generating units to test any need for impairment. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. If the recoverable amount of an asset (or cash-generating unit) is determined to be lower than its carrying amount, an impairment loss shall be recognised. The recoverable amount of cash-generating units has been determined by calculating value in use, which requires that certain assumptions must be made. Internal and external factors are taken into account in the calculations. The calculations are based on cash flow prognostications in budgets prepared by management for the next five years. Information on calculations of the Group's impairment testing is provided in Note 15.

Financial assets
IFRS 9 has been applied for the current financial year, while IAS 39 has been applied for the comparison period. The following section outlines cases where the policies differ.

Initial reporting occasion, financial instruments
Financial assets and liabilities are recognised when the Group becomes party to the instrument's contractual terms. Purchases and sales of financial assets and liabilities are recognised on the transaction date, which is the date on which the Group commits itself to buying or selling the asset. Financial instruments are reported on the initial reporting occasion at fair value plus – for an asset or financial liability that is not recognised at fair value through profit or loss – transaction costs that are directly attributable to the acquisition or issue of a financial asset or financial liability, such as fees and commissions. Transaction costs for financial assets and liabilities recognised at fair value through profit or loss are expensed in the income statement.

Financial assets – Classification and measurement according to IFRS 9, applied as from 1 January 2018
The Group classifies and measures its financial assets in the category amortised cost.

Financial assets measured at amortised cost
Assets held for the purpose of receiving contractual cash flows (Hold to collect) and where these cash flows consist only of principal payments and interest are measured at amortised cost. The carrying amount of these assets is adjusted for any expected credit losses that are recognised (see impairment below). Interest income from these financial assets is recognised in accordance with the effective interest method and is included in financial income. The Group's financial assets that are measured at amortised cost consist of the items trade and other receivables, and cash and cash equivalents.

Financial assets – Classification and measurement according to IAS 39, applied for the comparison period prior to 1 January 2018
The Group classifies and measures its financial assets in the category loan receivables and trade receivables.

Loan receivables and trade receivables
Loan receivables and trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets with the exception of items with due dates longer than 12 months after the end of the reporting period, which are classified as non-current assets. The Group's "loan receivables and trade receivables" consist of trade accounts receivable and other receivables as well as cash and cash equivalents which constitute financial instruments and are recognised after the date of acquisition at amortised cost using the effective interest method.

Derecognition of financial assets
Financial assets or parts thereof are derecognised from the balance sheet when the contractual rights to receive cash flows from the assets have expired or have been transferred and either (i) the Group transfers all significant risks and benefits associated with ownership, or (ii) the Group does not transfer or retain all significant risks and benefits associated with ownership, and the Group has not retained control over the asset.

Impairment of financial assets recognised at amortised cost in accordance with IFRS 9, which is applied as from 1 January 2018
The Group assesses the future expected credit losses associated with assets recognised at amortised cost. The Group reports a credit reserve for such expected credit losses on each reporting date. For trade receivables, the Group applies the simplified credit reserve approach, i.e., the reserve will correspond to the expected loss over the trade receivable's entire useful life. To measure the expected credit losses, trade receivables have been grouped together based on the distributed credit risk characteristics and days past due. The Group uses forward looking variables for expected credit losses. Expected credit losses are recognised in the consolidated income statement in operating expenses. The Group does not have any significant trade receivables, as revenue for gaming activities are paid in advance by customers.

Impairment of financial assets recognised at amortised cost in accordance with IAS 39 for comparison periods before 1 January 2018
At the end of each reporting period the Group determines if there is objective evidence that a need to recognise impairment exists for a financial asset or group of financial assets. A financial asset or group of financial assets is in need of impairment or is recognised as impaired only if there is objective evidence of a need to recognise impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that this loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence of a need to recognise impairment exists include, among other things, indications that a debtor or group of debtors have significant financial difficulties, that payment of interest or principal has not been made or is late, that it is probable that the debtor or group of debtors will enter bankruptcy or other financial reorganisation, or that there is objective information that indicates that there will be a measurable reduction in estimated future cash flows, such as changes in past-due liabilities or other financial circumstances that correlate with credit losses.

For the category loan receivables and trade receivables, impairment is calculated as the difference between the asset's carrying amount and the present value of future cash flows (excluding future credit losses that have not been incurred) discounted to the financial asset's original effective interest rate. The asset's carrying amount is written down, and the amount of the impairment loss is recognised in the consolidated income statement in 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 loss was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

Cash and cash equivalents

Cash and cash equivalents are reported at nominal value in the statement of financial position. Cash and cash equivalents consist of bank balances and liquid assets with financial intermediaries. Balances held on behalf of customers (customer balances) are included in cash and cash equivalents but are segregated from the Group's assets, and their use is restricted, in accordance with the gambling authorities' regulations. For further information about this segregation, see Note 20.

Other contributed capital

The Group reports other contributed capital, which is attributable to the redemption of warrant programmes and the premium received for warrants issued to employees. See Note 21 for further information.

Dividends or transfers to shareholders

Dividends paid to shareholders are reported in the consolidated income statement when a decision on the dividend has been made and it is probable that there will be an outflow of economic benefits and that the amount can be measured reliably. For dividends in another currency than the reporting currency (EUR), a currency effect arises. This is because the payment date, and thus the exchange rate, differs from the date on which the dividend was initially calculated. The currency effect is recognised directly against equity, since the effect is not attributable to operating activities.

Earnings per share

Earnings per share before dilution

Earnings per share before dilution are calculated as Profit after tax (profit) to the Company's owners in relation to a weighted average number of shares outstanding during the period.

Earnings per share after dilution

Profit after tax (profit) to the Company's owners divided by a weighted average number of shares outstanding during the year, adjusted for the additional number of shares for warrants with a dilutive effect.

Financial liabilities

IFRS 9 has been applied for the current financial year, while IAS 39 has been applied for the comparison periods. The following section describes cases where the policies differ.

Recognition and measurement

The Group recognises a financial liability in the consolidated statement of financial position when it becomes a party to the contractual terms of the instrument.

Recognition and measurement

The Group determines the classification of its financial liabilities upon initial recognition, and they can be classified as follows:

(a) financial liabilities at fair value through profit or loss are carried on the balance sheet at fair value, with profits or losses recognised in the income statement; and
(b) financial liabilities at amortised cost are initially measured at fair value and are thereafter carried at amortised cost using the effective interest method.

According to IFRS 13, management must identify a three-level hierarchy of financial assets and liabilities at fair value. The different levels are defined as follows:

- Listed prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Other observable data for the assets or liabilities than listed prices included in level 1, either direct (i.e., price quotations) or indirect (i.e., stemming from price quotations) (Level 2)
- Data for the asset or liability that is not based on observable market data (Level 3)

Derecognition of financial liabilities

Financial liabilities are derecognised from the balance sheet when the obligations have been settled, cancelled or cease in some other way. The difference between the carrying amount of a financial liability (or part of a financial liability) that has been extinguished or transferred to another party and the consideration paid, including transferred assets that are not cash or assumed liabilities, are recognised in the income statement.

When the terms of a financial liability have been renegotiated and are not derecognised from the balance sheet, a profit or loss is recognised in the income statement. The profit or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted to the original effective interest rate.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been received in the continuing operations from vendors. The amounts are usually paid within 30 days. Trade and other payables are classified as current liabilities if they fall due within one year or earlier (or during a normal business cycle if this is longer). Payables that fall due after longer than one year are classified as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The fair value of trade payables and other current liabilities corresponds to their carrying amounts, since by nature they are current.

Non-current liabilities

Loans are stated initially at fair value after deducting associated transaction costs. Borrowings are thereafter stated at amortised cost, and any difference between the amount received (net after transaction costs) and the repayment amount is recognised through profit or loss distributed over the term of the loan using the effective interest method. Fees paid for loan facilities are reported as transaction costs for borrowing to the extent it is likely that parts of or the entire credit scope will be utilised. In such case the fee is reported when the credit scope is utilised. When there is no evidence that it is likely that parts or the entire credit scope will be utilised, the fee is reported as an advance payment for financial services and is allocated over the term of the loan in question. Loans are classified as a non-current liability if the obligation falls due more than 12 months after the balance sheet date.

Interest paid by the Group is presented under cash flow from operating activities instead of financing activities since the chief use of the loans that the interest pertains to entails financing the business activities and continued growth.

The Group's other non-current liabilities pertain to the fixed call option of EUR 1 m that arose in connection with the acquisition of Authentic Gaming in 2015. The liability represents the value of acquiring the remaining shares in the company (20%). LeoVegas has an option to acquire the remaining shares through 2020. The Group has reported the acquisition of the Authentic Gaming business as a 100% ownership, whereby a financial liability is reported to account for the future exercise of the call option.

Reporting is done at fair value at the date of acquisition, and subsequent effects of revaluations are recognised through profit or loss. Initial measurement of the purchase price is conducted according to Level 3 in the fair value hierarchy, since no observable market data is available for the measurement. Any remeasurement gains or losses are recognised through profit or loss. The liability remains as long as the Group believes that it is probable that the right to acquire the shares will arise. Accounting is conducted in accordance with IFRS 3 Business Combinations and IFRS 10 Consolidated Financial Statements.

Offsetting of financial instruments

Financial assets and liabilities are offset and reported in a net amount in the statement of financial position when the Group has a legal right to offset the reported amounts and intends to settle the items on a net basis or to simultaneously realise the asset and settle the liability.

Provisions

A provision is reported on the balance sheet when the Group has a current 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 the amount can be reliably estimated. Where there are a number of similar obligations, the likelihood that an out-flow will be required upon settlement is determined by considering the class of obligations as a whole. A provision is reported even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be negligible.

Provisions are measured at fair value and are estimated at the present value of the amount that is expected to be needed to settle the obligation. In cases where the effect of when in time payment is made is significant, provisions are calculated by discounting the expected future cash flow using an interest rate before tax that reflects the current market assessment of the time value of money and the risks specific to the liability. A discount rate before tax is used to reflect a current market assessment of the time-dependent value of money and the risks associated with the provision. The change in the provision due to the passage of time is recognised as a financial expense or financial income.

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

During the year the Group reported a provision for an estimated (contingent) earn-out payment for the acquisition of Royal Panda. Further information on the earn-out for Royal Panda and management's assessment of the provision is provided in Note 25.

Pledged assets and contingent liabilities
Pledged assets and contingent liabilities pertain to potential obligations that stem from past events, the occurrence of which is confirmed only by one or more uncertain future events that are not entirely out of the Company's control of occurring or not occurring, or obligations that stem from events that have occurred but that are not recognised as a liability or provision on account of the fact that it is not likely that an outflow of resources will be necessary to settle the obligation or the size of the obligation cannot be calculated with sufficient reliability. The Parent Company has issued to Group companies a debt coverage guarantee for its intra-Group receivables. For complete information, see Note 26.

Statement of cashflows
The statement of cash flows is prepared in accordance with the indirect method and shows cash flows from operating activities, investing activities and financing activities as well as the opening and closing balance of cash and cash equivalents.

Cash flows from acquisitions and divestments of businesses are shown separately under "Cash flow from investing activities". Cash flows from acquired companies are included in the statement of cash flows from the point in time of the acquisition, and cash flows from divested businesses are included in the statement of cash flows up until the point in time of the divestment. "Cash flow from operating activities" is calculated as operating profit adjusted for non-cash items, the increase or decrease in working capital, and the change in the Company's tax position. "Cash flow from investing activities" includes payments in connection with acquisitions and divestments of businesses as well as from purchases and sales of intangible assets and of property, plant and equipment. "Cash flow from financing activities" includes changes in the size or composition of the Group's issued equity and related expenses as well as loans raised, amortisation of interest-bearing liabilities and payment of dividends. Cash flows in foreign currencies, including cash flows in foreign subsidiaries, are translated to the Group's reporting currency.

Parent Company's accounting policies
The Parent Company applies the same policies as the Group, with the exception that the Parent Company's financial statements are presented in accordance with RFR 2, "Accounting for Legal Entities" and statements issued by the Swedish Financial Reporting Board. This entails certain differences owing to requirements in the Swedish Annual Accounts Act or tax considerations. The differences in the accounting policies arise since RFR 2, which is applied by the Parent Company, requires the Parent Company to apply all EU-approved IFRSs to the extent possible within the bounds of the Annual Accounts Act, while the consolidated financial statements apply IFRS to its full extent.

Group contributions and shareholder contributions
Shareholder contributions are applied directly to equity of the recipient and are capitalised in shares and participations of the rendering party to the extent recognition of impairment is not necessary. Group contributions are reported in accordance with the so-called Main Rule. Group contributions that the Parent Company receives from subsidiaries are reported as financial income. Group contributions rendered by the Parent Company are reported as an increase in participations in Group companies.

