ANNUAL REPORT 2020 LEOVEGAS AB (PUBL)

LeoVegas

MOBILE GAMING GROUP

CONTENTS

LeoVegas
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INTRODUCTION TO LEOVEGAS

LeoVegas is a global gaming operator with eight gaming licences and approximately 830 employees. The company is listed on Nasdaq Stockholm, Main List. LeoVegas is a market leader in mobile casino in the Nordic countries and the rest of Europe. LeoVegas' focus is on offering an entertaining casino experience combined with strong brands, but also offers games through other products, such as sports betting.

LEOVEGAS' BRANDS

LeoVegas has a multibrand strategy, entailing that the company operates numerous brands to attract different customer categories and segments. LeoVegas operates two global and scalable brands – LeoVegas and Royal Panda, plus a number of local brands. GoGoCasino is a niche Pay N Play online casino. The LiveCasino.com brand targets the live casino product category. Pixel.bet offers esports betting.

PRODUCT OFFERING

All of the Group's brands offer primarily gaming on mobile devices, however, games are also accessible via desktop computers and tablets. The product portfolio consists of casino games, live casino, bingo and sports betting.

LONG-TERM FINANCIAL TARGETS

GROWTH:

- *Long-term organic growth that outperforms the online gaming market.*

PROFIT:

- *Long-term EBITDA margin of at least 15% under the assumption that 100% of revenue will be generated in regulated markets subject to gaming tax.*

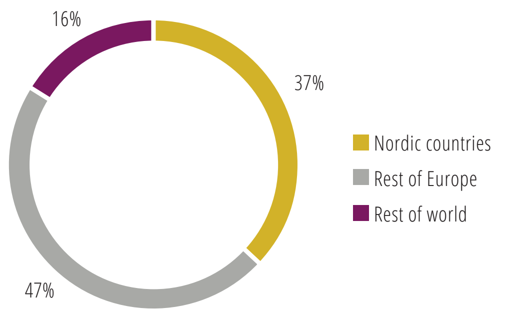
DIVIDEND:

- *To pay a dividend, over time, of at least 50% of profit after tax.*

LEVERAGE:

- *Over the long term, LeoVegas' leverage ratio (net debt in relation to adjusted EBITDA) shall not exceed 1.0x. However, LeoVegas may, under certain circumstances, choose to exceed this level during short time periods in connection with e.g., larger acquisitions or other strategic initiatives.*

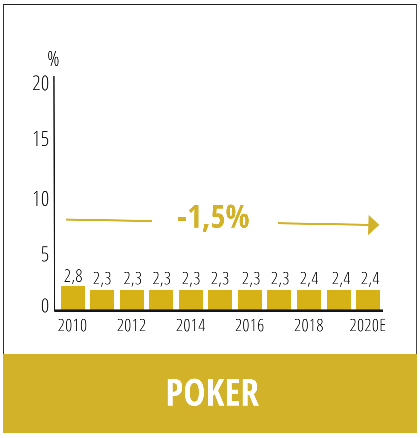
Geographic breakdown of Net Gaming Revenue (NGR), full year 2020

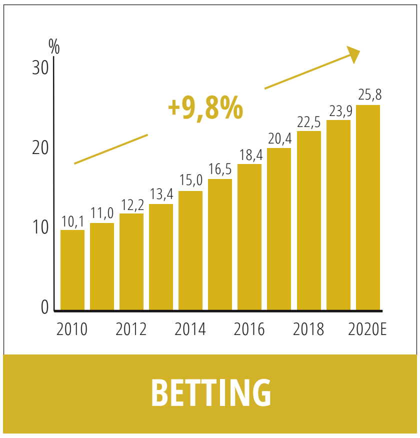


LEOVEGAS' POSITION AND STRENGTHS

LEOVEGAS' VISION AND POSITION IN CASINO IS

King of Casino





LEOVEGAS' POSITION IN CASINO

The global gaming industry is mainly made up of three gaming categories: casino, sports betting and poker. The sports betting and poker categories include a number of distinct brands that are strongly associated with their respective product categories. Casino, on the other hand, is a fragmented market with many different actors and without a global leader. LeoVegas has a long-term ambition to take that position and be the global market leader in casino.

This clarity of purpose creates as tangible goal in which the mission and focus are clear for the company's employees. This is helping to shape an efficient company with empowered employees.

LEOVEGAS' OPPORTUNITIES IN OTHER PRODUCT CATEGORIES

Even though the Group's main focus is on casino, LeoVegas believes there are major growth opportunities in other product categories, such as sports betting and bingo. The company's multibrand strategy and proprietary technical platform are key to capitalising on these opportunities.

LEOVEGAS' STRENGTHS

LeoVegas is a technology-, product- and innovation-driven group. This gives the company a strong competitive advantage and is a prerequisite for being a leader in the industry. LeoVegas invests continuously in new technology and is at the forefront of system architecture and advanced technology for platforms, technical solutions and employee competence.

The mobile gaming experience via proprietary technical platform

From the very start, LeoVegas has held fast to its Mobile First strategy, which is part of the company's DNA, and the gaming experience has always played a central role. The product and experience are even more important in a maturing industry. More and more markets are becoming regulated, and many are implementing restrictions on gaming, bonuses and marketing.

In such an environment the best approach is to grow the customer base, attract new customers and retain loyal customers by offering the best product. A first-class gaming experience is a strong competitive advantage.

Data-driven and scalable marketing

Data processing and analytics are key to optimising customer benefit and making the best possible use of effective marketing. LeoVegas is at the forefront in this area, which has resulted in a high level of effectiveness of its marketing investments. Together 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. Digital marketing methods such as search engine optimisation (SEO) and conversion optimisation are used to support data-driven customer acquisition. LeoVegas has a high level of expertise in these areas.

Expansion potential

LeoVegas works in a market undergoing structural growth and where the major drive is in the shift from offline to online. This shift has accelerated with the ongoing pandemic. 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 sizeable positions in new markets.

Acquisitions

LeoVegas has a good financial position and has carried out a number of acquisitions. The company believes that opportunities to make acquisitions remain favourable and that LeoVegas continues to have the capacity to benefit from consolidation in the industry. LeoVegas is in a position where both its organisation and technology have managed previous acquisitions well, and this creates a foundation for further acquisitions and thus additional synergies.

Business optimisation Scalability

LeoVegas has good scalability and control in its business model, with focus on execution. This is evidenced in the Group's efficiency, work methods and cost optimisation, but also in pure numbers, with EBITDA growth of 25% in 2020.

Culture and employees

Company culture has a central role at LeoVegas. The company fosters an entrepreneurial culture that empowers employees to help the company develop in a fast and effective manner.

Proprietary technical platform

LeoVegas' proprietary platform rests on a solid technological foundation. Being able to steer its own technological development is imperative to be competitive in the global gaming market. Moreover, owning its own technology is a precondition for being able to drive innovation at a fast pace, adapt to new and changing rules and regulations, and deliver a world-class gaming experience.

MILESTONES DURING THE YEAR

Q1 QUARTERLY REPORT JANUARY–MARCH

- *Revenue for the first quarter increased by 4% to EUR 89.4 m (86.3). EBITDA totalled EUR 9.0 m, corresponding to an EBITDA margin of 10.0%.*
- *The number of depositing customers totalled 413,269, an increase of 6%.*
- *LeoVegas' then Chairman of the Board, Mårten Forste, was employed as Chief Operating Officer in Malta.*
- *The Nomination Committee presented its proposal for a new board and proposed a dividend of SEK 1.40 per share.*
- *LeoVegas reached an agreement with the sellers of Royal Panda on the earn-out payment for the acquisition.*
- *Following the pandemic outbreak, LeoVegas' employees began working from home, and a travel ban was issued for employees.*
- *LeoVegas decided to introduce sustainability targets by setting clear ambitions, targets and measures in the areas of the Environment, Social Responsibility and Governance. This was done to show in a transparent, clear and concrete way what LeoVegas aims to achieve in building a sustainable company and advocating for a sound gaming industry.*

Q1 – summary

	Q1 - 2020
Revenue, EUR m	89.4
Revenue growth, %	4
EBITDA, EUR m	9.0
EBITDA margin, %	10.0
EBIT, EUR m	2.2
EBIT margin, %	7.1
Total deposits, EUR m	288
Number of depositing customers	413,269

Q2 QUARTERLY REPORT APRIL–JUNE

- *Revenue increased by 19% to EUR 110.7 m (94.4).*
- *EBITDA totalled EUR 23.0 m, corresponding to an EBITDA margin of 20.8%.*
- *The number of depositing customers totalled 434,453, an increase of 24%.*
- *LeoVegas completed the migration of 12 brands in the UK to the Group's proprietary technical platform.*
- *The LiveCasino.com brand was launched in a number of English-speaking countries.*
- *At LeoVegas' Annual General Meeting on 8 May, Anna Frick and Fredrik Rüdén were re-elected as board members. Hélène Westholm, Mathias Hallberg, Carl Larsson, Per Norman and Torsten Söderberg were elected as new board members. Per Norman was elected as Chairman of the Board.*

Q2 – summary

	Q2 - 2020
Revenue, EUR m	110.7
Revenue growth, %	19
EBITDA, EUR m	23.0
EBITDA margin, %	20.8
EBIT, EUR m	20.3
EBIT margin, %	18.4
Total deposits, EUR m	355
Number of depositing customers	434,453

Q3 QUARTERLY REPORT JULY–SEPTEMBER

- *Revenue increased by 2% to EUR 88.9 m (88.2), and EBITA totalled EUR 11.9 m (12.7), corresponding to an EBITDA margin of 13.4%.*
- *The number of depositing customers totalled 438,691, an increase of 26%.*
- *GoGoCasino and Livecasino.com were launched in Finland. An international launch of both brands is in progress.*
- *Operations in Sweden were affected by the temporary restrictions that were introduced on 2 July as a result of the continuing pandemic.*
- *LeoVegas increased its ownership in the esports betting operator Pixel.bet to 85% from 51% previously.*
- *Costs of EUR 0.5 m for organisational streamlining and optimisation were charged against operating profit for the quarter. Yearly net savings from these measures are expected to total EUR 1.5 m starting in 2021.*

Q3 – summary

	Q3- 2020
Revenue, EUR m	88.9
Revenue growth, %	1
EBITDA, EUR m	11.9
EBITDA margin, %	13.4
EBIT, EUR m	5.1
EBIT margin, %	10.4
Total deposits, EUR m	293
Number of depositing customers	438,691

Q4 QUARTERLY REPORT OCTOBER–DECEMBER

- *Revenue increased by 13% to EUR 98.4 m (87.1). Organic growth in local currencies was 14%.*
- *EBITDA totalled EUR 11.4 m (11.7), corresponding to an EBITDA margin of 11.7%.*
- *The number of depositing customers was 461,983 (372,032), an increase of 24%.*
- *LeoVegas launched a number of product improvements and innovations, including Bingo as a new product category. In addition, LeoVegas was the first company in the gaming industry to offer payments via Open Banking. During the quarter the Group's unique and record-large jackpot was launched under the name LeoJackpot.*
- *The PinkCasino brand was launched in Canada, and Royal Panda was re-launched in Finland.*
- *LeoVegas secured long-term and diversified financing through a combination of a bank credit facility (RCF of EUR 40 m) and a bond issue of SEK 500 m under a total framework of SEK 800 m.*
- *Decision taken to migrate the Royal Panda brand to the Group's proprietary technical platform.*

Q4 – summary

	Q4 - 2020
Revenue, EUR m	98.3
Revenue growth, %	13
EBITDA, EUR m	11.4
EBITDA margin, %	11.7
EBIT, EUR m	-0.8
EBIT margin, %	8.9
Total deposits, EUR m	315.1
Number of depositing customers	461,983

CEO'S MESSAGE – A DIFFERENT BUT SUCCESSFUL YEAR

A different but successful year in which the health of our employees and their families was in focus. I feel incredibly proud of how our employees have dealt with this difficult situation, entailing that we have gone about our business without noticeable disruptions, despite most of our offices being closed during the year.