Group companies
Participations in Group companies are reported in the Parent Company at cost less any impairment. The value of subsidiaries is tested for impairment when there is an indication of a decline in value. Dividends received from subsidiaries are recognised as financial income. Transaction costs in connection with company acquisitions are reported as part of the acquisition cost. Contingent consideration (earn-out payments) is reported as the portion of the acquisition cost that will likely be paid. If it turns out in subsequent periods that the initial assessment needs to be revised, the acquisition cost shall be adjusted.

Breakdown of restricted and unrestricted equity
In the Parent Company's statement of financial position, equity is broken down into restricted and unrestricted equity, in accordance with the Annual Accounts Act.

Parent Company's application of the exemption from IFRS 9 provided by RFR 2
The Parent Company applies the exemption in RFR 2 from application of IFRS 9 Financial Instruments. The amendments pertaining to IFRS 9 in RFR 2 shall be applied by legal entities at the same point in time that IFRS 9 became effective in the consolidated reporting (1 January 2018). This entails that the principles for impairment testing and loss risk provisions in IFRS 9 are applied for legal entities. According to the Annual Accounts Act, current assets are to be measured at the lower of cost or the net sales value. For these assets, RFR 2 requires that the principles in IFRS 9 for impairment testing and loss risk provisions are applied in calculating the receivables' net sales value. With respect to non-current assets, RFR 2 draws from the rules in the Annual Accounts Act, which stipulate that these shall initially be stated at cost. The Annual Accounts Act also requires that, in cases where a non-current asset has a lower value on the balance sheet date than its cost, the asset shall be written down to the lower value if it can be assumed that the decline in value is permanent. With respect to financial assets, they may be written down even if it cannot be assumed that the decline in value is permanent. RFR 2 stipulates that, when assessing and calculating a need to recognise impairment of financial assets, a company shall apply the principles in IFRS 9 for impairment testing and loss provisions "when possible".

The Company's interpretation is that the application area for IFRS 9, with a model for loss reserves in connection with impairment testing, should be applied also for intra-Group receivables, even in cases where the counterparty is not an external entity.

NOTE 3 Significant estimations and assessments in the accounting

The consolidated financial statements are based partly on assumptions and estimations in connection with the preparation of the Group's accounting. Estimations and assessments are based on historical experience and other assumptions, resulting in decisions on the value of an asset or liability that cannot be determined in another way. The actual outcome may deviate from these estimations and assessments. Estimations and assessments are evaluated on a continuous basis and are based on historical experience and other factors, including expectations for future events that are judged to be reasonable under the circumstances.

Following are the most significant estimations and assessments that are used in preparation of the consolidated financial statements.

Valuation of earn-out payments (contingent consideration)
In connection with business acquisitions, earn-out payments may be made. The earn-out shall initially be measured at fair value and is based on an estimate and forecast on how likely it is that it will be paid. If the initial and subsequent valuation deviates from the fair value at the time of final settlement, it could have a significant earnings effect for the Group.

Impairment testing of goodwill
In calculations of cash-generating units' recoverable amount for the Group's assessment of any need to recognise impairment for goodwill, assumptions of future conditions and estimations of certain key parameters are made. Such assessments always entail a certain level of uncertainty. Should the actual outcome deviate from the expected outcome for a specific period in the impairment testing, expected future cash flows may need to be reassessed, which could lead to a need to recognise impairment.

Valuation of intangible assets in connection with acquisitions
The Group estimates the fair value of acquired intangible assets from business acquisitions based on best assessments and analyses. Such assets include trademarks, domain names, customer databases and licences, which are amortised according to their estimated useful life. These assessments are based on recognised valuation techniques, such as the relief from royalty method for trademarks and recognised comparative information from the industry as well as the Group's industry experience and knowledge. The valuations are presented in a purchase price allocation (PPA) analysis, which is preliminary until it is finalised. A preliminary purchase price allocation analysis is finalised as soon as necessary information about assets and liabilities is received, but not later than a year from the date of acquisition. Should the fair value need to be reconsidered within a 12-month period, this could result in fair value deviating from the initial value and the amortisation schedule that was initially reported.

Valuation of intangible assets with finite useful life
In cases where the recoverable amount is less than the carrying amount, a need to recognise impairment arises. On every reporting occasion a number of factors are analysed to determine if there is any indication of a need to recognise impairment. If such an indication exists, an impairment test is performed, based on management's assessment of future cash flows, including the discount factor used.

Valuation of deferred tax assets
Calculations of deferred tax take into account temporary differences and unutilised tax-loss carryforwards. Deferred tax assets are reported only for deductible temporary differences and tax-loss carryforwards to the extent it is determined to be likely that it will be possible to use these against future taxable surpluses. Management continuously updates the assessments it has made. Valuation of deferred tax assets is based on expectations of future earnings and market conditions, which by their nature are subjective. The actual outcome may deviate from assessments made, among other things due to currently unknown future changes in business conditions, unknown changes in tax laws or interpretations, or as a result of tax authorities' or courts' final reviews of submitted tax returns.

Legal processes
Compliance with laws and stipulations in the online gaming industry has become increasingly complicated since regulations, laws and tax systems are country-specific and continue to evolve. The Group is active in a number of markets in which its operations may risk becoming the subject of legal processes according to the description in the "Legal risks" section of the Board of Directors' report. The Group continuously makes assessments of any possible consequences of such risks.

NOTE 4 Segment reporting

In accordance with the definition of operating segment in IFRS 8, the Group reports one operating segment. The segmental information is reported in the same way that it is analysed internally by the chief operating decision maker, i.e., the CEO, but also by the other decision-makers, such as Group Management and the Board of Directors. The CEO analyses and follows up operating profit based on the total business – one operating segment. Online gaming is the primary business within the Group that generates external revenue. Within online gaming are the main products casino games and sports betting. LeoVegas also offers live casino, which is part of the casino games concept. The products are provided in various geographic markets. No follow-up is done of operating profit per product or geographic area. The business is monitored at an overall level.

Since management does not monitor any operating profit per product or geographic area, the Group analyses the business based on an integrated business model. The Group thus does not allocate any central business costs or operating expenses per product or geographic area, since such allocation would be arbitrary. No effects of depreciation, amortisation, impairment or financial income and expenses are allocated. The integrated business model also entails that the Group does not allocate any assets and liabilities per product category or geographic area in its internal reporting. Company management evaluates the business based on the measure revenue, which is followed up per geographic area. Management regards revenue generation from a geographic perspective, since the regional handling is an important part of continued growth. The breakdown of revenue in the Group per services is shown in Note 5. The Parent Company, LeoVegas AB (publ), which is domiciled in Sweden, has no external revenue.

The Group reports the following geographic areas: Nordic countries, Rest of Europe and Rest of world. The principle for which revenue is allocated is based on each individual country in which the customer is located.

EUR 000s	2018	2017
Revenue per geographic area		
Nordic countries	143,121	123,206
Rest of Europe	153,838	72,548
Rest of world	30,001	20,143
Unallocated sales per country	857	1,117
Total	**327,817**	**217,014**

The table shows that 0.26% (0.51%) of revenue, corresponding to EUR 857 thousand (1,117), is not allocated to a geographic area. This revenue consists of items for which it is not practically possible to allocate it to a specific geographic area. These items consist mainly of changes in provisions for local jackpots, changes in provisions for customer bonuses that have not been fully utilised, and adjustments in customers' accounts in cases where the customer has acted in contravention of LeoVegas' user terms and conditions.

A breakdown of revenue per product is presented in the table below. Other products include royal revenue and revenue from affiliate activities. Revenue that is not allocated per product consists of revenue from casino games or sports betting where it is not practically possible to fully allocate it per product.

EUR 000s	2018	2017
Revenue per product		
Casino games	301,978	203,884
Sports betting	22,757	12,014
Other products	1,937	-
Not allocated per product	1,145	1,117
Total	**327,817**	**217,014**

Non-current assets consist of property, plant and equipment and intangible non-current assets. In 2018, non-current assets were added in connection with the acquisition of Rocket X (UK). Malta, Italy and the Netherlands are included in the Rest of Europe geographic area.

EUR 000s	2018	2018	2018	2018	2018
Non-current assets in the Group 2018	Sweden	UK	Malta	Italy	Netherlands
Property, plant and equipment	1,521	582	1,766	144	128
Intangible non-current assets	15,015	28	157,841	5,076	497
Total per geographic area	**16,536**	**610**	**159,607**	**5,220**	**625**

EUR 000s	2017	2017	2017	2017	2017
Non-current assets in the Group 2017	Sweden	UK	Malta	Italy	Netherlands
Property, plant and equipment	1,181	-	1,432	151	107
Intangible non-current assets	6,160	-	98,745	144	520
Total per geographic area	**7,341**	**-**	**100,177**	**295**	**627**

NOTE 5 Revenue

In the Group, intra-Group services are reported and priced as if the transaction took place between two independent parties, and the revenue is eliminated in the consolidated accounting.

The Group's external revenue is derived from the gaming activities and is generated by the subsidiaries. The Parent Company has no external revenue. Royalty revenue is reported in subsidiaries for services related to Authentic Gaming Ltd. Revenue from affiliate activities is attributable to the acquisition of CasinoGrounds and from Royal Panda.

The Group reports the following revenue per service area.

EUR 000s	2018	2017
Group		
Revenue from gaming operations	325,070	216,594
Royalty revenue	1,017	310
Affiliate revenue	1,730	110
Total revenue from continuing operations	**327,817**	**217,014**

EUR 000s	2018	2017
Parent Company		
Further invoicing to subsidiaries	610	1,188
Management fees	378	223
Total revenue from continuing operations	**988**	**1,411**

NOTE 6 Employee remuneration

Average number of employees	2018	Men	Women	2017	Men	Women
Parent Company						
Sweden	9	5	4	5	4	1
Subsidiaries						
Malta	432	252	181	316	197	119
Sweden	136	108	28	97	80	17
Other Group companies	151	98	53	49	32	17
Total, Group	**727**	**462**	**266**	**466**	**313**	**154**

Group Management Number of persons in executive positions	2018	Men	Women	2017	Men	Women
Parent Company						
Board of Directors	7	4	3	7	4	3
Senior executives[1)]	5	3	2	3	3	-
Subsidiaries						
Senior executives[1)]	3	3	0	5	4	1
Total, Group	**14**	**9**	**5**	**15**	**11**	**4**

1) At the end of the reporting period, senior executives in the Group included the Group CEO, the Deputy Group CEO, the Group CFO, the Group CHRO, the Head of Investor Relations (IR), the Group COO, and the Group CTP. In 2019 a new Group COO, Group CCLO and Group CTPO were added.

Salaries, other remuneration and social security costs	**2018**		**2017**	
EUR 000S	Salaries and other remuneration	Social security costs	Salaries and other remuneration	Social security costs
Parent Company				
Salaries and other remuneration	1,129	401	586	209
Pension costs	106	26	83	20
Total, Parent Company	**1,235**	**426**	**670**	**229**
Subsidiaries				
Salaries and other remuneration	30,351	4,357	19,814	2,756
Pension costs	567	60	327	56
Total, subsidiaries	**30,918**	**4,417**	**20,141**	**2,812**
Total, Group	**32,153**	**4,843**	**20,811**	**3,041**

Salaries and remuneration broken down among board members, other senior executives and other employees (incl. pension costs)

	2018			**2017**		
EUR 000S	Parent Company	Subsidiaries	Total	Parent Company	Subsidiaries	Total
Board of Directors	238	299	537	163	295	458
Other senior executives	962	603	1,565	501	962	1,464
Other employees	273	30,315	30,588	169	19,179	19,347
Total	**1,473**	**31,217**	**32,690**	**833**	**20,436**	**21,269**

Remuneration and other benefits for Board of Directors	**2018**			**2017**		
EUR 000S	Directors' fees	Base salary	Other benefits	Directors' fees	Base salary	Other benefits
Robin Ramm-Ericson, Director (employee)	-	246	53	-	247	48
Mårten Forste, Director (Chairman of the Board)	58*	-	-	46	-	-
Patrik Rosen, Director	39	-	-	23	-	-
Per Brilioth, Director	34	-	-	23	-	-
Anna Frick, Director	34	-	-	23	-	-
Barbara Canales, Director	39	-	-	25	-	-
Tuva Palm, Director	34	-	-	23	-	-
Total	**238**	**246**	**53**	**163**	**247**	**48**

* In addition, Mårten Forste also performed consulting services for the Company, for which he invoiced 64 KEUR.

Salaries and other remuneration for senior executives

	2018			2017		
EUR 000s	Base salary	Pension cost	Other benefits	Base salary	Pension cost	Other benefits
Gustaf Hagman, CEO LeoVegas AB	264	-	94	212	-	-
Other senior executives	1,195	26	53	1,119	83	48
Total	**1,459**	**26**	**147**	**1,330**	**83**	**48**

LeoVegas AB has a remuneration committee chaired by Barbara Canales with Per Brilioth and Anna Frick as the other members. The Remuneration Committee drafts recommendations to the Board of Directors regarding principles for remuneration for the CEO and other executives in the Group Management and includes the following information:

a) The relationship between fixed and variable remuneration and the connection between performance and remuneration
b) The main terms for bonuses and incentive programmes
c) The main terms of non-monetary remuneration, pensions, notice periods and severance pay
d) The group of executives covered

At year-end 2018 no senior executives had variable remuneration or bonuses.

Decision-making and drafting process

The Chairman and directors are paid fees in accordance with a resolution by the Annual General Meeting, except for if a director is employed by the Company, in which case such executive director receives salary and no extra fee for the board duties.

Guidelines for remuneration of senior executives

Senior executives in the Group include the Group CEO, the Deputy Group CEO, the Group CFO, the Group COO, the Group CHRO and the Head of Investor Relations (IR). In 2018 an interim CCLO was also appointed via Baker McKenzie, for which consulting fees were paid.

In 2019, a new COO, CCLO and CPTO were appointed. Remuneration of senior executives is in line with the going rate in the market and competitive in order to attract and retain talented people.

The CEO's remuneration consists of a base salary, pension entitlement, and disability and health insurance. No variable remuneration has been paid out. A mutual notice period of six months applies. In the event the Company serves notice, the Group CEO is entitled to severance pay of four months' salary, excluding the salary received during the notice period. If the CEO is required to leave due to gross carelessness, the CEO is not entitled to severance pay.

Remuneration of other senior executives consists of a base salary, in certain cases pension benefits, and in certain cases other benefits such as compensation for school tuition and a housing subsidy if the individual is required to relocate. For all other senior executives the mutual notice period varies between 3 and 6 months.

Bonuses

Senior executives in the LeoVegas Group are not entitled to any bonuses.

Pension

The retirement age for senior executives is 65. The monthly pension premium is specified in the employment contract and is paid to the individual's pension insurance of choice. Executives based in Sweden have the opportunity to exchange payments of salary for pension payments provided that it is cost-neutral for the Company.

Severance pay

In the event the Company serves notice, the Group CEO is entitled severance pay equivalent to four months' salary. The Group CEO is entitled severance pay in addition to salary received during the notice period. In the event the CEO gives notice, the notice period is six months. Employees are not entitled to severance pay for termination of employment initiated by themselves. No other senior executives are entitled to severance pay.

Other benefits

Other benefits pertain to a company car benefit and compensation for higher cost of living in connection with service abroad.

NOTE 7 Leases

All of the Group's leases are classified as operating leases through the 2018 financial year. As from 1 January 2019, all of the Group's lease payments are classified as finance leases. The Group's leases consist primarily of rents of office premises and office equipment. In the Parent Company there is also a car lease. These contracts typically cover a period of 3-5 years with a renewal option. The leases are renegotiated in connection with contract renewal to reflect market rents. Certain leases allow for additional rental costs based on changes in local price indices.

Future minimum lease payments during the lease term

Future minimum lease payments for non-cancellable operating leases and rental agreements are expected to be made in accordance with the following table. Minimum leases consist of the payments, excluding variable fees, service fees and taxes that are to be paid by the lessee to the lessor during the lease term. The lease term is the period during which the lessee has agreed to lease an asset. Any additional periods during which the lessee has the right to continue leasing the asset – with or without additional payments – shall also be included in the lease term if is reasonably certain at the start of the lease that the right to renewal will be used.

EUR 000s	2018	2017
Group		
Within one year	3,494	2,446
Between two and five years	6,956	9,813
Later than five years	216	-
Total	**10,666**	**12,259**

EUR 000s	2018	2017
Parent Company		
Within one year	17	-
Between two and five years	20	-
Later than five years	-	-
Total	**37**	**0**

Amounts recognised through profit or loss

EUR 000s	2018	2017
Group		
Lease payments	2,953	1,566
Total	**2,953**	**1,566**

Amounts recognised through profit or loss

EUR 000s	2018	2017
Parent Company		
Lease payments	20	-
Total	**20**	**0**

Disclosure of effects on the financial reporting of adoption of IFRS 16

Upon implementation of IFRS 16 (1 January 2019) the Group will not report any operating leases. Rental costs and other lease payments will be recognised on the balance sheet, corresponding to finance leases. The simplified transitional method will be used for the transition, which entails that no adjustments for comparison figures will be presented. The Group's assets (right-of-use assets) are estimated to initially increase by EUR 10.9 m. Since the Group pays for rents in advance, the initial lease asset differs from the lease liability, which is estimated to amount to EUR 10.1 m.

Up until implementation of IFRS 16, rental costs and lease expenses have been reported under Other operating expenses. During the 2018 financial year these amounted to EUR 3.0 m. Upon implementation of IFRS, the EBITDA % is expected to increase by approximately 1%, assuming that lease contracts and expenses are constant. The costs will instead be recognised under depreciation and as interest expenses. Remeasurement may be made of the lease asset and liability, which thus may affect the anticipated outcome. Excluded from IFRS 16 are leases with a term shorter than 12 months and leases of low value (<USD 5,000).

NOTE 8 Auditors' fees

PricewaterhouseCoopers AB (PwC) has been elected as auditor of LeoVegas AB (publ) and its subsidiaries. Fees have been paid to the auditor and to accounting firms for the Company's audit and other statutory reviews as well as for consulting and other services in relation to observations from the audit.

EUR 000s	2018	2017
Group		
PwC		
Audit assignment	270	170
Audit services in addition to the audit assignment	86	93
Tax consulting	90	15
Other services	29	188
Total	**475**	**466**
KPMG		
Audit assignment	5	20
Total	**5**	**20**
Mazars		
Audit assignment	-	1
Total	**-**	**1**

EUR 000s	2018	2017
Parent Company		
PwC		
Audit assignment	106	80
Audit services in addition to the audit assignment	66	93
Tax consulting	44	15
Other services	-	157
Total	**216**	**345**

Of the total fees of EUR 475 thousand (466) paid by the Group, EUR 106 thousand (80) pertains to amounts invoiced by the Parent Company's auditor for the statutory audit of the Parent Company. Of other fees, the Parent Company's auditor invoiced a total of EUR 205 thousand (296), of which EUR 110 thousand (265) has been invoiced to the Parent Company. These fees for other, independent consulting are related to acquisitions, the change in listing to Nasdaq Stockholm, tax advice and preparations ahead of implementation of the EU's new General Data Protection Regulation (GDPR).

NOTE 9 Other income and expenses

EUR 000s	2018	2017
Group		
Withdrawal fees	228	430
Other items recognised as a profit or loss	1,578	136
Total	**1,806**	**566**

EUR 000s	2018	2017
Parent Company		
Other items recognised as a profit or loss	-	-
Total	**0**	**0**

NOTE 10 Financial items

Financial income and expenses include interest expenses, bank fees and similar items as well as remeasurement of the liability for earn-out payments in accordance with IFRS 3.

During the year financial income arose in connection with remeasurement to fair value of consideration related to Royal Panda. In the Group this had a positive earnings effect of EUR 27.0 m (1.0). The remeasurement had no cash flow effect during the period. The measurement period for the earn-out ended on 1 December, and communication has been initiated to determine the final earn-out amount.

EUR 000s	2018	2017
Group		
Interest income	10	13
Financial income	**10**	**13**
Interest expenses	-1,746	-130
Financial liability valuation profit/loss	27,022	-993
Financial expenses	**25,276**	**-1,123**
Total financial items – net	**25,286**	**-1,110**

In the Parent Company, financial items consist of interest income pertaining to interest on loans to subsidiaries and interest expenses on the loan facility of EUR 10.0 m (0) that was secured during the year. During the year, the profit from participations in Group companies affected the Parent Company by EUR 7.8 m (1.5).

EUR 000s	2018	2017
Parent Company		
Profit from participations in Group companies, dividend	7,779	-
Profit from participations in Group companies, Group contributions	-	1,450
Interest income	618	623
Financial income	**8,397**	**2,073**
Interest expenses	-253	-
Financial expenses	**-253**	**-**
Total financial items – net	**8,144**	**2,073**

NOTE 11 Income tax

This note describes the Group's income tax. Expensed income tax consists of the sum of current tax and deferred tax. Current tax is based on taxable earnings for the year. Deferred tax is attributable to unutilised tax-loss carryforwards. Deferred tax assets are reported to the extent it is likely that future taxable surpluses will be available, against which deductible temporary differences can be utilised in the foreseeable future.

Tax expense

EUR 000s	2018	2017
Group		
Current tax	- 2,655	-1,344
Total expense, current tax	**-2,655**	**-1,344**
Deferred tax		
Increase/decrease in deferred tax assets	1,434	668
Reported tax expense	**- 1,221**	**-676**

The following is reported on the balance sheet for the Group:

EUR 000s	2018
Group	
Deferred tax assets, accumulated loss-carryforward (opening balance)	1,541
Deferred tax assets, loss-carryforward in current year	1,434
Total deferred tax:	**2,975**

Tax expense

EUR 000s	2018	2017
Parent Company		
Current tax	-	-
Total expense, current tax	**-**	**-**
Deferred tax		
Increase/decrease in deferred tax assets	454	668
Total deferred tax	**454**	**668**

The following is reported on the balance sheet for the Parent Company:

EUR 000s	2018
Parent Company	
Deferred tax assets, accumulated loss-carryforward (opening balance)	1,502
Deferred tax assets, loss-carryforward in current year	454
Total deferred tax:	**1,956**

The Parent Company has accumulated tax-loss carryforwards. The Swedish subsidiary Gears of Leo AB, on the other hand, is determined to report a taxable surplus. The assessment of continued taxable surpluses is based on the subsidiary's forecast. The Group has determined that loss carryforwards in LeoVegas AB will be available for use against future, taxable surpluses in the foreseeable future. Rights to Group contributions exist between the Swedish companies. As a result of this, a deferred tax asset of EUR 1,956 thousand (1,502) is reported in the Parent Company. The tax deficits have no expiration date.

Reconciliation of theoretical tax expense and reported tax

Tax on the Group's pre-tax profit differs from the theoretical amount that would arise using a weighted average tax rate applied to subsidiaries' profits in the consolidated companies. The taxable profit differs from the profit reported in the income statement since it is adjusted for non-taxable income and non-deductible expenses. The tax expense for the year can be reconciled against profit according to the income statement below.

EUR 000s	2018	2017
Group		
Profit before tax	44,461	18,804
Tax at Swedish tax rate (22%)	-9,781	-4,137
Tax effect of:		
Difference in tax rate in foreign operations	8,617	3,706
Non-taxable income	2,252	-
Non-deductible expenses	-1,948	-452
Other	-10	298
Adjustment of taxes for previous years	85	
Utilisation of previously unreported loss carryforwards	-	-
Loss carryforwards for which no deferred tax assets have been reported	-436	-91
Tax on profit for the year	**- 1,221**	**-676**

EUR 000s	2018	2017
Parent Company		
Profit/loss before tax	4,658	-890
Tax at Swedish tax rate (22%)	-1,025	196
Tax effect of:		
Non-taxable income	1,760	-
Non-deductible expenses	-61	-55
Other	-107	-
Adjustment of taxes for previous years	-	-
Utilisation of previously unreported loss carryforwards	-	-
Loss carryforwards for which no deferred tax assets have been reported	-113	527
Tax on profit/loss for the year	**454**	**668**

NOTE 12 Items affecting comparability

LeoVegas presents adjusted earnings measures to provide a more fundamental picture to readers of the report by showing how earnings are closer to the Group's underlying earnings capacity.

Adjusted items include costs associated with the listings on Nasdaq First North Premier and Nasdaq Stockholm, consulting costs in connection with acquisitions, divestments of assets that affect earnings, provisions for fines, amortisation of intangible assets related to acquisitions and discounting of earn-out payments for acquisitions (not affecting cash flow).

Items affecting comparability affecting earnings have entailed that the earnings measures adjusted EBITDA, adjusted EBIT and adjusted profit for the period have been recalculated for previous historical periods. This is because amortisation of acquired intangible assets is included as an item affecting comparability starting in the first quarter of 2018.

Adjusted EBITDA and adjusted EBIT for the Group are presented below.

EUR 000s	2018	2017
EBITDA	41,605	25,947
Listing costs	62	594
Costs for consulting in connection with acquisitions	466	1,353
Provision for fine in the UK (UKGC)	453	-
Profit on sale of asset	-1,500	-
Adjusted EBITDA	**41,086**	**27,894**
Amortisation	- 4,925	-3,165
Adjusted EBIT	**36,161**	**24,729**
Net financial items	-1,736	-117
Tax	-1,221	-676
Adjusted profit	**33,204**	**23,936**
Adjusted EBITDA margin, %	12.5%	12.9%
Adjusted EBIT margin, %	11.0%	11.4%
Adjusted net margin, %	10.1%	11.0%

NOTE 13 Earnings per share

EUR	2018	2017
Group		
Profit for the year attributable to owners of the Parent Company	43,150,389	18,127,233
Number of shares at year-end, before dilution	101,652,970	99,695,470
Weighted average number of shares outstanding, before dilution	100,674,220	99,695,470
Effect of outstanding warrants, weighted average	794,923	1,381,598
Weighted average number of shares outstanding, after dilution	**101,469,143**	**101,077,068**
Earnings per share		
- Before dilution	0.43	0.18
- After dilution	0.43	0.18

The number of shares after dilution is calculated using the Treasury Stock method. In 2018 there were 500,000 warrants that carried entitlement to subscribe for 2,000,000 shares at the end of June 2018, which had a dilutive effect during the period.