2020 is a year that has permanently etched itself in the history books owing to the pandemic. LeoVegas mastered the year's challenges well, owing in large part to the fact that our product as well as our operative business is entirely digital, which means that physical presence at a specific place is not necessary. The health of our employees and their families has been in focus. I feel incredibly proud of how our employees have dealt with this difficult situation, entailing that we have gone about our business without noticeable disruptions, even though most of our offices were closed during the year.

Prior to the pandemic we were already accustomed to virtual meetings, as our offices are spread out over many countries. On the personal level it has been tough not being able to meet with colleagues along with the natural, informal contacts that entails, but I am impressed by how well operations have worked – even though the majority of all work has been conducted from home.

Gaming has continued at similar levels as in previous years, with the major exception of sports betting, which during part of the spring was completely shut down due to the cancellation of all sporting events. On the other hand, the shift of gaming from physical places to online has accelerated and sped up the trend that we could see earlier. Much to our satisfaction we have seen a continued good inflow of new customers at the same time that we have noted that the amount an average customer plays for has gone down. This is good, as it gives us an increasingly broader revenue base from a steadily growing base of customers playing for fun. For many the amount spent on gaming is equal to what a subscription costs for streamed TV, music, or other entertainment and relaxation. That gaming is increasingly moving toward being part of one's daily entertainment can be noted also in other areas. For example, Las Vegas has gone from being only a hub for gaming to today offering various forms of entertainment in the form of shows and concerts.

The industry has a high pace of development, and it is gratifying to see all the new initiatives that we took during the year. We were the first gaming company to launch an Open Banking solution, which enables safe and faster payment solutions at a lower cost for us. The chance to win more than 60 million kronor in our new "LeoJackpot" has attracted great interest in all of the markets in which we have launched it. We also broadened our customer offering during the year to include Bingo.

In parallel with this we are continuing with new launches of new and old brands in more and more markets. Our proprietary technology enables us to pursue a scalable multibrand strategy. For example, GoGoCasino and Royal Panda were launched in Finland, and PinkCasino has been launched in Canada. Plus we launched an all new brand – Livecasino.com – during the year.

In a strictly technical sense we migrated all eight of our brands in the UK to the Group's proprietary technical platform, which gives us greater scalability and better economy.

We see that our investment in the esports betting operator Pixel.bet is paying off, and we are benefiting from economies of scale through resource- and knowledge-sharing between our companies. During the year we increased our holding in Pixel.bet and now own 85%. In parallel with this our other subsidiary in LeoVentures, CasinoGrounds, posted a new record year and is a world leader in casino streaming.

Like all other gaming companies, we have a large responsibility for our customers and their behaviour, and for ensuring that we abide by the rules that exist in the respective markets. A full ten per cent of our employees work with compliance and responsible gaming. In this work we also make great use of all forms of technology, including artificial intelligence to detect unsound behaviours at an early stage among our gamers.

We are increasing our ambitions with respect to Environmental, Social and Governance (ESG) factors. We have introduced concrete sustainability targets that demonstrate our ambition to achieve a sustainable company and advocate for a sound gaming industry. During the coming year we will be working on formulating a new vision in sustainability that will guide us in our work in this area.

During the year Group Management was strengthened when our former Chairman, Mårten Forste, assumed the role as Chief Operating Officer. At the start of the year Dersim Sylwan took up his duties as Chief Marketing Officer, and we now have a fine-tuned management team with a depth of experience from the industry. The company's board was strengthened during the spring with five new directors who bring industry expertise, knowledge about other digital industries, and expertise and experience in dependency problems.

Our successes were recognised with a number of accolades during the year, including Casino Operator of the Year, Mobile Operator of the Year, an Outstanding Contributions Award for the gaming industry, Online Gaming Operator of the Year, and for exceptionally positive action during the pandemic.

During the year we further strengthened our financial position by securing long-term and diversified financing through a combination of a bank credit facility of EUR 40 m and a bond issue of SEK 500 m under a total framework of SEK 800 m. This gives us a solid foundation for continued expansion both through organic initiatives and potential acquisitions. We also carried out share repurchases for approximately EUR 5 m during the year. The Board of Directors proposes an increase in the dividend by 14% to SEK 1.60 per share.

The company has had a strong start to 2021, and I am looking forward to an eventful year in which we will be even more active in the sport segment, among other things with the coming UEFA European Football Championship, the World Cup and the Summer Olympics. We will also continue our geographic expansion, where the USA and a number of other markets are on our radar.

The pandemic has sped up the structural shift from land-based to online gaming. Our industry, like many other sectors, is experiencing an accelerated shift from offline to online. LeoVegas' online position, with strong brands and a proprietary technical platform, enables us to stand strong in an increasingly digital world. We are continuing our work on creating an entertaining and safe gaming experience.

In closing I want to thank all our committed and competent employees for their outstanding efforts during a challenging year and hope that we soon have the ability to meet in person once again.

Gustaf Hagman, President and CEO

A YEAR FILLED WITH ACCOLADES

LeoVegas was named as Casino Operator of the Year and Mobile Operator of the Year at the 2020 EGR Nordic Awards.

LeoVegas received the distinction of Online Gaming Operator of the Year at the International Gaming Awards.

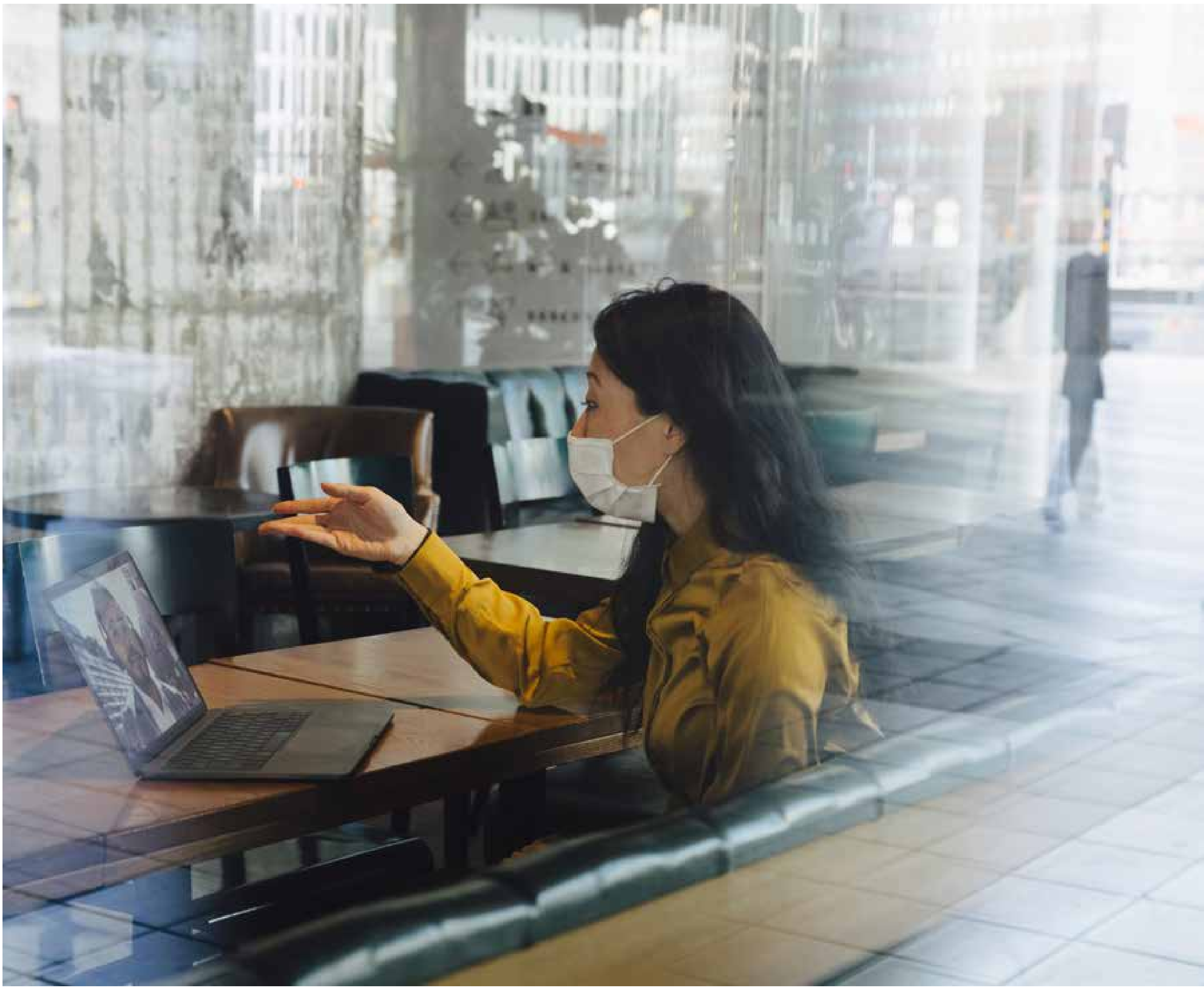
Gustaf Hagman, CEO of LeoVegas, accepted International Gaming's Outstanding Contributions Award for the gaming industry. The award is presented to a person who has been influential and made a significant contribution to development of the gaming industry. The award winner is also recognised for having changed the direction of the industry and had an impact on it and its environment in a positive way and created success for the industry and the companies that work within it. In addition, LeoVegas was crowned as Online Casino of the Year at the Global Gaming Awards.

In 2020 the Industry Community Awards recognised companies and individuals who have gone above and beyond in tackling major issues that have arisen due to the global pandemic. In recognition of its work, LeoVegas won a Business Continuity Award, which is presented to the company that best implemented an effective remote working initiative before, during or after the current pandemic to ensure not just the business continues to be successful but also that its employees are safe and secure.

Examples of initiatives by LeoVegas during the year included an Employee Assistance Programme for mental health; a Friday quiz for employees, occasionally drawing more than 500 participants; packs with various themes sent out to colleagues; cooking tournaments; eye care webinars; celebrations focusing on equality, inclusion and diversity; weekly online fitness classes; and internal casino tournaments.

LeoVegas also made community contributions both locally and internationally in various ways, including the handing out of lunches to hospital staff, sponsoring of healthcare equipment and a donation of EUR 10,000 to the World Health Organisation.

THE PANDEMIC'S IMPACT



The pandemic has had an enormous impact on people, society and nearly all business activities. The total effects of the pandemic are still hard to sum up, and the situation is changing continuously. For many people the pandemic has entailed a relocation of the workplace – mostly to the home.

LeoVegas has offices in many countries, and the employees are accustomed to working between departments from different geographic locations with the help of videoconferencing systems and other technical tools. The directive for employees to work from home has had only a minor impact on the company and has not affected efficiency. The business has basically continued as usual with the exception of in-person meetings.

For the gaming industry, the pandemic has entailed, among other things, that the entire sport sector disappeared during a period as many sporting events were cancelled or postponed to the future. With the restrictions put on people's movements and intermittent stay-at-home orders and restrictions on public gatherings, the transformation from offline to online has been dramatically accelerated.

Online gaming is part of the entertainment industry. When people can no longer go to the cinema, restaurants and similar, more of their entertainment budget is being spent elsewhere, including gaming entertainment. Market shares have shifted from land-based operations to online-based operations, and while this shift has been anticipated, as mentioned it has been accelerated by the pandemic.

MARKET OVERVIEW

LeoVegas is firmly positioned as a leading player in the rapidly growing mobile gaming segment, with focus on casino. Mobile gaming has grown faster than the gaming market in general and is expected to continue doing so. Casino today accounts for approximately 91% of LeoVegas' revenue as of the fourth quarter of 2020.

THE GLOBAL GAMING MARKET

The total global gaming market, both online and land-based gaming, is estimated to be worth approximately EUR 300 bn in 2020. Of the total gaming market, approximately EUR 60 bn is online. Owing to the pandemic, there is uncertainty surrounding how much land-based gaming has been affected, although a strong decrease was noted from 2019 to 2020. Online gaming continued to grow and saw an increase of 12% from 2019 to 2020.

With average annual growth of 8.7%, the global gaming market is expected to be worth EUR 457 bn in 2025. This can be compared with other parts of the entertainment industry, where the music industry including streaming is estimated to be worth USD 21.5 bn, the market for PC games, which is worth USD 37 bn, and the mobile gaming market, which has reached a market size of USD 77 bn.[1] This perspective shows how enormous the gaming industry actually is, and given the digitalisation that is taking place, more and more of the total market will be moving online.

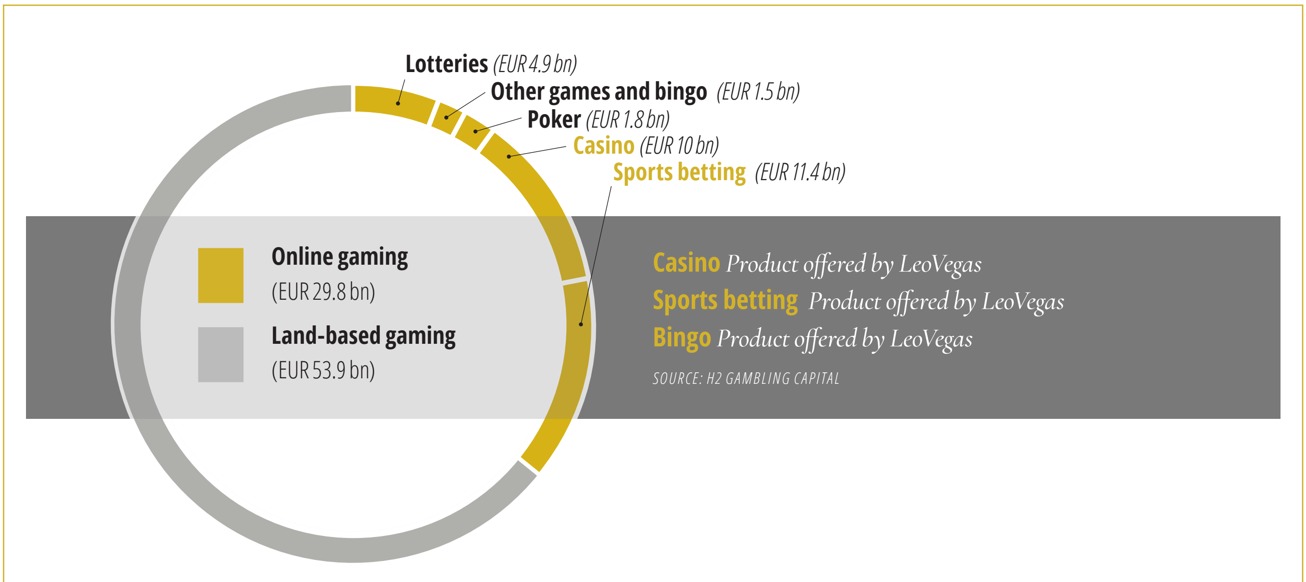
THE EUROPEAN GAMING MARKET

Total sales in the European gaming market were estimated at EUR 83.8 bn in 2020 according to H2GC (H2 Gambling Capital is the most reputable source regarding market size and development of gaming industries), of which the online gaming market is estimated to have been worth EUR 29.8 bn, or 35% of the total market. Owing to the pandemic, the online share has grown sharply. A more normalised online level is estimated to be around 30% and gradually rising to 35% over the next five-year period. Most of the total market is thus made up of the traditional and land-based part of the gaming industry, including bingo, gaming machines, physical casino, sports betting, horse racing and lotteries. The total European gaming market is expected to grow at an average annual rate of 8.0% from 2020 to 2025.

THE ONLINE GAMING MARKET

The share of the total European market that includes online gaming such as casino, sports betting, lotteries and other games for money has undergone a structural transformation in recent years and has grown sharply. In 2020, online gaming accounted for only 10.4% (EUR 10 bn) of the total market. In 2025, online gaming is expected to make up more than a third of the total market and be worth EUR 43.6 bn. The online market is expected to account for the largest share of future growth. Between 2010 and 2020 the online market grew by an average annual rate of 13%.

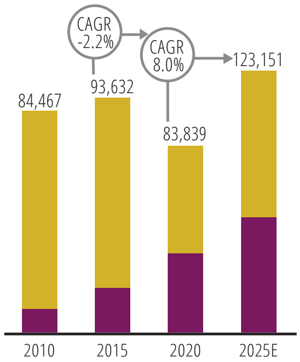
THE TOTAL EUROPEAN GAMING MARKET (EUR 83.7 BN) 2020



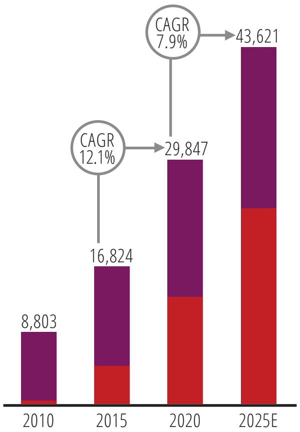
1) Source: https://www.statista.com/topics/868/video-games/

MOBILE GAMING IS THE FASTEST GROWING SEGMENT IN THE GAMING MARKET

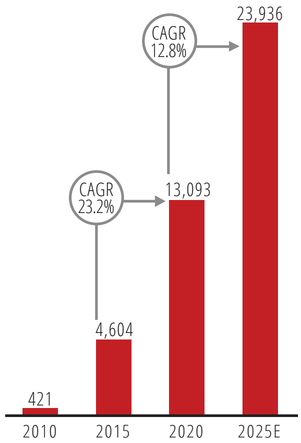
Total European gaming market (EUR m)



European online gaming market (EUR m)



European mobile online gaming market (EUR m)



CAGR = compounded annual growth rate during a given period.

Market size of markets in which LeoVegas has a licence (EUR m. 2021). according to H2 Gambling Capital

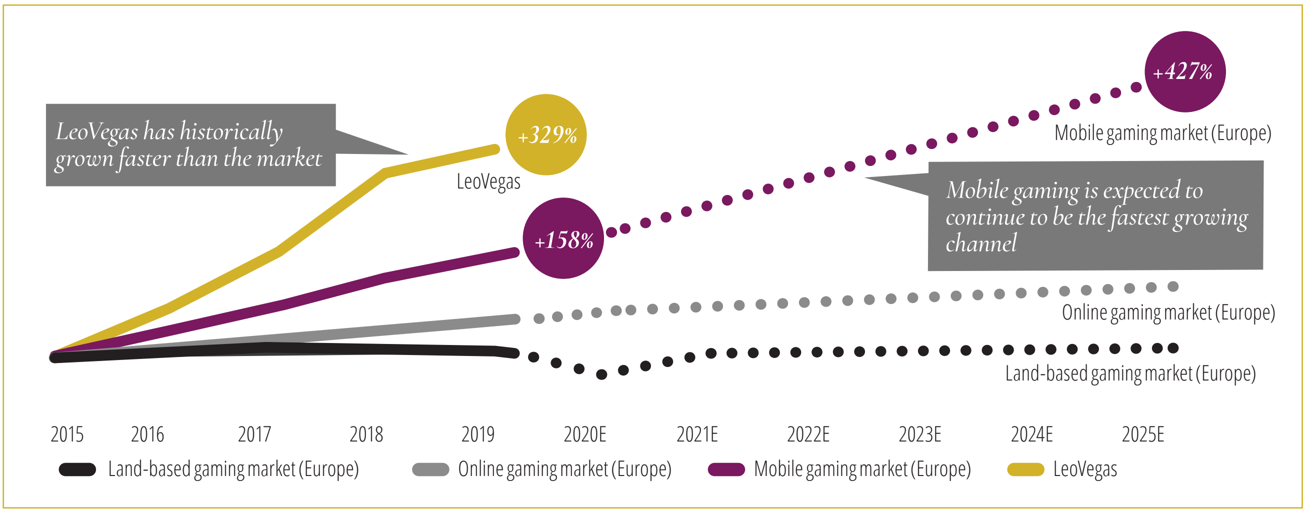
Country	Total gaming market (EUR bn)	Online gaming market (EUR bn)	Expected annual growth online 2020-2025. %	Online sales generated by mobile devices
Italy	19.5	2.9	8.7	41.8
UK	15.5	8.3	4.9	51.8
Germany	13.9	3.1	6.9	48.8
Spain	8.6	1.2	6.2	48.1
Sweden	2.5	1.7	6.3	58.7
Ireland	1.8	0.7	9.2	38.8
Denmark	1.4	0.7	1.6	53.1
Malta	0.132	0.026	12	48.3

The forecast for the coming five years is that online gaming in Europe will grow yearly by 7.9%, to a market worth EUR 43.6 bn in 2025. It is estimated that the global market for online gaming will be worth EUR 91 bn by 2025.