In 2017 and 2018 new incentive programmes were created for the Company's employees. Under these incentive programmes there are an additional 2,250,000 outstanding warrants that carry entitlement to subscribe for shares, expiring in June 2020 and June 2021. Neither of these warrant programmes had any dilutive effect during the year, as the redemption price was higher than what the shares were traded for during the period.

NOTE 14 Property, plant and equipment

EUR 000s	Leasehold improvements	Equipment, fixtures and fittings	Equipment	**Total**
Financial year 2017				
Opening carrying amount	128	121	945	1,194
Purchases	464	358	1,619	2,441
Disposals	-22	-	-	-22
Depreciation	-21	-141	-581	-743
Closing carrying amount	**549**	**338**	**1,983**	**2,870**
31 December 2017				
Cost	627	647	3,162	4,436
Accumulated depreciation	-78	-309	-1,179	-1,566
Carrying amount	**549**	**338**	**1,983**	**2,870**
Financial year 2018				
Opening carrying amount	549	338	1,983	2,870
Purchases	402	402	1,961	2,765
Disposals	-1	-	-24	-25
Depreciation	-114	-227	-1,128	-1,469
Closing carrying amount	**836**	**513**	**2,792**	**4,141**
31 December 2018				
Cost	1,028	1,049	5,099	7,176
Accumulated depreciation	-192	-536	-2,307	-3,035
Carrying amount	**836**	**513**	**2,792**	**4,141**

NOTE 15 Intangible non-current assets

EUR 000s	Goodwill	Trademarks and domain names/customer database/licences/technical platform	Capitalised development costs for software	Capitalised development costs	Capitalised development costs for domain names	Total
Financial year 2017						
Opening carrying amount	1,057	-	163	4,637	3	5,860
Acquisitions	43,547	54,247	-	-	-	97,794
Purchases	-	-	1,702	4,600	903	7,205
Disposals	-	-	-	-	-	-
Amortisation	-	-3,229	-541	-1,519	-	-5,289
Closing carrying amount	**44,604**	**51,018**	**1,324**	**7,718**	**906**	**105,570**
31 December 2017						
Cost	44,604	54,247	1,994	10,716	906	112,467
Accumulated amortisation	-	-3,229	-670	-2,998	-	-6,897
Carrying amount	**44,604**	**51,018**	**1,324**	**7,718**	**906**	**105,570**
Financial year 2018						
Opening carrying amount	44,604	51,018	1,324	7,718	906	105,570
Acquisitions	54,149	27,954	23	-	-	82,126
Purchases	4,205	-	893	6,588	32	11,718
Disposals	-	-	-	-	-	-
Amortisation	-	-17,505	-690	-2,762	-	-20,957
Closing carrying amount	**102,958**	**61,467**	**1,550**	**11,544**	**938**	**178,457**
31 December 2018						
Cost	102,958	82,201	2,910	17,304	938	206,311
Accumulated amortisation	-	-20,734	-1,360	-5,760	-	-27,854
Carrying amount	**102,958**	**61,467**	**1,550**	**11,544**	**938**	**178,457**

Goodwill

Goodwill arises in connection with company acquisitions. Allocation is made to the cash-generating units or groups of cash-generating units that are expected to benefit from the acquisition. During 2018 goodwill arose in connection with the acquisition of Rocket X (EUR 54.2 m), CasinoGrounds (EUR 2.9 m) and Pixel.bet (EUR 1.1 m). In total, goodwill in the Group amounted to EUR 103.0 m (44.6) at year-end.

Goodwill is allocated to cash-generating units in order to facilitate a review of any need to recognise impairment (no amortisation is done). In connection with the close of the reporting period an impairment test was performed for these cash-generating units. If the recoverable amount of an asset (or cash-generating unit) is estimated to be lower than the asset's carrying amount, an impairment loss shall be recognised. The recoverable amount for cash-generating units is determined by calculating value in use, which requires that certain assumptions must be made.

Forecast, rate of growth and margin

Calculation of the recoverable amount for the Group's cash-generating units has been done based on an average growth rate over a five-year forecast and is based in part on historical outcomes as well as on management's assessment of the market's development going forward with respect to the following:

- Sales volume: based on historical outcomes and management's assessment of the number of customers going forward and its specific rate of growth
- Pricing: based on current industry trends and management's other assumptions
- Margin: based on a weighted balance of historical outcomes, external analysis documentation for the relevant market, and management's experience and assessment

In addition to the above, it has been assumed that fixed costs normally do not vary significantly with sales volumes or prices. However, management estimates that, based on the current cash-generating unit's organisational structure, an increase in personnel costs should be expected to be able to meet the rate of growth and anticipated number of new customers. No future restructuring or cost-cutting measures are taken into account. Fixed costs, such as licence costs, are recorded as annual fees, while other operating expenses are judged to increase gradually, since certain businesses will be in a growth phase in the coming five years. Future cash flows have been estimated with a starting point from the asset's existing condition. No annual fees for investments have been identified as per the acquisition date, which is based on management's plans for the cash-generating unit.

Discount rate

The discount rate is calculated as the Group's weighted average cost of capital including a risk premium after tax (WACC). The discount rate reflects the market estimations of the time value of money and the specific risks associated with the asset. The risk premium differs between the cash-generating assets, as they work in different markets, are in different phases of growth, and the certainty of the forecasts varies. As from 2018 Winga S.r.l. is no a cash-generating unit, since it is part of the LeoVegas brand in the Italian market. The company performs technology and marketing services and is no longer regarded to be a cash-generating unit. During the year, the Group adjusted WACC according to new risk assessments.

Discount rate (WACC), %	2018	2017
Authentic Gaming	12	15
Winga S.r.l.	20	15
Royal Panda	12	18.5
Rocket X	12	-
CasinoGrounds	15	-
Pixel.bet	15	-

Sensitivity analysis

In a sensitivity analysis of all units, management has not identified any changes in the underlying assumptions that could give rise to the need to recognise impairment. Company management has tested and made the determination that a reasonable and possible change in the critical variables above would not have a material effect that they – each and on their own, or together – would decrease the recoverable amount to a value that is lower than the carrying amount.

Acquired, identified surplus value

During the year, the Group acquired identified surplus value of EUR 28.0 m (54.2). At year-end, the cost of acquired, identified surplus value was EUR 82.2 m. The largest part is attributable to the value of customer databases, which amount to EUR 48.6 m. In addition to this, the Group has identified trademarks and domain names for a value of EUR 29.4 m, licences for a value of EUR 3.8 m, and technical platforms for a value of EUR 0.4 m. After amortisation the total value amounts to EUR 61.5 m (51.0). The Group's identified surplus value is amortised at the following rates:

- Trademarks and domain names (2-8 years)
- Customer databases (2-4 years)
- Licences (indefinite useful life)
- Technical platforms (5 years)

Capitalised development costs

Capitalised development costs consist mainly of internally developed assets from Gears of Leo AB, the Swedish technology company that develops Rhino, the Group's gaming portal and technical platform. Having a proprietary technical platform enables LeoVegas to maintain effective control over product development and choice of technology. Accounting is done at cost less accumulated amortisation and any impairment losses. The capitalised development costs have a finite useful life and are amortised on a straight-line basis over a period of five years. The Group determines at the end of every accounting period if there is any indication of a need to recognise impairment. Capitalised development costs that are not yet completed and that are judged to have an unknown useful life are not amortised, but are tested annually for impairment, regardless of whether there is an indication of this or not. No need to recognise impairment has been identified.

NOTE 16 Participations in Group companies

The Parent Company's participations in Group companies are shown below.

EUR	2018	2017
As per 31 December		
Opening carrying amount	236	236
Acquisitions	-	-
Shareholder contributions	-	-
Closing carrying amount	**236**	**236**

Information on the Group's subsidiaries is provided in the following table:

Company name	Domicile	Corporate identity number	% of shares and votes 2018	Number of shares 2018	Carrying amount, EUR 2018	Carrying amount, EUR 2017
Subsidiaries of LeoVegas AB						
LeoVegas International Ltd*	Malta	C 53595	100	1,200	221,224	221,224
LeoVentures Ltd	Malta	C 72884	100	15,000	15,000	15,000
Subsidiaries of LeoVegas International Limited						
Mobile Labs B.V.	Curacao	124171	100	1,000		
Mobile Momentum N.V.	Curacao	131499	100	1,000		
LeoVegas Gaming P.l.c	Malta	C 59314	100	240,000		
Gears of Leo AB	Sweden	556939-6459	100	50,000		
Gaming Momentum Ltd	Malta	C 77934	100	1,200		
Winga S.r.l	Italy	MI-1951718	100	10,000		
Rocket X Ltd	UK	11035852	100	112		
World of Sportsbetting Ltd	Malta	C 55188	100	100,000		
Web Investments Ltd	Malta	C 58145	100	1,200		
Dotterbolag till Web Investment Limited						
Royal Panda Ltd	Malta	C 58222	100	240,000		
i-Promotions Ltd	Malta	C 47508	100	1,200		
Dynamic Web Marketing B.V	Netherlands	820721384	100	18,000		
Royal Panda Marketing Services Ltd	BVI	1778553	100	383		
Dotterbolag till LeoVentures Limited						
Authentic Gaming Ltd	Malta	C 70582	80	32,000		
21 Heads UP Ltd	Malta	C 74428	100	1,200		
Bromar Publications Ltd	Malta	1778553	100	1,200		
GameGrounds United AB	Sweden	559122-5460	51	6,342		
Pixel Holding Group Ltd	Malta	C 87545	51	1,200		
Dotterbolag till GameGrounds United AB						
Performance Pack Ltd	Malta	C83002	100	1,852,400		
Performance Media Ltd	Malta	C82999	100	1,851,200		
Dotterbolag till Pixel Holding Group Ltd.						
Pixel Digital Ltd	Malta	C87546	100	1,200		
Pixel Gaming Group B.V	Curacao	142249	100	347,463		

* 1 Class B share is owned by Gustaf Hagman since 2018, without a voting right.

NOTE 17 Receivables from Group companies

EUR 000s	2018	2017
Current receivables		
Receivables falling due within one year	12,770	5,763
Non-current receivables		
Receivables falling due between two and five years	15,486	12,537
Total	**28,256**	**18,300**

EUR 000s	2018	2017
Fordringar hos Koncernbolag		
LeoVegas International Limited	16,413	9,308
LeoVegas Gaming Limited	678	808
Winga S.r.l	1,273	1,274
LeoVentures Limited	958	991
Gears of Leo AB	8,934	5,919
Total	**28,256**	**18,300**

The Parent Company LeoVegas AB has issued a debt coverage guarantee to Group companies for its intra-Group receivables, see Note 26.

NOTE 18 Trade and other receivables

EUR 000s	2018	2017
Group		
Receivables from payment service providers	21,119	11,788
Other receivables	8,149	3,390
Total	**29,268**	**15,178**

EUR 000s	2018	2017
Parent Company		
Other receivables	55	5
Total	**55**	**5**

For trade and other receivables with short due dates, valuation is done at their nominal amount. At every balance sheet date an assessment is made of expected credit losses in accordance with the Expected Loss model, whereby a credit loss provision may also be made for potential, expected losses. For the comparison period, calculation of impairment of trade and other receivables is based on the incurred loss model.

Of receivables from payment service providers totalling EUR 21,119 thousand, EUR 3,683 thousand was "cash-in-transit" at the end of the reporting period. This does not mean that these are past-due, but refers to payments currently in process.

The Group had no receivables that were past-due as per the end of the reporting period and does not believe that any need to recognise impairment exists. No impairment losses were recognised for receivables in 2018 or 2017. Based on the credit history together with the loss history, the amounts are expected to be received by the due date. The Group also works with well-established payment service providers, entailing that future credit risk is limited. The Group also has frequent settlement of these receivables. In cases where a payment service provider indicates difficulties in making payments, the Group can shut down the provider and thereby mitigate the credit risk. Against the background of the above, the provision for expected credit losses is judged to be near zero, as the credit risk is judged to be very limited. The Group has not pledged any assets as security for these receivables.

EUR 000s	2018	2017
Group		
<30 days	3,683	2,438
30-60 days	-	-
61-90 days	-	-
>90 days	-	-
Total	**3,683**	**2,438**

Further information about the Group's financial risks is provided in Note 30.