GROWTH FROM MOBILE DEVICES

Growth for gaming on mobile devices is strong. Ten years ago only 13% of sales were generated by mobile devices. In 2020 the same figure was 42% and is steadily rising. By 2025, 51% of online gaming revenues

THE ADVANTAGE OF BEING "MOBILE FIRST"



Source: H2 Gambling Capital

CASINO MARKET 2020

Source: H2GC

are expected be generated by mobile devices. The graph below clearly shows how much stronger mobile growth is compared with both land-based gaming as well as online gaming on desktop computers. Historically LeoVegas has grown faster than the underlying market.

CASINO MARKET 2020

The casino market is fragmented, with no clear market leader globally. LeoVegas' ambition is to conquer that position. The potential is enormous, and the illustration above shows LeoVegas' position and relative size today and the future growth that exists. It is also clear that the shift from land-based gaming to the online environment continues to grow.

The global casino market is worth EUR 140 bn, and a structural shift is taking place towards more consumption online.

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.

Competitors in the Nordic gaming market

In connection with the movement of consumption online, interest in online gaming has increased also in the Nordic countries, and over time this has led to higher competition. Among the larger actors that offer a wide range of games, the state monopolies in Norway, Norsk Tiping, and Finland, Veeikaus, have strong positions. Sweden and Denmark have local licence systems, but there as well, the former monopolies – Svenska Spel and Danske Spil – remain strong. In Sweden, ATG, which is owned by the horse racing industry, has a prominent position especially for betting on horses, but also offers sport and casino games. In addition to these are a number of private companies founded by Swedish entrepreneurs, including Kindred, Betsson, ComeOn and LeoVegas, among others. Foreign actors that have managed to create good brand awareness include the British operators Bet365, Betfair, Pokerstars, and also 888. Since Sweden's introduction of a local licence system in 2019, competition from smaller brands has decreased, and the established actors have taken market shares. The Nordic countries are markets with high internet penetration 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 global gaming market

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 imperative to invest in compliance and have a deep understanding of regulated markets, where the requirements are high on responsible gaming, corporate governance and responsible marketing. This creates higher entry barriers, which reflects the competitive situation globally, where the large actors are growing larger and increasing their market shares with the help of scale economies. The British gaming companies have prominent roles, while the respective markets have strong, local actors that LeoVegas competes with.


Benvenuti a
Leo Roulette
LIVE SHOW

A MYTH-ENSHROUDED INDUSTRY

The gaming industry is a bit myth-enshrouded, including by a number of misperceptions about it. Here we explain a few details that are often questioned or unknown about a business that aspires to provide entertainment and relaxation for the general public.

A YOUNG COMPANY WITH SWEDISH ROOTS

LeoVegas was established in 2011 by two individuals, and the Parent Company is Swedish and is listed on Nasdaq Stockholm's Main Market List.

WHO OWNS LEOVEGAS?

The company has roughly 50% Swedish owners including mutual funds, insurance companies and more than 16,500 shareholders (as per 28 February 2021).

CAN ANYONE PLAY AS MUCH AS THEY WANT?

LeoVegas puts strong emphasis on ensuring that players have the financial means to support their gaming and that players do not exhibit unsound gaming behaviour or signs of such a tendency. Many control mechanisms are in place, including algorithms that monitor gaming behaviour, personal contacts, and tools that players themselves can use, for example, to regulate the amount of time they spend playing and set amount limits.

HOW YOUNG CAN YOU BE TO PLAY?

You must be 18 to play.

WHAT DOES A PERSON NEED TO DO TO LIMIT THEIR GAMING?

LeoVegas offers various options for players to limit their gaming. LeoSafePlay, responsible gaming tool developed by LeoVegas for its customers, is one way. Spelpaus.se is another, where players can set limits for their gaming with all gaming companies that have a licence to conduct gaming for money in Sweden. Players can also block themselves from playing as well as direct marketing for periods of one, three or six months, or until further notice. Other markets have similar self-exclusion systems, such as Rofus in Denmark and GamStop in the UK.

DO THE SAME RULES APPLY FOR ALL GAMING COMPANIES?

In licensed markets, all operators work under the same rules, which is important for consumer protection, among other things. Unfortunately, every regulated market has a black market, entailing gaming outside of the licence system. For example, in Sweden players can play with unlicensed gaming companies, which do not abide by the Swedish rules. These companies do not pay any gaming taxes, and the consumer protection and blocking mechanisms provided by Spelpaus.se do not work. There is no oversight of these companies, and there is also a risk that they are used for money laundering.

HOW MUCH DOES LEOVEGAS PAY IN GAMING TAXES?

The gaming tax rate varies from country to country. In Sweden it is 18%, while in the UK it is 21%. In total LeoVegas paid EUR 57.3 m in gaming taxes in 2020.

HOW MUCH ARE THE WINNINGS AT LEOVEGAS? HOW LARGE IS LEOVEGAS' SHARE OF WINNINGS?

For every krona in wagers with LeoVegas, 93%-98% goes back to players in winnings. In general, the state-controlled operators in the various countries offer a considerably lower share of winnings to players than what LeoVegas and other commercial operators offer.

WHY DOES LEOVEGAS HAVE OPERATIONS IN MALTA?

The island nation of Malta, which borders to Sicily and the rest of Italy, is a republic with a population of just under 500,000 and a member of the EU. Historically, gaming in many European countries has been run as a state monopoly, including Sweden until 2019. Malta was out early in offering a European gaming licence, under which gaming companies could offer their services to countries within the EU entirely legally. This was the starting shot and the main reason why many companies chose to establish themselves in Malta, including LeoVegas. Apart from this, the sunny climate and Mediterranean Sea attracts many to work on the island, which facilitates recruiting. Malta is the prime hub for gaming in Europe, and a number of large European gaming companies are domiciled in Malta.

HOW MANY PEOPLE WORK FOR LEOVEGAS?

LeoVegas has approximately 830 employees from 67 countries (including 459 in Malta and 222 in Sweden). The company has extensive breadth in its employees' expertise, including 285 IT specialists, game developers and product specialists, 30 lawyers, five artificial intelligence specialists, 10 designers, 98 people who work with marketing, 17 HR specialists, 37 economists and 119 customer service representatives.

WHAT DOES LEOVEGAS PROVIDE FOR PLAYERS AND FOR SOCIETY?

With great ease of accessibility LeoVegas provides a moment of relaxation and entertainment for everyone (18 years and older). People have played games through the ages – even when the Great Wall of China was built, parts of it were financed by lotteries.

LeoVegas contributes large sums to countries' treasuries as a taxpayer through gaming taxes, income taxes, employer payroll taxes and other taxes.

LeoVegas is part of the Swedish IT wonder. The company employs highly educated people in programming, technology, search engine optimisation and artificial intelligence. It offers attractive jobs at numerous offices, including in Malta, where 459 people work, and in Sweden, where LeoVegas has 222 employees in Helsingborg, Stockholm, Västerås and Växjö.

FACTS ABOUT THE SWEDISH MARKET

HOW MANY COMPANIES HAVE GAMING LICENCES IN SWEDEN?

After the new Gambling Act (Spellag (2018:1138)) came into force on 1 January 2019, 100 companies are now licensed in Sweden (as per 1 February 2021).

HOW MUCH MONEY DO SWEDES SPEND ON GAMING?

Customers in Sweden (18 and older) spend an average of SEK 251 per month with operators licensed in Sweden, net, i.e., after paid winnings. (By gaming is meant gaming for money, i.e., where the chance of winning to various degrees is based on odds. Source: https://www.spelinspektionen.se/om-oss/statistik/statistiknytt/under-2020-spelade-svenskarna-for-3-009-kronor-per-person/

WHAT PORTION OF THE SWEDISH POPULATION PLAYS GAMES?

Sixty per cent of all Swedes say that they have played for money during the last 12 months. Of those who play, 33% play once a week, and 58% play once a month. Lotteries and pari-mutuel horse racing are the most common forms of gaming/betting. Seventy-five per cent of those who have played games have bought lottery tickets, 38% have bet on horses, and 5% have played casino games. Number games, such as Lotto, account for 50%, and sports betting, such as Oddset, account for 21%. (In this compilation, players may have played more than one type of game, which is why the sum is greater than 100%.) The gender breakdown for gaming is even. Source: Spelinspektionen 2018 https://www.spelinspektionen.se/om-oss/statistik/

RESPONSIBLE GAMING AND QUALITY CONTROL

Promoting sound gaming behaviour and having as watchful eye over where wagers come from have top priority at LeoVegas. The part of operations that monitors and addresses customers' gaming is called Responsible Gaming, and the part that works on countering money laundering is called Anti-Money Laundering (AML).

RESPONSIBLE GAMING

Responsible gaming is a central pillar of LeoVegas' business. More and more countries are introducing local regulations with varying requirements on how gaming companies are to address responsible gaming. Regulations create security for players as they reduce the risks for unsound gaming.

The Responsible Gaming department receives continuous information from all departments that have customer contracts, such as customer support, the risk department, the fraud department and the payments department. Responsible Gaming reviews and investigates customer accounts to determine if there is a need to intervene and limit a customer's gaming. The starting point can be a customer's level of activity or gaming behaviour, for example, or information that LeoVegas has learned through its personal contacts with a player. A proactive review is also conducted of customer behaviours and trends in customers' transactions to detect possible events or patterns that would prompt LeoVegas to act. Following a thorough analysis, a decision is made on any measures. Examples of measures taken by LeoVegas may include educating or informing a customer about unsound gaming, contacting the customer by phone, setting a limit for deposits or time spent logged in, blocking a customer's account and other forms of correspondence. LeoVegas also has a dedicated website, separate from the main gaming site, called LeoSafePlay. Here customers can find additional information about responsible gaming as well as detailed information and descriptions of the tools that are available that can help individuals with a current or potential problem. LeoSafePlay is also aimed at family members of players with or at risk of developing unsound gaming behaviour.

Various rules and regulations coupled to responsible gaming apply in the many countries and markets in which LeoVegas is active. Often these require players to set limits for how much they can deposit or how long they can play. Extensive requirements are also put on gaming companies to protect players from excessive gaming and to help them reduce their gaming when there is a reason to do so.

Many countries have national blocking registers through which players can block their access to gaming sites for varying lengths of time. Examples of such registers include Gamstop in the UK and Rofus in Denmark. In Sweden the national self-exclusion register is called Spelpaus, where players can block their own access to all gaming companies that hold a Swedish gaming licence. Spelpaus is a powerful and effective tool for individuals who have or are at risk of developing a gaming problem. Unfortunately, players who have blocked themselves from playing via Spelpaus can continue to play with companies that do not hold a licence in Sweden.

AT THE FOREFRONT OF RESPONSIBLE GAMING

LeoVegas uses machine learning to identify at-risk individuals and help them keep their gaming under control. The internal algorithm draws from the expertise of LeoVegas' team of analysts who are trained in responsible gaming and transfers knowledge about players' behaviours to the entire customer base, which makes it possible to monitor all players at all times. An entirely autonomous approach to at-risk individuals is being constantly refined together with our colleagues from leading research institutions.

INTRODUCTION

LeoVegas works with sustainable gaming through a stepwise approach:

1. Early identification of problem players
2. Algorithmic support for at-risk players
3. Evaluation of the effectiveness of measures

EARLY IDENTIFICATION OF PROBLEM PLAYERS

LeoVegas is at the forefront of using machine learning as a tool for early identification of at-risk individuals. Certain other operators rely on the opportunity for problem players to block themselves as the only approach, but this is not the case with LeoVegas. The company's machine learning models have been developed to specifically identify random gaming, which is done through manual reviews and development performed by our team of responsible gaming analysts. These models cover all relevant aspects of a product.

ALGORITHMIC SUPPORT FOR AT-RISK PLAYERS

LeoVegas has developed a unique, autonomous data-driven support system for responsible gaming designed to promote a safe and healthy strategy for gaming by training players directly so that they will continue to play in a sustainable manner and enjoy their gaming experience. This support function makes it possible for LeoVegas to intervene at the right time without being intrusive. This is done on a large scale and serves as a preventive measure that is employed for everyone all the time. This work is being conducted in collaboration with researchers in psychology from Stockholm University and Karolinska Institutet.

EVALUATION OF THE EFFECTIVENESS OF MEASURES

LeoVegas has an internal solution for assessing the effectiveness of its communication with players for those in need of support to play responsibly. Following interaction with a customer, the effect is measured by comparing the customer's behaviour before and after the interaction via a carefully designed point system. If the measures prove to be ineffective, a follow-up customer assessment is conducted, followed by a second interaction.

LEOSAFEPLAY

LeoSafePlay is LeoVegas' platform and approach for promoting responsible gaming. It is based on technology and technical solutions for responsible gaming as well as on how the operational activities work with these matters on a daily basis. LeoSafePlay also encompasses LeoSafePlay.com, a dedicated website that handles the company's work with responsible gaming. One of the most important technical solutions in LeoSafePlay is based on extensive data analytics to proactively create long-term relationships with customers and promote responsible and sound gaming over the long term. LeoSafePlay offers, among other things, a host of tools to help customers play in a responsible way.

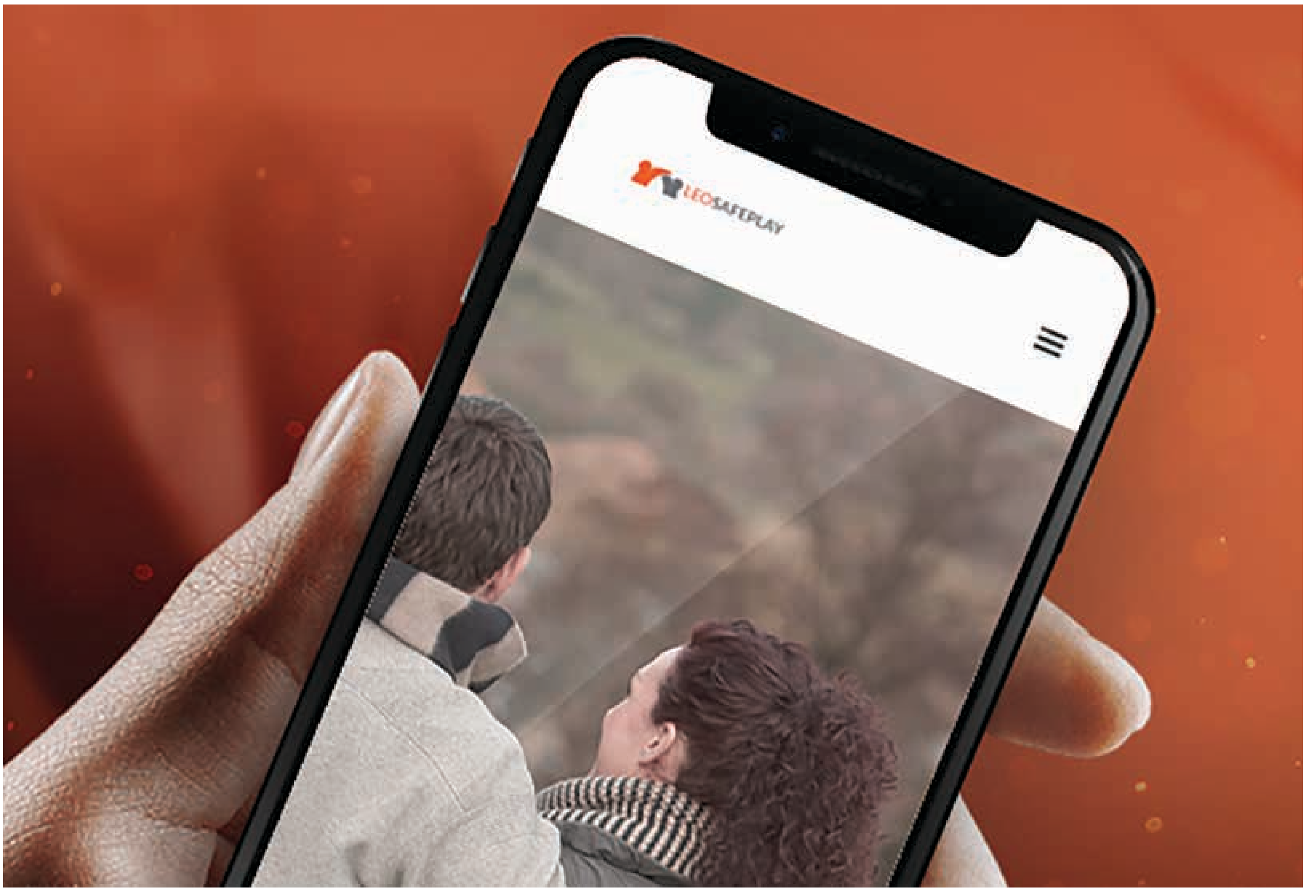
LEOSAFEPLAY FOCUSES PRIMARILY ON FOUR TARGET GROUPS

Individuals who feel they have a gaming problem

At LeoSafePlay, individuals who feel they have a gaming problems can obtain information about measures they can take to limit their gaming. Examples include information on how to use blocking or self-exclusion tools, and contact information about various help organisations that work with gaming-related problems and debt elimination. Through an anonymous self-assessment, customers can find out if they are at risk of developing a gaming problem. LeoVegas is one of the few companies in the industry to offer the tool Gamban, through which customers can block themselves from vising all gaming sites, and an insurance called LeoCare, which pays for the customer's first three visits to a therapist specialising in gaming problems. Both Gamban and LeoCare are offered to LeoVegas' customers free of charge.

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

At LeoSafePlay customers learn about various forms of gaming problems and about which measures they can take to regulate their gaming and gain better control. A player who feels he or she is spending too much time gaming can set a time limit for gaming sessions or use any of the other preventive tools available from LeoVegas.



Friends and family members of someone with a gaming problem

For family members and others, LeoSafePlay provides information on the warning signs one should be aware of, on how to contact LeoVegas and other gaming companies, and information on how to block gaming sites. Contact information is also provided for organisations that work with gaming related issues.

People who know an underage person who they suspect is gaming online

Underage persons gaming online is something that the entire gaming industry takes very seriously and is doing everything it can to prevent. As an example, LeoVegas works with age restrictions and ID verification when logging in and registration via Bank-ID in Sweden. Through LeoSafePlay, LeoVegas informs about the risks of gaming for minors as well as how parents or family members can contact LeoVegas if they suspect that a minor is gaming. Information is also provided about software that can be installed for enhanced parental control.

LEOCARE

LeoCare is an initiative launched by LeoVegas to help them people who have developed an unhealthy gaming behavior. The assistance consists of professional care by a psychologist. Provided that the customer has an account with LeoVegas, the company can help the customer get started with treatment by paying for the first three therapy sessions. Unfortunately, some people develop unsound gaming behaviours, and in certain cases professional help is the best way to come to grips with the problem. LeoVegas wants to be part of the solution, which is why we offer this support.

LeoVegas also cooperates with Gambling Therapy, a global service that offers free practical advice and emotional support to anyone struggling with gaming problems.

BLOCKING TOOLS

Several locally regulated markets have a national self-exclusion register through which customers can block their access to all licensed gaming companies. Examples of such registers are Spelpaus in Sweden, Rofus in Denmark and Gamstop in the UK.

In markets where a national blocking register has not been implemented, customers can use software services such as Gamban and Betfilter. These services detect and block gaming sites when a person tries to access them online. The tools are powerful but discrete and provide extra customer protection. LeoVegas offers the Gamban service free of charge to customers in need of a blocking tool. Naturally, LeoVegas also offers its customers the opportunity to exclude themselves from playing with us.