NOTE 19 Prepaid expenses and accrued income

EUR 000s	2018	2017
Group		
Prepaid rents and leases	634	353
Prepaid marketing costs	5,825	4,980
Other prepayments	1,244	1,741
Accrued income	65	-
Total	**7,768**	**7,074**

EUR 000s	2018	2017
Parent Company		
Prepaid rents and leases	33	-
Other prepayments	25	63
Total	**58**	**63**

NOTE 20 Cash and cash equivalents

EUR 000s	2018	2017
Group		
Cash and cash equivalents	56,738	52,758
Less: restricted funds (customer balances)	-11,922	-7,097
Cash and cash equivalents, net after restricted amounts	**44,816**	**45,661**

EUR 000s	2018	2017
Parent Company		
Cash and cash equivalents	326	2,975
Cash and cash equivalents	**326**	**2,975**

The Group's cash and cash equivalents include restricted customer balances of EUR 11,922 thousand (7,097). In its capacity as a manager of customer balances, the Group holds restricted liquid assets that belong to players. The corresponding amount is also classified as a current liability, see Note 23.

NOTE 21 Share capital and warrants

SEK	2018	2017
Shares		
Common shares		
Fully paid	101,652,970	99,695,470
Unregistered	-	-
Total	**101,652,970**	**99,695,470**

EUR	2018	2017
Fully paid	1,219,836	1,196,346
Share quota value	0.0120	0.0120

Conversion of warrants

The number of shares and votes in LeoVegas AB (publ) changed during the year through the issuance of 1,957,000 new shares through the exercise of warrants, resulting from the incentive programme adopted by the AGM in 2015. The programme included a total of 500,000 warrants that carried entitlement to subscribe for 2,000,000 new shares (after a 1:4 share split). The subscription price for the shares (the redemption price) was set in connection with their grant at EUR 1.75. The price per warrant upon subscription was EUR 0.27. Valuation was done using a generally accepted valuation model, Black & Scholes, which reflected the market value. After exercise of the warrants, the total number of shares and votes in LeoVegas AB (publ) is 101,652,970. After conversion the share capital increased by EUR 23,490.01 and now amounts to EUR 1,219,835.65. In connection with the transfer, the respective warrant holders signed a warrant agreement containing standard terms for this type of agreement, including stipulations on purchase rights, preferential rights and a duty to observe confidentiality.

Ongoing incentive programmes
In 2017 and 2018, the new incentive programmes for the Company's employees were created and approved by the respective years' AGMs. Under these incentive programmes, which expire in June 2020 and June 2021, respectively, there are an additional 2,250,000 outstanding warrants that carry entitlement to subscribe for shares. Neither of these warrant programmes had a dilutive effect during the year, as the subscription price is higher than what the shares traded for during the period. The right to subscribe for the warrants was conferred only to the Company's wholly owned subsidiary Gears of Leo AB, with the right and obligation for the subsidiary to transfer the warrants to senior executives, other employees and key persons, who are or will become employed by the Company or within the Group, at a price that is not less than the fair market value of the warrant according to the Black & Scholes valuation model and otherwise on the same terms as in the issuance. No benefit or remuneration was received by the employees, and therefore no personnel cost is recognised in the income statement, in accordance with IFRS 2. In connection with the transfer, the respective warrant holders signed a warrant agreement containing standard terms for this type of agreement, including stipulations on purchase rights, preferential rights and a duty to observe confidentiality.

Incentive programme 2017/2020
At an Extraordinary General Meeting on 23 August 2017 it was resolved to issue not more than 1,000,000 warrants with deviation from the shareholders' preferential rights. Each warrant carries entitlement to subscribe for one new share in the Company during the period 1 June–15 June 2020 at a subscription price of SEK 114 per share. A total of 376,100 warrants have been transferred from Gears of Leo AB to the persons entitled to subscribe, including a person in Group Management, which also correspond to fair market value according to the Black & Scholes valuation model. Total Other capital contributions in the Group increased by EUR 177 thousand through premiums for the warrants. As per the balance sheet date, the remaining portion (623,900 warrants) were held by the wholly owned subsidiary Gears of Leo AB.

Incentive programme 2018/2021
At an Extraordinary General Meeting on 29 May 2018 it was resolved to issue not more than 1,250,000 warrants with deviation from the shareholders' preferential rights. Each warrant carries entitlement to subscribe for one new share in the Company during the period 1 June–15 June 2021 at a subscription price of SEK 124.55 per share. A total of 633,766 warrants have been transferred from Gears of Leo AB to the persons entitled to subscribe, including a person in Group Management, which also correspond to fair market value according to the Black & Scholes valuation model. Total Other capital contributions in the Group increased by EUR 419 thousand through premiums for the warrants. As per the balance sheet date, the remaining portion (616,234 warrants) were held by the wholly owned subsidiary Gears of Leo AB.

Warrants held by the Company
A total of 1,240,134 warrants were held by the Company at the end of the reporting period.

Dividend
The Board of Directors proposes a dividend of SEK 1.20 (1.20) per share, corresponding to EUR 0.12 (0.12) per share. The total proposed dividend to the Parent Company's shareholders for the full year 2018 is SEK 121,983,564 (119,634,564), corresponding to EUR 11,871,533 (12,156,156). The dividend in euros for the full year 2018 has been calculated based on the exchange rate on 31 December 2018 (see also Note 32).

NOTE 22 Non-current liabilities

EUR 000s	2018	2017
Group		
Non-current liabilities to credit institutions	69,642	20,015
Other non-current liabilities	961	942
Deferred tax liabilities	2,765	2,854
Total	**73,368**	**23,811**

EUR 000s	2018	2017
Parent Company		
Non-current liabilities to credit institutions	10,000	-
Total	**10,000**	**-**

As per 31 December 2018 the Group has a non-current liability to credit institutions of EUR 69.6 m (20.0). On 24 October 2017 the Group signed an agreement with a leading bank for a loan facility of EUR 100 m. Of this amount, EUR 40 m is a Revolving Credit Facility (RCF).

The financing has a term of three years, and amortisation will commence in the second quarter of 2019 in the amount of EUR 10 m quarterly. Of the total loan credit, EUR 30 m (0) has thus been reclassified as a current liability in the Group.

EUR 000s	2018	2017
Group, reclassification to current liability		
Current liability to credit institution	30,000	-
Total	**30,000**	**-**

The fair value of the Group's non-current and current borrowings is assessed in all essential respects to correspond to the carrying amount, as the loans carry variable, market rates of interest for long-term borrowing, and the discounting effect is negligible for short-term borrowing.

The interest rate on the financing is approximately 2%. The loan carries variable interest, where the EUR portion is based on the development of three-month EURIBOR plus 175 points. The loan is subject to customary borrowing terms and is unsecured. The Parent Company LeoVegas AB shall guarantee all of the Group companies' loan obligations and may not pledge any assets to another party. As per the date of publication of this annual report a total of EUR 100 m of the loan facility had been utilised. After the end of the quarter the available bank facility was increased to a total of EUR 140 m when an expanded RCF was contracted as an amendment to the existing loan agreement. The interest rate on the additional financing is 1.4%. The loan carries a variable interest rate, where the EUR portion is based on the development of three-month EURIBOR plus 140 points

Other non-current liabilities in the Group amount to EUR 961 thousand (942), which represents the value of the fixed call option of EUR 1 m that LeoVegas reports since the acquisition of the Authentic Gaming business in 2015. The liability for the call option is reported in accordance with management's best estimate and has been discounted to present value using a discount rate of 2% to reflect the market value. The valuation is reviewed quarterly and is adjusted against the income statement if the fair value deviates from the carrying amount. LeoVegas has an option to buy the remaining shares within five years from the date of acquisition. The Group has reported the acquisition of the Authentic Gaming business as a 100% ownership, whereby the Group shall also recognise a financial liability to account for the future exercise of the fixed-price call option.

In addition to the liability for the call option, the Group has reported a deferred tax liability of EUR 2,765 m (2,854), which is related to Group surplus value from acquisitions. The deferred tax has been classified as a non-current liability, since it is not expected to be paid within one year from the balance sheet date.

Following is the Group's reconciliation of liabilities that stem from the financing activities and how it affected cash flow during the year.

EUR 000s	CB 2017 Financial liabilities	Cash flows 2018	Non-cash change (financing activities) Arrangement fee	Non-cash change (financing activities) Exchange rate differences	CB 2018 Financial liabilities
Loans from credit institutions					
Due within 1 year	-	30,000	-	-	30,000
Due after 1 year	20,015	49,475	152	-	69,642
Total liabilities attributable to financing activities	**20,015**	**79,475**	**152**	**-**	**99,642**

NOTE 23 Trade and other payables

EUR 000s	2018	2017
Group		
Trade payables	6,638	7,531
Payroll tax and other statutory liabilities	1,586	818
Other payables	9,798	6,469
Payable to players	11,922	7,097
Total	**29,944**	**21,915**

EUR 000s	2018	2017
Parent Company		
Payable to Group companies	277	-
Trade payables	109	452
Other payables	3	7
Payroll tax and other statutory liabilities	96	29
Total	**485**	**488**

Trade payables are typically paid within 30 days from recognition. Owing to their nature, the carrying amount of trade and other payables is assumed to correspond to the market value.

NOTE 24 Accrued expenses and deferred income

EUR 000s	2018	2017
Group		
Accrued gaming expenses	6,210	7,292
Accrued marketing costs	10,121	10,283
Accrued payroll and remuneration costs	1,149	697
Auditors' fees	197	127
Consulting and legal fees	789	369
Other accrued expenses	13,391	8,534
Deferred income	137	-
Total	**31,994**	**27,302**

EUR 000s	2018	2017
Parent Company		
Accrued payroll and remuneration costs	200	100
Auditors' fees	68	57
Consulting and legal fees	44	187
Other accrued expenses	110	25
Total	**422**	**369**

NOTE 25 Liability and provision for conditional purchase price (earn-out)

In connection with the acquisition of Royal Panda the Group had an outstanding liability as the close of the balance sheet date for a calculated, contingent earn-out payment. As per the balance sheet date the liability for this contingent earn-out is EUR 9.0 m (36.4). The provision has been measured at fair value, of which the present value of the amount that can be expected to be required to settle the obligation has been reported. During the year an earnings effect of EUR 27.0 m (0.1) arose, which has affected the Group's net financial income. The remeasurement had no cash flow effect during the period. The measurement period for the earn-out ended on 1 December, and communication has been initiated to determine the final earn-out payment.

EUR 000s	2018	2017
Group		
Contingent earn-out payment for acquisition	9,000	36,381
Total	**9,000**	**36,381**
Of which, to be settled within 12 months	9,000	36,381
Of which, to be settled after more than 12 months.	-	-

During the year, all liabilities not linked to the additional purchase price (earn-out), for the acquisition were settled.

EUR 000s	2018	2017
Group		
Liability for acquisition	-	13,644
Total	**-**	**13,644**
Of which, to be settled within 12 months	-	13,644
Of which, to be settled after more than 12 months.	-	-

NOTE 26 Pledged assets

The Group has no pledged assets for the loan raised in 2018. The loan is unsecured. However, the Parent Company LeoVegas AB shall guarantee all of the Group's loan obligations to the bank.

LeoVegas AB has issued a debt coverage guarantee of EUR 20,256 thousand (18,300) to all Group companies for its intra-Group receivables.

NOTE 27 Contingent liabilities

The Group does not have any guarantee obligations, financial obligations or contingent liabilities that are not included on the balance sheet.

NOTE 28 Transactions with related parties

The Parent Company has a related party relationship with its subsidiaries, mainly pertaining to lending of cash and cash equivalents and performance of management services. Transactions with related parties are prices on an arm's length basis.

At present there is a related party relationship for rents of company apartments to companies owned by the Lidfeldt family, since its part-owners are determined to have a related party relationship with the CEO of the Parent Company LeoVegas AB. Payments and expenses during the year for these were made with a value of EUR 44 thousand (339). The balance at year-end was EUR 15 thousand (15) and is reported as a trade payable.

In addition to the related party relationship above, Chairman of the Board Mårten Forste performed consulting services for the Company for a value of EUR 64 thousand in 2018.

EUR 000s	2018	2017
Parent Company		
Sales of services to Group companies	988	1,411
Result of participations in Group companies	7,779	1,450
Interest income from Group companies	618	623
Interest expenses to Group companies	-253	
Total	**9,132**	**3,484**
Receivables from Group companies	28,256	18,300
Accumulated impairment losses, receivables from Group companies	-	-
Carrying amount of receivables from Group companies	**28,256**	**18,300**
Liabilities to Group companies	277	0
Accumulated impairment losses, liabilities to Group companies	-	-
Carrying amount of liabilities to Group companies	**277**	**0**

The Annual General Meeting on 29 May 2018 resolved in favour of a new warrant programme for employees and key persons. For remuneration of senior executives, see Note 6. For information on board members' ownership, see the Corporate Governance Report.