TOOLS IN LEOSAFEPLAY	
Deposit Limit	This tool allows customers to set a limit for how much they can deposit into their account during a set period of time. When the customer has reached their limit, it is not possible to make another deposit until the time period has passed. In several markets, including Sweden, setting a deposit limit is obligatory.
Loss Limit	With the Loss Limit tool, customers can limit how much they are able to lose during a set period of time. When the customer has reached the specified limit, they cannot continue playing.
Session Limit	The Session Limit function enables customers to specify how long they want to be able to be logged in. The customer is notified before the session limit is reached with a popup and is then automatically logged out.
Time Alert	The Time Alert function helps customers keep track of how much time they have spent gaming. Customers are periodically reminded about the length of their gaming sessions. The alert also includes an overview of how the customer's balance has changed during the time he or she has been playing. This helps customers make informed decisions on whether or not they want to continue playing.
Wagering Limit	This tool enables customers to limit the amount of money they are able to wager during a set period of time. Once the amount reaches the limit, the customer will not be able to continue playing.
Player History	This provides a clear summary of a customer's gaming transactions. The summary includes, among other things, a record of deposits, withdrawals, wagers and results. LeoVegas encourages all customers to keep tabs on their history and reflect on any changes in their own gaming behaviour.
Self-Exclusion	Customers are always free to take a break from gaming with LeoVegas. When an account has been paused, the customer cannot access it. LeoVegas always emphasises that once a pause has expired, the customer should think about whether he or she should begin playing again or not. If needed, customers can also extend their pauses or close their accounts.
Self-Assessment/Self-Test	The aim of a self-test is to help customers gain a clearer picture of their gaming and gaming patterns and activity. The assessment is made up of a series of statements, and the customer is asked to indicate how accurately each statement describes their situation. At the end of the self-test the customer is presented with a summary describing which areas of their life could be negatively affected by their gaming. The customer also receives suggestions for other tools that may be useful for their specific case. All these measures are provided to help customers find the right level of their gaming. A customer may also be recommended to close their account. To effectively accommodate the rules and regulations in the various markets and to support LeoVegas various brands, LeoSafePlay applies for the entire Group. By centralising some of the processes surrounding compliance and responsible gaming, LeoVegas can benefit from experiences in this areas from the entire Group.

LEADER IN AI-BASED RESPONSIBLE GAMING

LeoSafePlay uses machine learning to help identify problem gamers. In 2018 LeoVegas successfully evaluated a complementary AI technology call Recurrent Neural Networks. The results have shown an approximate 30% increase in precision of identifying problem gamers. In 2019 and 2020 the technology and algorithms were further optimised, with a further improvement in precision.

The tools also show a faster reaction when customers change their gaming behaviour. If a customer changes their gaming behaviour and, for example, begins playing for bigger wagers, during longer sessions, or begins playing at odd hours of the day, they are contacted by LeoVegas and is offered help and informed about how they can change or limit their gaming. If necessary, the customer's account is closed. LeoVegas is convinced that a combination state-of-the-art technology and care for customers is the best way to achieve long-term and sound customer relationships. LeoVegas cannot fight gaming problems on its own. The company is therefore eager to share its experiences and knowledge with other operators, authorities and other actors.

Even though technology is a key part of LeoVegas' work in the area of responsible gaming, often it is our employees who are in direct contact with customers. Against this background, all new employees in the Group participate in mandatory training in responsible gaming when they start working for LeoVegas. 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. LeoVegas aspires to offer its customers the ultimate gaming experience. Responsible gaming is a crucial and central part of this experience.

SAFER GAMBLING WEEK

Safter Gambling Week is an annual, industry-wide initiative to promote responsible gaming in the UK and Ireland. The campaign aims to increase awareness and knowledge about responsible gaming and spark a conversation on the topic among customers and the general public. It is also an occasion during which responsible gaming receives extra attention internally.

During Safer Gambling Week 2020 a number of measures were taken to highlight and market the week's activities. These included dedicated features to promote safer gaming in our Premier League Rugby sponsoring, an increased number of messages and greater content in our communication with players on websites and social media sites, and a number of internal initiatives to encourage discussions on the topic within LeoVegas.

ANTI-MONEY LAUNDERING (AML) – ACTIVITIES FOR PREVENTING MONEY LAUNDERING AND THE FINANCING OF TERRORISM

AML is a regulatory regime that banks, financial companies and other companies must adhere to as part of efforts to prevent financial crime. The rules require banks and other actors such as LeoVegas to have routines and systems in place to identify and track customers who violate the rules.

Money laundering is when someone tries to convert money derived from criminal activity to appear as if it was legally earned. Paying with "dirty" (or untaxed) money also constitutes money laundering, such as when someone uses untaxed money for gaming. By financing of terrorism is meant financially supporting terrorism. This pertains not only to contributing money. Also collecting, providing or accepting payment to be used for terrorism are considered to be financing of terrorism.

LeoVegas' AML department works closely with other relevant departments within the organisation to ensure compliance with the requirements put on us as a gaming company. LeoVegas applies a risk-based approach employing system-generated warnings, transaction monitoring algorithms and specialist-trained employees. This is complemented by mandatory training for all employees. AML-related measures have high priority and are initiated as soon as a customer registers with LeoVegas.

EXPANSION – SEVERAL PATHS TO GROWTH

Since its establishment LeoVegas has been characterised as a growth company. This growth is a combination of organic and acquisition-driven growth. Most has been generated through organic expansion and acquisitions. The Group's most important markets are currently the Nordic countries and Rest of Europe, which together accounted for 83% of revenue in Q4 2020.

LEOVEGAS IS TAKING MARKET SHARES

LeoVegas continues to grow through geographic expansion and growth in existing markets. LeoVegas is also growing through an expanded product offering – for example, Bingo was added as a new category in 2020 – and through acquisitions and new brands.

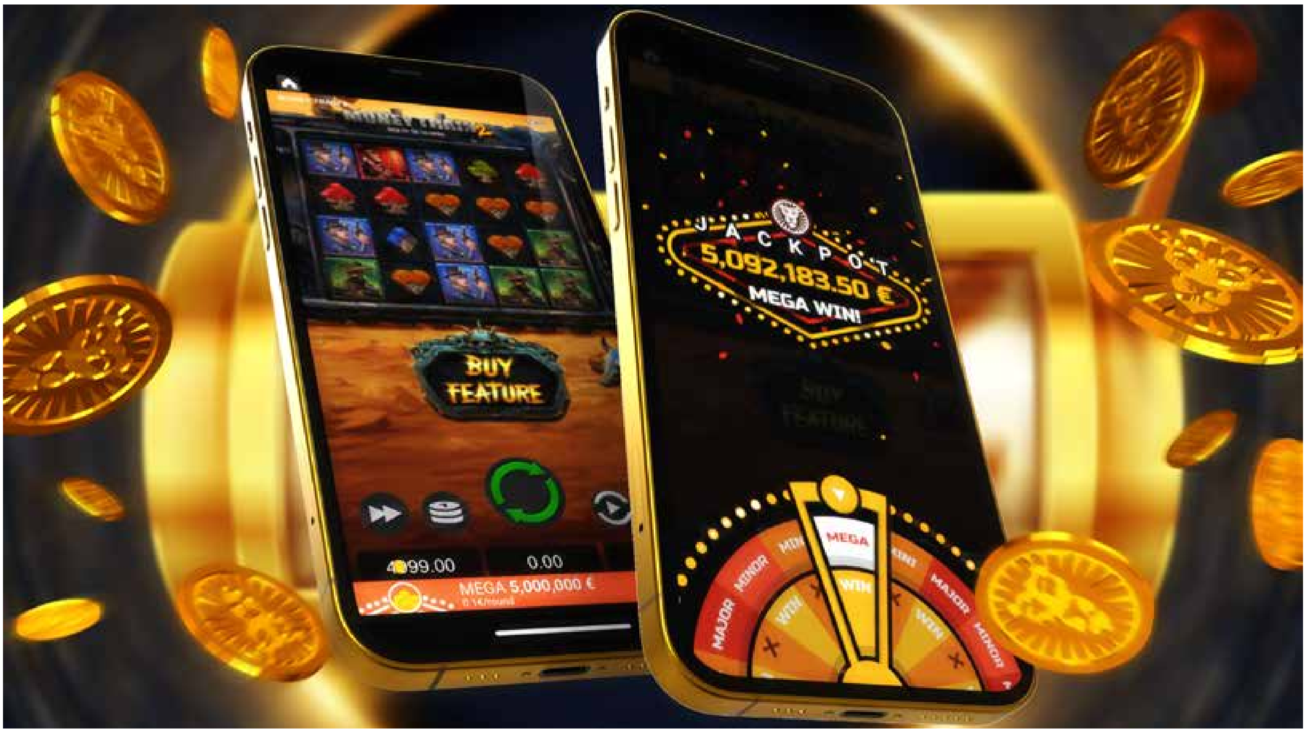
Growth in existing and new geographic markets

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 the consumer. LeoVegas has identified a number of new markets for further expansion and aims to launch its offering in several new markets in the coming years. LeoVegas is striving for a sound balance between regulated markets and markets with a high likelihood for future regulation in the near to medium term. This balance is important in order to position itself already before regulation is carried out and to achieve a more diversified revenue base.

Before LeoVegas enters a new market, an extensive analysis and evaluation are conducted of existing laws, market potential and the competitive situation, among other things. During 2020 focus was on scaling up existing markets and establishing markets launched in 2019. Examples of these are Italy, Spain, Chile, Peru and Brazil.

Growth through products and innovation

LeoVegas is also growing by offering an expanded product offering for existing and new customers. Today LeoVegas offers games in the Casino, Live Casino, Bingo and Sports Betting categories. LeoVegas is continuously evaluating new gaming categories, and during the year Bingo was added – a game with appeal for a broad target group and that fits in well with LeoVegas' ambition to offer broad-based entertainment service. Growth is also taking place through product innovation and new functionality in existing categories. An example of this is LeoJackpot, which is LeoVegas' own, unique jackpot where customers, immediately upon its launch, had the chance to win SEK 50 m directly via their mobile phones.



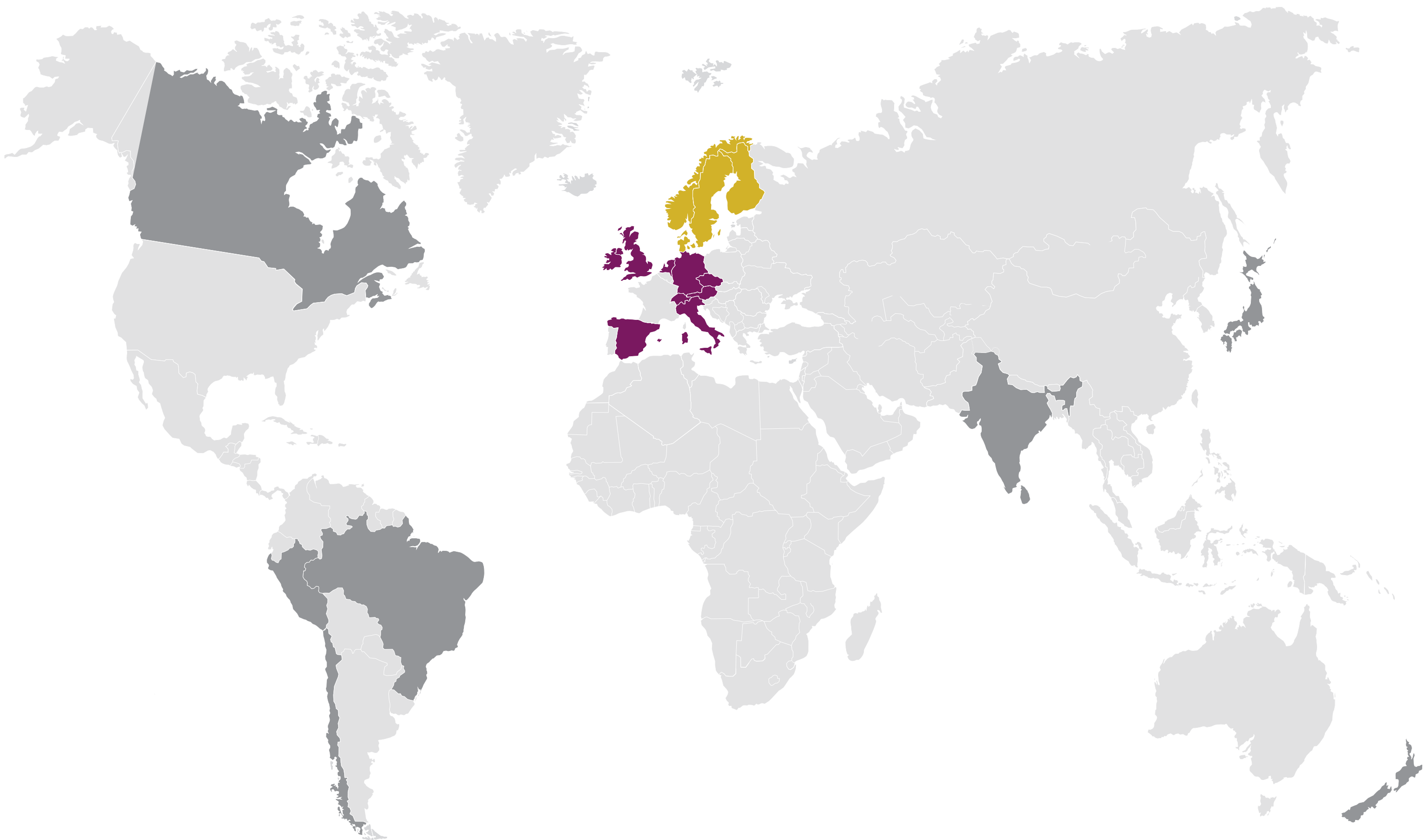
New brands

LeoVegas works according to a multibrand strategy, entailing the use of multiple brands to reach various types of target groups and markets. Owing to the company's proprietary technical platform, LeoVegas can 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.

In 2020 the GoGoCasino brand was launched outside Sweden, while the niche brand LiveCasino.com was launched internationally. At the end of the year the Pink Casino brand was launched in Canada, and this entry into North America was the first launch of the brand outside of the UK.

Acquisitions

LeoVegas is also growing through acquisitions, and the biggest transactions carried out to date have been of Royal Panda and the assets of IPS (Rocket X). The smaller acquisitions that have been made have had the rationale to acquire licences and access to specific markets. The acquisition in Italy is such an example, where LeoVegas did not have the opportunity to expand organically since it was not possible to apply for a licence in that specific case. LeoVegas also invests in related businesses outside of its core businesses. These are made under the company LeoVentures and help LeoVegas as a Group to be one of the most innovative and entrepreneur-driven companies in the industry.



36% **NORDICS**
During Q4 2020 the Nordic countries accounted for 36% of Net Gaming Revenue (NGR).

47% **REST OF EUROPE**
During Q4 2020 the Rest of Europe region accounted for 47% of NGR.

17% **REST OF WORLD**
During Q4 2020 the Rest of the World region accounted for 17% of NGR.

AN INDUSTRY IN CHANGE AND WITH GROWING REGULATION

In most national markets the gaming market is regulated by law and, in principle, all gaming activities require a permit. Several markets have local licence systems, but many countries still have a monopoly or monopoly-like situation. The trend is moving toward more and more countries implementing local regulation. The gaming industry is regulated at the national level, and at present there is no global regulatory regime for online gaming.

Certain countries' laws were created before the existence of the online gaming market, and these have developed – and were largely designed for – land-based gambling operations. As a result, the laws are open to subjective interpretation with respect to the online gaming market, and in most jurisdictions market practice has developed that is not always in concordance with applicable laws.

Operations that require a permit are highly dependent on political decisions, and gaming companies are reliant on the legal situation for the gaming industry, in particular regarding regulations within the EU and how these regulations are applied by its member states.

In recent years a growing number of countries have regulated their online gaming markets or have announced plans to introduce regulation. Examples of markets with local licence systems are Denmark, Italy, Spain, the UK and Sweden. In countries that have implemented regulations for online gaming, country-specific licences are required. 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, and the exclusion of criminal forces from gaming. Regulated markets also entail that the licensees pay gaming taxes.

Gaming taxes are an excise tax. While excise taxes are an important source of revenue for governments, they can also be used to steer consumption in a desirable direction for society. Examples include taxes on alcohol, energy and tobacco. The tax is based on the revenue that is generated and varies according to the licence system and market. In Sweden the tax rate is 18%, in the UK it is 21%, and Denmark has historically had a tax rate of 20%, but raised it to 28% at the start of 2021. The general trend is that the authorities are raising the gaming tax rate, but there are also examples of countries where the tax rate is being lowered. In 2019 the tax rate in Spain was decreased from 25% to 20%.

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 gaming. 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 portion 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, for example, and can therefore – under dot-com domains – provide and market games in other European Economic Area (EEA) countries without country-specific permits, to the extent the countries don't have their own online gaming regulations. For gaming operators and the online casino market, increased regulation of the member countries is a key driver since it promotes sustainable 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. This is highly advantageous 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 in the country, and LeoVegas implemented Swish at the start of January 2019.

Of LeoVegas' markets, the UK, Sweden, Denmark, Italy, Spain, Ireland, Malta and the German state of Schleswig-Holstein have local licence systems, while Norway and Finland are run as state monopolies. The Netherlands is currently in the process of adopting a local licence system, with the goal of implementing the system in 2021. LeoVegas has local gaming licences to be able to offer its products in the respective markets and thereby be in compliance with local laws. In EU countries without local licence systems, LeoVegas offers its games under its Maltese EU licence.

OUTSIDE THE EU

The Rest of World region includes markets with unclear gaming and tax laws, which over time could affect LeoVegas' revenue, earnings and expansion opportunities, depending on the development of pertinent legal changes. Countries outside of the EU are also developing in line with Europe, that is, more and more markets are implementing local regulation. This is clear in the USA, for example, where gaming is regulated by the individual states, and in South America, where Colombia, for example, is already a regulated market, and several other markets are moving in the direction to become regulated over time.

In all markets of interest for LeoVegas, the company is closely monitoring developments and working actively to apply its experiences from other regulated markets, all in an effort to create a sound and sustainable gaming market with a high level of consumer protection.

GREATER DEMANDS ON THE INDUSTRY

LeoVegas is seeing an increase in demands for responsible gaming and compliance for operators in regulated markets. The company is investing continually in this area, such as in technology development, knowledge and recruitment. The assessment is that LeoVegas, as a group, has made great progress in both responsible gaming and compli-ance, and 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).

The trend is moving toward higher demands on compliance, and more and more markets are becoming locally regulated. In general this results in higher operating costs at the same time that gaming taxes are introduced or increased. This has a direct, negative effect on profitability.

To be able to accommodate the greater demands and higher costs, investments are needed in the organisation, technology, and routines and processes for compliance. The ability to absorb the higher cost base puts higher demands on a scalable business. The handling of growing requirements for compliance is absolutely necessary and gives LeoVegas a large competitive advantage.

The knowledge that LeoVegas has amassed in compliance is enabling efficient and continued expansion into new, regulated markets. Spain is a clear example of this. Only weeks after it gained approval for its licence application in Spain, LeoVegas was the first company among the recently approved operators to launch operations in the Spanish market.

GAMING REGULATIONS – ADVANTAGES AND DISADVANTAGES

Outlined below, LeoVegas has conducted an overall analysis of the market forces that are affected by regulation and how these may give rise to a somewhat 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. All markets are unique, and their conditions differ from each other.

POSITIVE AND NEGATIVE EFFECTS WHEN A MARKET IS REGULATED

Market size	Certain markets grow more than others, depending on what the market looked like before regulation and which market forces have had a strong influence. In connection with re-regulation in Denmark and Italy, for example, growth was strong, while Sweden – since becoming regulated – has had growth that is lower than the average market that becomes regulated. This is against the background that the conditions in Sweden were relatively open with respect to marketing and payment opportunities even prior to regulation.
Competition in marketing	Prior to and following regulation there is an initial ramp-up of marketing by operators to build up and defend their positions in the market in question. Eventually this marketing subsides, as the actors must lower their costs to maintain margins.
Marketing channels	More marketing channels are opened up, such as Google and Facebook. In certain markets it can happen that the authorities, a number of years after regulation, put restrictions on marketing and advertising. Examples are designated time slots for TV ads or a ban on sponsoring for sport events.
Competition	Smaller competitors exit the market due to stronger regulatory requirements and tax pressure. The entry barriers increase for the same reasons. The large operators with well-known brands and popular products are generally the ones that perform best in a regulated environment. Following re-regulation, local monopolies carve out a position in the market, such as Danske Spil in Denmark and Svenska Spel in Sweden. Before the Swedish market was re-regulated, the Swedish monopoly did not offer online casino. This changed following re-regulation, and overnight, other online casino actors acquired a new competitor with a strong, local brand.
Vendors	Vendors pay their share of gaming taxes. This is how it works today in all regulated markets. Vendors play an important role in the achievement of a high level of channelisation in the market. Channelisation refers to how large a portion of gaming is done through the licence system. A low level of channelisation entails a large black (unregulated) market and vice versa. Vendors contribute to a high level of channelisation if they refrain from offering their products to unlicensed operators.
Bonuses and bonus costs	Bonus costs may be lower, as operators cut back on their marketing to maintain margins. In certain markets, restrictions are put on bonuses, such as in Sweden, where only a welcome bonus may be paid to new customers..
Gaming taxes	Gaming taxes are introduced when a market becomes regulated, which has a negative impact on profitability. What's positive about gaming taxes is that they benefit larger companies with resources to build their business long-term, and that they raise the entry barriers to the market.