NOTE 29 Financial assets and financial liabilities

Since 1 January 2018 the Group reports its financial assets and liabilities in accordance with IFRS 9. The transition from IAS 39 to IFRS 9 is presented in the tables below. No significant effect on the Group's financial statements has arisen as a result of the transition.

Starting on 1 January 2018 the Group classifies and measures its financial assets in the category "Financial assets measured at amortised cost". This is because the assets are part of a business model where the goal is to collect contractual cash flows ("Hold to collect"), and the contract terms give rise at specific points in time to cash flows that consist only of principal and interest on the outstanding principal. For the comparison period, the Group classifies its financial assets in the category "Loan receivables and trade receivables".

For trade and other receivables with short terms, subsequent measurement is done at their nominal amounts less amounts that are not expected to be received. Financial assets are reported in the consolidated balance sheet under "Trade and other receivables" and "Cash and cash equivalents".

	2018	2017
Financial assets	**Classification/measurement**	**Loan receivables and trade receivables**
Trade and other receivables	Financial assets measured at amortised cost	Loan receivables and trade receivables
Cash and cash equivalents	Financial assets measured at amortised cost	Loan receivables and trade receivables

Starting on 1 January 2018 the Group classifies and measures its financial liabilities in the categories "Financial liabilities measured at amortised cost" and "Financial liabilities measured at fair value through profit or loss". For the comparison period, the Group classifies its financial liabilities in the categories "Financial liabilities measured at amortised cost" and "Liabilities measured at fair value through profit or loss", i.e., on the same basis for both years.

For financial liabilities that are to be measured at amortised cost, measurement is done initially at fair value and thereafter at amortised costs using the effective interest method.

	2018	2017
Financial liabilities	**Classification/measurement**	**Classification/measurement**
Trade and other payables	Financial liabilities measured at amortised cost	Financial liabilities measured at amortised cost
Payable to players	Financial liabilities measured at amortised cost	Financial liabilities measured at amortised cost
Liabilities to credit institutions	Financial liabilities measured at amortised cost	Financial liabilities measured at amortised cost
Accrued expenses	Financial liabilities measured at amortised cost	Financial liabilities measured at amortised cost
Other non-current liabilities	Financial liabilities measured at fair value through profit or loss	Financial liabilities measured at fair value through profit or loss
Current liability pertaining to acquisitions	Financial liabilities measured at amortised cost	Financial liabilities measured at amortised cost
Provision for estimated contingent consideration	Financial liabilities measured at fair value through profit or loss	Financial liabilities measured at fair value through profit or loss

EUR 000s	Note	2018	2017
Group			
Financial assets			
Trade and other receivables	18	29,268	15,178
Cash and cash equivalents	20	56,738	52,758
Total		**86,006**	**67,936**
Financial liabilities			
Trade and other payables	23	18,022	14,818
Payable to players	23	11,922	7,097
Non-current liability to credit institutions	22	69,642	20,015
Current liability to credit institutions	22	30,000	-
Accrued expenses	24	31,994	27,302
Other non-current liabilities	22	961	942
Current liability pertaining to acquisitions	25	-	13,644
Provision for estimated contingent consideration	25	9,000	36,381
Total		**171,541**	**120,199**

EUR 000s	Note	2018	2017
Company			
Financial assets			
Receivables from Group companies	17	28,256	18,300
Other receivables	18	55	5
Cash and cash equivalents	20	326	2,975
Total		**28,637**	**21,280**
Financial liabilities			
Non-current liability to credit institutions	22	10,000	-
Trade and other payables	23	206	488
Accrued expenses	24	422	369
Total		**10,628**	**857**

NOTE 30 Management of financial risks and financial instruments

The Group's financial activities are conducted in accordance with a Treasury policy adopted by the Board of Directors that is characterised by an ambition to minimise the Group's risk level. This note describes the Group's exposure to financial risks and how these may affect the Group's financial position in the future. The Group's financial risk exposure includes market risk (currency and interest rate risks), credit risk and liquidity risk. Financial risk management is coordinated via the Parent Company. Subsidiary funding is conducted mainly via the Parent Company. The wholly owned operating subsidiaries are independently responsible for managing their financial risks within the parameters set by the Board of Directors after coordination with the Parent Company.

Market risk

Currency risk

The Group operates internationally and is exposed to currency risks arising in connection with various currency exposures, mainly between the Swedish krona and the British pound. Currency risks arise in connection with future commercial transactions, and reported assets and liabilities that are booked in a currency other than the Company's functional currency. The Group's reporting currency is euro (EUR). All companies in the LeoVegas Group report in euros, but the Group has both revenue and expenses in several different currencies. As a result, the Group's earnings and equity are exposed to changes in exchange rates. Group companies that conduct transactions in currencies other than the reporting currency are translated to the Group's reporting currency. Translation differences that arise between the exchange rate on the transaction date and the exchange rate on the payment date, or balance sheet date, are recognised in the income statement as income or an expense. The Group strives to minimise the effects in the income statement. As far as possible, every operating subsidiary in the Group shall strive to match incoming and outgoing payment flows in the same currency.

The table below provides a summary of the Group's exposure to currency risks based on the following nominal assets and liabilities:

31 December 2018	Net exposure
SEK	10,424
GBP	15,701
Other currencies	8,491

31 December 2017	Net exposure
SEK	15,575
GBP	8,376
Other currencies	31,953

The following significant exchange rates were applied during the year:

	2018		2017	
	Average rate	Spot rate	Average rate	Spot rate
SEK	10.26	10.25	9.64	9.84
GBP	0.88	0.89	0.88	0.89

Sensitivity analysis

The Group has performed a sensitivity analysis of how earnings and equity would have been affected by exchange rate fluctuations during the year. Two analyses were performed.

A sensitivity analysis of the year's revenue and expenses in the Group shows that a 5% increase or decrease in the value of EUR against other currencies would affect the Group's EBITDA by approximately EUR 4.2 m (4.6). In this calculation, the average exchange rate for the year has been applied as the starting point for translation of revenue and expenses per local currency. Assuming a 5% increase or decrease in the value of EUR against all other currencies in the Group, the effect would be approximately EUR 8.3 m (7.9) of total net sales. The analysis is based on the assumption that all currencies would fluctuate against EUR and does not take into account the correlation between these currencies.

A sensitivity analysis of assets and liabilities as per the balance sheet date at the end of the reporting period shows that a 5% strengthening of EUR against SEK and GBP would have decreased the Group's profit or loss (and equity) by EUR 0.5 m (0.4) for SEK and by EUR 0.8 m (0.8) for GBP.

Interest rate risk

The Group's revenue and cash flows from operations are largely independent of changes in interest rates in the market. At the end of the reporting period the Group had credit facilities totalling EUR 100 m that were fully utilised. The interest rate is in accordance with customary loan terms and is estimated to be approximately 2%. After the end of the quarter, the existing bank facility was increased by EUR 40 m, to a total of EUR 140 m. The expanded credit facility is an amendment to an existing credit facility with a revised, lower interest rate. The interest rate is in accordance with customary loan terms and is estimated to be approximately 1.4%.

Changes in interest rates in the market are not expected have any material impact on the Group's financial position and earnings. Most of the Group's liquid assets are held in transaction accounts in order to ensure that liquidity required to finance the Group's operations. The Group has the opportunity to utilise an additional EUR 40 m in loans from credit institutions. Debt financing will be used for future, specific needs in the operations. The Group's interest-bearing assets and liabilities are not exposed to any major interest rate risks.

Credit risk

Credit risk in the Group arises from liquid assets and trade receivables. LeoVegas has limited credit risk since the Group's external customers are private persons, and payments for LeoVegas' online gaming sites are made in advance through customers deposits. There are thus no outstanding receivables for the Group's external customer base related to the gaming activities. However, the Group does have credit risk vis-à-vis companies that provide payment services. To mitigate this credit risk, LeoVegas works with well established vendors in the industry and settles outstanding receivables with short intervals (within 1 month).

Other credit risk that the Company is exposed to includes the risk of fraudulent transactions and repayments to customers from banks or other payment service providers. The Group has a dedicated department that monitors and checks attempted fraud and follows up chargebacks to reduce credit risk.

The Group's cash and cash equivalents are managed by banks with high credit ratings. The Swedish bank, SEB, has a credit rating of AAA (Fitch), while the Maltese bank, Bank of Valetta, has a credit rating of BBB (Fitch).

The maximum exposure to credit risks as per the balance sheet date with respect to financial assets is reported below. The Group does not hold any collateral as security in this respect. The Group believes that at present it has taken sufficient measures to reasonably protect itself from fraud and credit risks and that there were no material credit risks at the end of the reporting period.

EUR 000s	Note	2018	2017
Group			
Receivables from payment service providers	18	21,119	11,788
Other receivables	18	8,149	3,390
Cash and cash equivalents	20	56,738	52,758
Total loans and cash and cash equivalents		**86,006**	**67,936**

EUR 000s	Note	2018	2017
Parent Company			
Other receivables	18	55	5
Cash and cash equivalents	20	326	2,975
Total loans and cash and cash equivalents		**381**	**2,980**

Liquidity risk

Prudent liquidity risk management entails that the Group has sufficient liquid assets and financing opportunities for its operations. Liquidity risk is monitored at the Group level by ensuring that sufficient funds are available for every subsidiary in the Group. The Company is exposed to liquidity risks associated with meeting future obligations. The Company's liquidity risk is considered to be immaterial with respect to the matching of inflows and outflows of liquid funds from expected maturities of financial instruments.

At the end of the reporting period the Group had secured debt financing of SEK 100 m, which was fully utilised. The loan facility was used to act on acquisitions at the end of 2017 (Royal Panda) and also at the start of 2018, when Royal X was acquired for cash payment. After the end of the quarter, the available bank facility was expanded by an additional EUR 40 m.

In addition, the Group has a liability for restricted funds (customer balances) of EUR 11,922 thousand (7,097). The Group always maintains a balance of cash and cash equivalents that is higher than customers' balances. The table below shows the Group's financial liabilities and their respective due dates.

Contractual maturities of financial liabilities at 31 December 2018

EUR 000s	Carrying amount 2018	Less than 1 year
Trade and other payables	18,022	18,022
Payable to players	11,922	11,922
Accrued expenses	31,994	31,994
Current liability pertaining to acquisitions	-	-
Provision for contingent earn-out payment for acquisition	9,000	9,000
Current portion of non-current liability	30,000	30,000
Total	**100,938**	**100,938**

EUR 000s	Carrying amount 2018	More than 1 year
Non-current liabilities to credit institutions	69,642	69,642
Other non-current liabilities	961	961
Total	**70,603**	**70,603**

Contractual maturities of financial liabilities at 31 December 2017

KEUR	Carrying amount 2017	Less than 1 year
Trade and other payables	14,818	14,818
Payable to players	7,097	7,097
Accrued expenses	27,302	27,302
Current liability pertaining to acquisitions	13,644	13,644
Provision for contingent earn-out payment for acquisition	36,381	36,381
Total	**99,242**	**99,242**

KEUR	Carrying amount 2017	More than 1 year
Non-current liabilities to credit institutions	20,015	20,015
Other non-current liabilities	942	942
Total	**20,957**	**20,957**

Management of capital risks

The goal of the Group's capital management is to ensure the Group's ability to uphold continuous operations and thereby generate a return for the shareholders and benefits for other stakeholders. The goal is also to maintain an optimal capital structure that both reduces the cost of capital and provides sufficient financing for expansion of the business. To uphold or modify the capital structure, the Group may adjust the amount of dividends paid to the shareholders, return capital to the shareholders, issue new shares, or sell assets.

Risks associated with calculation of the fair value of financial instruments

The carrying amount less provisions for impairment of trade and other receivables and trade and other payables is assumed to correspond their fair values. The fair value of financial liabilities for accounting purposes is estimated by discounting future contractual cash flows using the prevailing market interest rate that is available for the Group for similar financial instruments.

The following table shows the Group's financial liabilities measured at fair value as per 31 December 2018. According to IFRS 13, management must identify a hierarchy with three levels of financial assets and liabilities at fair value.

2018	Level 1	Level 2	Level 3
Financial liabilities			
Financial liabilities measured at fair value through profit or loss:			
Other non-current liabilities (fixed-price option)	-	-	961
Contingent consideration	-	-	9,000
Total financial liabilities (CB)	**-**	**-**	**9,961**

2017	Level 1	Level 2	Level 3
Financial liabilities			
Financial liabilities measured at fair value through profit or loss:			
Other non-current liabilities (fixed-price option)		-	942
Contingent consideration	-	-	36,381
Total financial liabilities (CB)	**-**	**-**	**37,323**

The Group has measured the provision at fair value for the contingent consideration related to the acquisition of Royal Panda as well as the value of the fixed-price option related to the acquisition of Authentic Gaming in accordance with the "Level 3" fair value. These have thereby been measured using opening values based on non-observable market data. Fair value has been determined based on present value discounting and discounting interest rates to reflect the market risk.

Changes in fair value are recognised through profit or loss. A reasonable change in assumptions would not result in any significant change in fair value. No transfers were made between different levels of the fair value hierarchy during the year.

NOTE 31 Acquisitions of businesses

Acquisition – Rocket X

LeoVegas acquired assets from Intellectual Property & Software Limited ("IPS") and European Domain Management Ltd ("EDM"), and the assets and operations of Rocket 9 Ltd (collectively referred to as "Rocket X")

On 12 January 2018 it was announced that LeoVegas – through its wholly owned subsidiary LeoVegas Gaming Ltd – entered into an agreement to acquire assets from the gaming operator Intellectual Property & Software Limited ("IPS") and related assets from European Domain Management Ltd ("EDM"), both based in Alderney, Channel Islands. In addition, LeoVegas – through a wholly owned British subsidiary – reached an agreement to acquire the assets and operations of Rocket 9 Ltd ("Rocket 9"). Rocket 9 is a marketing business based in Newcastle, England, where all 85 of the company's employees were based at the time of acquisition. These assets are collectively named Rocket X going forward. Transfer of possession and consolidation took place on 1 March 2018. The total purchase price was GBP 65 m (EUR 73.6 m). The acquisition was financed with existing cash holdings and debt financing. The Group used EUR 60 m of existing credit that is included in a total loan facility of EUR 100 m.

Rocket X's strategy focuses on digital and data-driven customer acquisition that incorporates search engine optimisation with multiple brands and customer acquisition sites. This has made Rocket X one of the market's most effective customer acquisition models. The acquisition has given LeoVegas as strong foothold in the UK with local expertise.

Accounting effects

The acquisition consisted of an asset/liability transfer, and no shares were taken over. During the year Rocket X contributed EUR 32.7 m to the Group's revenue and EUR 3.4 m to EBITDA (corresponding to 10 months). If LeoVegas had owned Rocket X from 1 January 2018, it would have contributed EUR 41.1 m to the Group's revenue and EUR 6.2 m to operating profit at the end of the quarter.

The table below shows a finalised purchase price allocation and summarises the total purchase price of EUR 73.6 m, measured at fair value, as well as the fair value of acquired assets and liabilities taken over. Current receivables and liabilities include no derivatives, and fair value is the same as the carrying amount. Identified surplus value pertains to intangible assets in the form of trademarks and domain names, valued at EUR 7.1 m, and the acquired customer database, valued at EUR 12.2 m. The intangible assets are measured at fair value as per the date of acquisition and are amortised over the estimated useful life, which corresponds to the estimated time they will generate cash flow. Continuing amortisation of the acquired trademarks and domain names will be charged against consolidated profit at a straight-line amortisation rate of five years. Amortisation of the acquired customer database has been charged against consolidated profit at an amortisation rate of two years for the first three months and is being charged at a rate of four years for the remaining 45 months.

Goodwill is attributable to future revenue synergies, which are based on the potential to reach new customers through access to new markets and thus geographic expansion. Goodwill is to some extent also attributable to human capital. The acquisition is expected to have a positive effect on the Group's EBITDA, but a marginally negative effect on EBIT and earnings per share due to higher amortisation attributable to surplus value in the Group.

Purchase price allocation Rocket X (EUR 000s)	1/3/2018
The acquired company's carrying amounts as per the date of acquisition	**Measured at fair value**
Property, plant and equipment	149
Intangible assets	19,350
Financial assets	-
Trade and other receivables	1,770
Cash and cash equivalents	3,973
Trade and other payables	-5,743
Deferred tax liabilities	-
Total acquired, identifiable net assets at fair value	**19,499**
Goodwill	**54,149**
Purchase price	**73,648**
Purchase price (fair value)	
Consideration paid 31 March 2018	73,648
Total purchase price	**73,648**
Identified surplus value	
Trademarks and domain names	7,125
Acquired customer database	12,225
Total identified surplus value:	**19,350**

Acquisition – CasinoGrounds

LeoVegas acquired 51% of CasinoGrounds through its wholly owned subsidiary LeoVentures

Through its wholly owned subsidiary LeoVentures Ltd, the Group signed an agreement to acquire 51% of the shares in GameGrounds United AB (CasinoGrounds), which is the company behind the streaming network casinogrounds.com. CasinoGrounds is the leading live streaming site for casino games via YouTube and Twitch and has carved out a new niche with its live streaming and social platform, which are very popular among players. The combination of proprietary content and moving picture format creates interesting opportunities going forward and is in line with LeoVegas' strategy to be an innovative and entrepreneur-driven company. Transfer of possession and consolidation took place on 1 January 2018. The purchase price was SEK 30 m, with a potential, maximum earn-out payment of SEK 15 m. During the second quarter the milestones for payment of the full earn-out were reached – something that LeoVegas had counted on from the start. The earn-out payment was made during the third quarter. In addition, the agreement includes an option to purchase an additional 29% of the shares in 2021 or 2022 at 5 times operating profit (EBIT multiple). The acquisition was paid for with own cash.

Accounting effects

The table below shows a finalised purchase price allocation and summarises the total purchase price of EUR 8.5 m (adjusted for non-controlling interest), measured at fair value, as well as the fair value of acquired assets and liabilities taken over. Identified surplus value pertains to intangible assets in the form of the acquired customer database, valued at EUR 3.7 m. The intangible assets are measured at fair value as per the date of acquisition and are amortised over the estimated useful life, which corresponds to the estimated time they will generate cash flow. Amortisation of the acquired customer database has been charged against consolidated profit at an amortisation rate of two years for the first three months and is being charged at a rate of four years for the remaining 45 months.

Goodwill is attributable to future revenue synergies, which are based on the potential to use existing knowledge to scale up the acquired business and thereby achieve expansion. Goodwill is to some extent also attributable to human capital. The acquisition is not expected to have any material effect on the Group's EBITDA or earnings per share.

Purchase price allocation CasinoGrounds (EUR 000s)	**1/1/2018**
The acquired company's carrying amounts as per the date of acquisition	**Measured at fair value**
Property, plant and equipment	-
Intangible assets	5,540
Financial assets	-
Trade and other receivables	368
Cash and cash equivalents	347
Trade and other payables	-126
Deferred tax liabilities	-553
Total acquired, identifiable net assets at fair value:	**5,575**
Goodwill	**2,907**
Purchase price, adjusted for non-controlling interests (100%)	**8,482**
Purchase price (fair value)	
Consideration paid at time of acquisition	3,054
Estimated earn-out payment	1,272
Total purchase price 51%	4,326
Total purchase price, adjusted 100%	**8,482**
Identified surplus value	
Acquired customer database	3,690
Total identified surplus value:	**3,690**

Acquisition – Pixel.bet

LeoVegas, through its wholly owned subsidiary LeoVentures, invested esports betting – Pixel.bet

The LeoVegas Group, through its wholly owned investment company LeoVentures Ltd, acquired Pixel Holding Group Ltd, which runs the esports betting operator Pixel.bet. This investment in Pixel.bet gives LeoVegas unique insight into a new and fast-growing segment. In its next phase Pixel.bet is gearing up for a broader launch of its business. Sweden and the Nordics are initial focus markets, with clear potential to grow further internationally. Pixel.bet has the ambition to position itself as the leading brand in esports betting. The investment amounted to EUR 1.5 m for 51% of the company and was carried out through a new share issue. Pixel.bet's vision is to create the greatest gaming experience in esports via www.pixel.bet. Transfer of possession and consolidation took place on 5 September 2018.

Accounting effects

The table below shows a preliminary purchase price allocation and the total purchase price (adjusted for non-controlling interest) of EUR 2.9 m measured at fair value as well as the fair value of acquired assets and liabilities taken over. Identified surplus value pertains to intangible assets in the form of a technical platform, valued at EUR 0.4 m. The intangible assets are measured at fair value as per the date of acquisition and are amortised over the estimated useful life, which corresponds to the estimated time they will generate cash flow. Amortisation of the technical platform is being charged against consolidated profit at an amortisation rate of five years.

Goodwill is attributable to future revenue synergies, which are based on the potential to use existing knowledge to scale up the acquired business and thereby achieve expansion. Goodwill is to some extent also attributable to human capital. The acquisition is not expected to have any material effect on the Group's EBITDA or earnings per share.

Preliminary purchase price allocation* Pixel.bet (EUR 000s)	**5/9/2018**
The acquired company's carrying amounts as per the date of acquisition	**Measured at fair value**
Property, plant and equipment	-
Intangible assets	372
Financial assets	-
Trade and other receivables	1,505
Cash and cash equivalents	9
Trade and other payables	-45
Deferred tax liabilities	-19
Total acquired, identifiable net assets at fair value:	**1,823**
Goodwill	**1,118**
Purchase price, adjusted for non-controlling interest (100%)	**2,941**
Purchase price (fair value)	
Total purchase price 51%	1,500
Total purchase price, adjusted 100%	**2,941**
Identified surplus value	
Technical platform	372
Total identified surplus value:	**372**

** A purchase price allocation is preliminary until it has been finalised. A purchase price allocation is finalised as soon as necessary information about assets/liabilities at the time of acquisition has been obtained, but not later than one year from the date of acquisition.*

NOTE 32 Proposed distribution of profit

LeoVegas' dividend policy is to pay a dividend, over time, of at least 50% of profit after tax.

The following funds are at the shareholders' disposal as per 31 December 2018.

The following unrestricted shareholders' equity in the Parent Company is at the disposal of the Annual General Meeting (EUR)

Share premium reserve	41,248,970
Profit brought forward	-27,593,223
Net profit for the year	5,1110,541
Total	**18,766,288**
Payment of dividend to the shareholders (101,652,970 shares x EUR 0.12)	-11,871,533
Profit brought forward	**6,894,755**

The Board of Directors proposes a dividend of SEK 1.20 per share (1.20), corresponding to EUR 0.12 (0.12) per share. The total proposed dividend to the Parent Company's shareholders for the full year 2018 amounts to SEK 121,634,564 (119,634,564), corresponding to EUR 11,871,533 (12,156,156). The dividend in EUR for the full year 2018 has been calculated at the exchange rate in effect on 31 December 2018. The remainder of retained profit and unrestricted reserves shall be carried forward. The final amount in EUR may vary, depending on the exchange rate in effect on the payment date.

In reference to the Board's proposed distribution of profit, disposable profits of EUR 18,766,288 are at the disposal of the Annual General Meeting. If the Annual General Meeting resolves in favour of the proposal, EUR 6,894,755 will be carried forward. Dividends will be paid out on two occasions during the year.

NOTE 33 Significant events after the end of the financial year

Financial targets
After the end of the fourth quarter the Board of Directors of LeoVegas adopted new financial targets for the Group. The targets are unchanged in absolute figures but have been pushed back one year in time, from 2020 to 2021. LeoVegas has pushed back the financial targets due to developments in the UK market. However, the direction remains unchanged, with financial targets in absolute figures of achieving at least EUR 600 m in revenue and EUR 100 m in EBITDA.

Licence in Sweden
On 1 January 2019 the new Swedish gambling law took effect. LeoVegas was one of the first operators to receive a gambling licence for both casino and sports betting in Sweden, and looks forward to working in a regulated market in Sweden. The gambling tax is 18%, and the regulations include a number of obligations to promote responsible gaming.

Earn-out payment
At the acquisition of Royal Panda, an additional purchase price was agreed which within a year from the time of acquisition could amount to a maximum of EUR 60 m. The mechanism for the additional purchase price outcome consists of different variables relating to Royal Panda's financial performance. Discussions between LeoVegas and the Sellers of Royal Panda has been initiated to determine the outcome. The presentation of the additional purchase price (as of December 31, 2018, reported at EUR 9.0 m) is based on LeoVegas management assessments and estimates. There is therefore a risk that the final amount deviates from that reported.

THE BOARD OF DIRECTORS' AND CEO'S ASSURANCE

The Board of Directors and CEO certify that the Annual Report has been prepared in accordance with generally accepted accounting principles in Sweden and that the consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards referred to in European Parliament and Council of Europe Regulation (EC) No. 1606/2002 of 19 July 2002 on application of International Financial Reporting Standards. The Annual Report and consolidated financial statements give a true and fair view of the Parent Company's and Group's financial position and results of operations. The statutory Administration Report for the Parent Company and Group provides a fair review of the Parent Company's and Group's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

The Annual Report and consolidated financial statements were approved by the Board of Directors for publication on 5 April 2019. The consolidated income statement and balance sheet and the Parent Company income statement and balance sheet will be taken up for adoption at the Annual General Meeting on 29 May 2019.

Stockholm, 5 April 2019

Mårten Forste
Chairman of the Board

Robin Ramm-Ericson
Director

Barbara Canales Rivera
Director

Per Brilioth
Director

Tuva Palm
Director

Anna Frick
Director

Patrik Rosén
Director

Gustaf Hagman
President and CEO

Our audit report was submitted on 5 April 2019
PricewaterhouseCoopers AB

Aleksander Lyckow
Authorised Public Accountant

AUDITOR'S REPORT *(Translation of the Swedish original)*

To the general meeting of the shareholders of LeoVegas AB (publ), corporate identity number 556830-4033

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of LeoVegas AB (publ) for the year 2018. The annual accounts and consolidated accounts of the company are included on pages 68-111 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. 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 additional report that has been submitted to the parent company's Board of Directors in accordance with the Audit Regulation (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 that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Audit scope

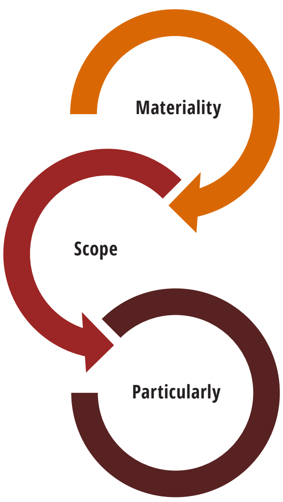
We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management 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 consolidated 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 consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, hel-



OUR AUDIT APPROACH

Overview

- Overall materiality: 3,2 million euro, which is equivalent to 1 % of the groups revenue
- Our group audit of 2018 has included units that represent approximately 96 % of the group's revenue.
- Compliance of laws and regulations in the market of online casinos.
- Valuation of goodwill
- Valuation of additional purchase price (conditional) referring to acquisition

ped 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.

OVERALL GROUP MATERIALITY
3,2 million euro (2 million euro)

HOW WE DETERMINED IT
1 % of group revenue

MOTIVATION
LeoVegas has a growth strategy where revenue is deemed more relevant than profitability in cases where the company assesses that return on invested marketing is good. Revenue is therefore considered as a relevant threshold for our materiality assessment.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above 320 KEUR as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of 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.

PARTICULARLY IMPORTANT AREA	HOW WE TOOK THE IMPORTANT AREAS INTO CONSIDERATION IN OUR AUDIT
COMPLIANCE WITH NATIONAL LAWS AND REGULATIONS IN ONLINE CASINOS *LeoVegas's description and information regarding the above mentioned areas can be found in the statutory administration report on pages 68-79.* In the online gaming market there is a varying degree of regulation and the legal situation is under development. It is thus difficult to have an idea of how changes in regulations can affect the conditions for LeoVegas and other online gaming operators. LeoVegas acts primarily based on its international license from Malta and fundamental principles of free movement within the EU. The potential risk in the area concerns litigation, withdrawal of licenses, evidence or such, which could have a material adverse effect on LeoVegas' accounts. LeoVegas follows and assesses the ongoing development and legal situation in this area.	The most significant audit efforts we conducted in this area include: • We have evaluated the management process and the controls that management is relying on regarding compliance with laws and regulations in the various national markets in which LeoVegas operates. • We have in our audit of LeoVega's IT environment, where PwC expertise in IT audit is included as part of the audit team, verified the effectiveness of LeoVegas' prevention/compliance measures aimed at restricting certain users access to LeoVegas' services. • We have obtained statements from LeoVegas' external legal advisors in order to ensure that no unknown significant regulatory audits/requirements exist. • We have also audited the routines and checks carried out in connection with the registration of a new customer. From this audit, we have not identified significant observations to be reported to the Audit Committee.
VALUATION OF GOODWILL *LeoVegas's description and information regarding goodwill can be found in note 15.* In LeoVegas's balance sheet 103 MEUR is reported as goodwill associated to acquisitions. This amount corresponds to almost 40 % of total assets. Valuation of goodwill is dependent on the assumptions made by management. Management yearly performs an impairment test of goodwill. This test shows if an impairment is needed (if accounted value exceeds fair value) or not. Assumptions and estimates partly relates to the future and refers to revenue and operating margin's development, investment needs and applied discount rate. If the future development differ from made assumptions and estimates an impairment might occur even if that was not the case of the closing date. The impairment test made by LeoVegas shows no need for an impairment to be made.	The most significant audit efforts we conducted in this area include: • Obtained and audited LeoVegas's calculation for the impairment test to estimate the model's mathematical accuracy and the plausibility in assumptions made. • Performed sample testing to verify that data included in the impairment test reconciles with the company's long-term plans per cash flow generating unit. • Verified the plausibility in the applied discount rate. • Performed sensitivity analysis where the effects of changes in assumptions and estimates has been analyzed to identify such. • Audited the annual report to make sure that disclosures according to IAS 36 Impairment has been provided in the annual report. From this audit, we have not identified significant observations to be reported to the Audit Committee.

VALUATION OF ADDITIONAL PURCHASE PRICE (CONDITIONAL) REFERRING TO ACQUISITIONS.

LeoVegas's description regarding additional purchase price can be found in note 25.

At the time of the acquisition of Royal Panda an agreement was prepared for an additional purchase price that could amount to 60 MEUR within a year from the acquisition date. The result of the additional purchase price is made up of different variables regarding Royal Panda's financial preformance. Discussions have been initiated between LeoVegas and the sellers of Royal Panda to determine the outcome. The accounting of the additional purchase price (that as of 31st of December 2018 amounted to 9 MEUR) is based on LeoVegas's management's assessments and estimates. Hence, there is a risk that the final amount differs from the accounted amount.

The most significant audit efforts we conducted in this area include:

- We have obtained acquisition agreements estimate the additional purchase price and its allocation.
- Obtained and audited LeoVegas's calculation for the additional purchase price's value to estimate the model's mathematical accuracy and the plausibility in assumptions made.
- Performed data analysis regarding the financial numbers to verify the accuracy in revenue and costs as well as the allocation between different markets.
- Followed up on management's estimation of the additional purchase price against accounted numbers as of December 31st 2018.

From this audit, we have not identified significant observations to be reported to the Audit Committee.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-37, 65-67 and 116-117. The Board of Directors and the Managing Director 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 intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

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 accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is 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 LeoVegas AB (publ) for the 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' 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 fulfill 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 audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

PricewaterhouseCoopers AB, Stockholm, was appointed auditor of LeoVegas AB (publ) by the general meeting of the shareholders on the May 29, 2018 and has been the company's auditor since the May 28, 2015.

Stockholm April 5, 2019
PricewaterhouseCoopers AB

Aleksander Lyckow
Authorized Public Accountant

KEY RATIOS

EUR 000s (unless specified otherwise)	2018	2017	2016	2015	2014
Revenue	327,817	217,014	141,398	83,018	36,992
Revenue growth (%)	*51.1*	*53.5*	*70.3*	*124.4*	*130.3*
Organic growth (%)	*20.1*	*46.0*	*70.3*	*124.4*	*130.3*
Gross profit	235,543	162,675	109,206	64,390	28,388
Gross profit margin (%)	*71.9*	*75.0*	*77.2*	*77.6*	*76.7*
EBITDA	41,605	25,947	16,001	1,193	2,217
EBITDA margin (%)	*12.7*	*12.0*	*11.3*	*1.4*	*6.0*
Adjusted EBITDA	41,086	27,894	21,284	1,828	2,217
Adjusted EBITDA margin (%)	*12.5*	*12.9*	*15.1*	*2.2*	*6.0*
EBIT	19,175	19,914	14,602	505	1,925
EBIT margin (%)	*5.8*	*9.2*	*10.3*	*0.6*	*5.2*
Working capital*	-18,091	-22,900	-12,283	-6,479	-3,044
Working capital as % of net sales	*-5.5*	*-10.6*	*-8.7*	*-7.8*	*-8.2*
Capital expenditures	-103,293	-50,102	-3,887	-2,289	-1,561
Capital expenditures as % of net sales	*-31.5*	*-23.1*	*-2.7*	*-2.8*	*-4.2*
Operating cash flow	36,494	34,075	27,151	6,393	4,794
Return on equity (%)	*54.4*	*33.0*	*42.8*	*2.7*	*62.4*
Equity/assets ratio (%)	*35.8*	*31.8*	*65.2*	*50.1*	*65.4*
Number of shares outstanding at end of period	101,652,970	99,695,470	99,695,470	93,851,720	89,771,720
Earnings per share (EUR)	0.43	0.18	0.14	0.00	0.02

** Working capital is calculated as the net of current liabilities (excluding amounts payable to players and credit institutions) and current assets (excluding cash and cash equivalents). Reclassification of non-current liabilities to current liabilities has entailed a recalculation of working capital for 2017.*

EUR 000s (unless indicated otherwise)	2018	2017	2016	2015	2014
EBITDA	**41,605**	**25, 947**	**16,001**	**1,193**	**2,217**
Costs attributable to listing	62	594	5,283	635	-
Costs attributable to consulting for acquisitions	466	1,353	-	-	-
Provision for fine in the UK from UKGC	453	-	-	-	-
Profit on sale of asset	-1,500	-	-	-	-
Adjusted EBITDA	**41,086**	**27,894**	**21,284**	**1,828**	**2,217**

ALTERNATIVE PERFORMANCE MEASURES AND OTHER DEFINITIONS

Active customers
The number of customers who have played on LeoVegas, including customers who have only used a bonus offer.

Adjusted EBIT
EBIT adjusted for items affecting comparability.

Adjusted EBITDA
EBITDA adjusted for items affecting comparability.

Average equity
Equity at the start of the financial year plus equity at the end of the financial year, divided by two.

Average number of full-time employees
Average number of employees (full-time equivalents) during the entire period.

Cash and cash equivalents
Balances in bank accounts plus e-wallets.

Depositing customers
Customers who have made cash deposits during the period per platform/brand. Since this measure is based per platform, it entails that a certain number of customers are counted twice, e.g., for a customer who has made a deposit in Royal Panda and LeoVegas during the period.

Deposits
Includes all cash deposited in the casino by customers during a given period.

Dividend per share
The dividend paid or proposed per share.

Earnings per share
Profit for the period attributable to owners of the parent, divided by a weighted average number of shares outstanding during the period.

Earnings per share after dilution
Profit after tax divided by a weighted average number of shares outstanding during the period, adjusted for additional shares for warrants with a dilutive effect.

EBIT
Earnings before interest and tax.

EBIT margin, %
EBIT in relation to revenue.

EBITDA
Earnings before interest, taxes, depreciation, amortisation and impairment losses.

EBITDA margin, %
EBITDA in relation to revenue.

Equity per share
Total shareholders' equity divided by the number of shares at the end of the period after redemptions, repurchases and new issues.

Equity/assets ratio, %
Shareholders' equity at the end of the period in relation to total assets at the end of the period.

Gambling tax
A tax that is calculated on a measure of revenue that gambling operators pay in a regulated market, such as Denmark, Italy or the UK. In certain cases it also refers to a cost for VAT on revenue generated in regulated markets (Germany, Malta, Ireland).

Gross Gaming Revenue (GGR)
Total wagers (cash and bonuses) less all wins payable to customers.

Gross profit
Revenue less direct, variable costs, which including costs for third-party vendors, software costs, fees paid to payment service providers, gaming fees and gambling taxes.

Hold
Net Gaming Revenue (NGR) in relation to the sum of deposits

Items affecting comparability
Items pertaining to costs for the listing on Nasdaq First North Premier and Nasdaq Stockholm, and costs pertaining to acquisition-related consulting. No costs related to integration or restructuring are included. Divestments of assets that affect earnings are eliminated through adjustments. This also includes amortisation related to acquired intangible assets and remeasurement of earn-out payments for acquisitions.

Locally regulated markets
Markets that have regulated online gaming and that have issued licences that operators can apply for.

Mobile devices
Smartphones and tablets.

Net Gaming Revenue (NGR)
Total cash wagers less all wins payable to customers after bonus costs and external jackpot contributions. NGR is also referred to as gaming surplus.

Net profit
Profit less all expenses, including financial items and tax.

New depositing customer
A customer who has made his or her first cash deposit during the period.

Operating cash flow after investments
Operating profit including change in depreciation/amortisation and impairment losses, working capital, and investments in other non-current assets (net)

Operating profit (EBIT)
Profit before interest and tax.

Organic growth
Growth excluding acquisitions, adjusted for currency effects.

Platform
The LeoVegas Group has three platforms: LeoVegas, Royal Panda and Rocket X. LeoVegas and Royal Panda have only one brand on their respective platforms, while Rocket X has several.

Profit margin
Profit after financial items in relation to revenue for the period.

Regulated revenue
Revenue from a locally regulated market.

Returning depositing customer
A customer who has made a cash deposit during the period, but made his or her first deposit in an earlier period.

Return on equity
Profit after tax for the year divided by average equity for the year

Revenue
Net Gaming Revenue (NGR) plus adjustments for corrections, changes in provisions for local jackpots and unconverted provisions for bonuses.

Shares outstanding after dilution
The number of shares outstanding before dilution plus the number of outstanding warrants, less the redemption sum for the warrants, divided by the average share price for the period.

Working capital
Working capital is calculated as the net of current liabilities (excl. amounts payable to players and credit institutions) and current assets (excl. cash and cash equivalents).

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