LICENSED AND UNLICENSED, AND THE CHANNELISATION PROBLEM

In a growing number of countries, clear rules are being introduced for gaming operators along with a requirement that the actors have a gaming licence. This also means that it is prohibited for gaming operators to operate in the country or to directly target marketing at players in the country if the company does not have a gaming licence.

The main purpose of a licensed market is to create structure and order in the market, promote consumer protection for players and allow the government to collect gaming taxes. Many countries have already introduced licence systems, while others are preparing to introduce such a system. Consumer protection entails that the licence conditions include stipulated requirements for the gaming company to monitor players' activity and intervene if a player shows irregular or unsound gaming activity, such as regarding how much time a player spends playing, how much is wagered, and so on. There may be rules for how much a player can lose or how much a player may deposit with the gaming company during a set period of time. There may even be a cap for how much may be deposited during a certain period of time or a limit on how long a player may play as well as limits on the amount of bonuses that may be offered to players and how often bonuses may be paid out.

The unlicensed gaming companies operate from other countries. While they are limited in their ability to directly target players with advertising and offers in a given country, they can reach players through the internet, text messaging and other means. These gaming companies can also reach players through other actors that work in the country in question that requires a gaming licence.

For a player it is often hard to see the difference between the gaming companies, that is, whether or not they have a gaming licence. The previously described blocking mechanisms do not work with these unlicensed gaming companies.

Unlicensed gaming companies, which do not pay gaming taxes, can offer more and better bonuses, higher repayment, and they offer no consumer protection. Nor do they verify deposited money from a money laundering perspective or if wagers are sound from the player's perspective.

The concept of channelisation is often referred to in the gaming

industry. This refers to the sum of wagers played for in a given market in relation to the total gaming market. If 75% of wagered volume is played with licensed gaming companies, this means that the channelisation is 75% (the remaining 25% winds up with unlicensed companies).

THE CHANNELISATION PROBLEM

For markets that have implemented regulation and a subsequent licence requirement for gaming operators, low channelisation is a major challenge. Primarily this concerns the lack of consumer protection, that is, safeguarding individual players with respect to how much they are wagering, how much active time they spend gaming, and ensuring that they spend an amount that is reasonable in relation to their income and assets.

Unlicensed companies do not pay any gaming taxes, and this represents significant revenue that the government loses out on when gaming is conducted outside of the licence system.

In addition, there is no control over where the money comes from, that is, if wagers are sourced from illegal activities or untaxed money.

The challenges that arise from a high level of gaming with unlicensed actors are great, and it also skews competition between licensed and unlicensed gaming companies. As a consumer it is hard to see the difference between the two types of gaming companies, but one indication is that unlicensed companies can offer players more lucrative bonuses. This is because certain regulated markets have rules that restrict the kinds of bonuses that can be paid and because by not paying gaming taxes, the unlicensed actors have financial scope to pay out high and recurring bonuses.

The solutions to the problem of low channelisation vary a bit depending on the respective market, but introducing B2B licences (i.e., between gaming companies and their providers) could be one way of coming to grips with problem. Under such licences companies would undertake to not provide services and products to unlicensed gaming companies, and payment service providers would undertake to only work with licences gaming companies.

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' time, smartphones gave rise to entirely new behaviours and have become a channel for 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. In early 2018 LeoVegas acquired a number of local UK brands. In 2019 LeoVegas implemented its multibrand platform, enabling the company to innovate own brands with internal resources. LeoVegas aspires to be the most innovative, entrepreneurial and fastest growing company in the industry.

ORGANISATION AND EMPLOYEES

LeoVegas is a global group with offices in several European countries. Operations for the gaming activities are conducted in Malta, while the headquarters for LeoVegas AB (publ) are in

LEOVEGAS' TIMELINE

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

- LeoVegas launches its offering in Sweden for mobile phones, tablets and PCs

- LeoVegas wins first accolade, "Innovation in Casino" at the EGR Innovation Awards

- LeoVegas expands to Italy via acquisition
- Passes EUR 1 bn in deposits
- LeoVegas acquires gaming operator Royal Panda
- LeoVegas acquires 51% of the streaming network CasinoGrounds

- LeoVegas acquires Rocket X and 51% of Pixel.bet
- LeoVegas carries out change in listing to Nasdaq Stockholm
- LeoVegas applies for gaming licence in Spain

- Sweden becomes a regulated market
- LeoVegas launches operations in five new markets, including Spain and Japan
- Launch of Brands of Leo and the GoGoCasino brand

Stockholm. The company's technology development is conducted at offices in Stockholm, Västerås and Växjö. LeoVegas also has offices in Newcastle, UK, and Milan, Italy.

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 two companies in LeoVentures: Pixel Holding Group Ltd (Pixel.bet), which is 85%-owned, and GameGrounds United (CasinoGrounds), which is 51%-owned.

The number of employees in the LeoVegas Group has grown sharply since the start in 2011. At the end of December 2020 LeoVegas had 837 employees. 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. The average age of LeoVegas employees is 32. During the year, 62% of employees were men and 38% were women.

2014

- Passes 100 employees
- Receives gaming 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
- Launch of LeoVegas Sport and LeoVegas Live Casino
- Receives gaming licence in Denmark

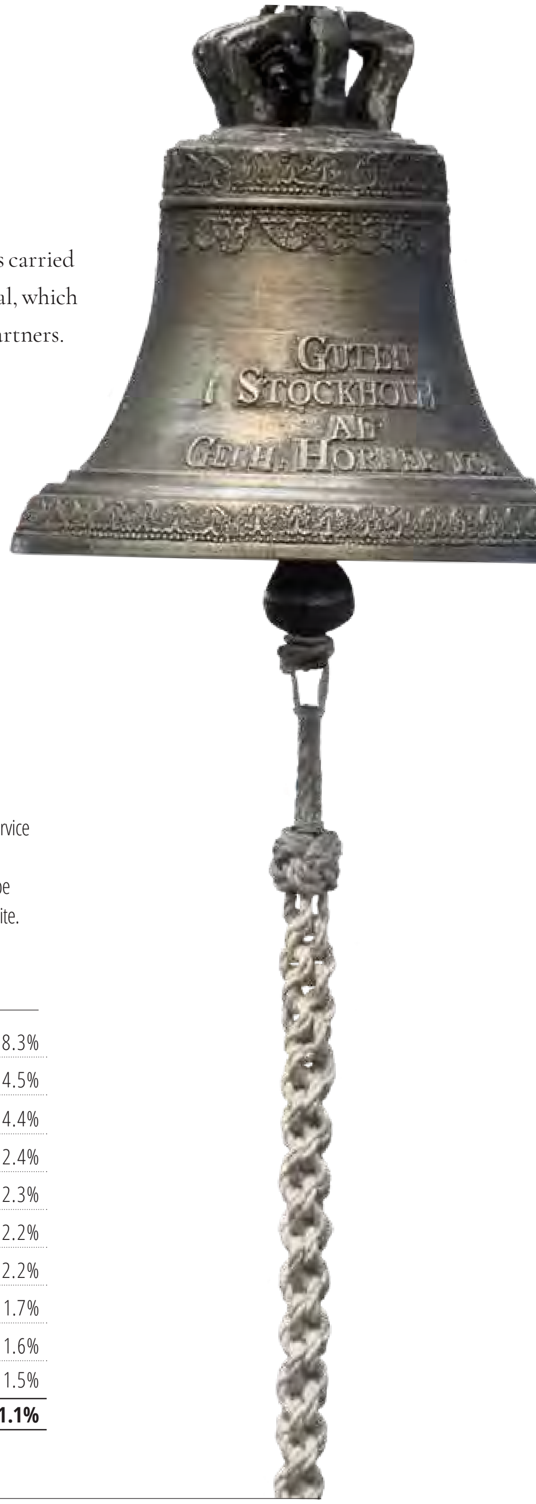
2020

- Launch of Livecasino.com brand
- LeoVegas launches Bingo
- Rocket X becomes LeoVegas UK
- LeoVegas secures long-term, diversified financing through combination of a bank credit facility (RCF of EUR 40 m) and a bond issue of SEK 500 m under a total framework of SEK 800 m
- Launch of record-large jackpot under the name LeoJackpot
- LeoVegas first company in the gaming industry to offer Open Banking payment solution

2021

- LeoVegas acquires 25 percent of SharedPlay
- Royal Panda migrates to the Groups proprietary technological platform
- LeoVegas acquires the brand Expekt. Expekt is one of the best known brand within Sports Betting in Sweden and the rest of the Noridics. Total purchase price EUR 5 m

LEOVEGAS ON THE STOCK EXCHANGE



THE STOCK MARKET

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. Being a listed company is a quality seal, which benefits the company in its communication and cooperation with authorities, banks, licensors and partners.

DATA

Ticker: LEO
Marketplace: Nasdaq Stockholm
Market cap (31/12/2020): SEK 3.55 bn
No. shareholders (31/12/2020): 17,284
No. shares: 101,652,970
Stock market listing: 17 March 2016, First North Premier
Listing change: 5 February 2018, Nasdaq Stockholm
Listing price: SEK 32
Highest price during the year: SEK 49.70
Lowest price during the year: SEK 19.66

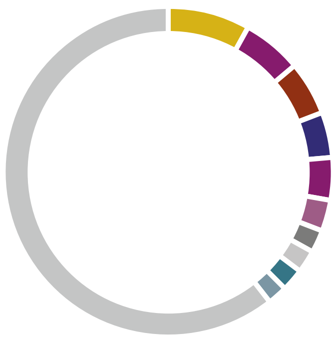
ANALYST MONITORING

LeoVegas is monitored by the following banks and analysts:

- **Carnegie** – Oscar Erixon
- **DNB** – Martin Arnell
- **Kepler Chevreux** – Hjalmar Ahlberg
- **Pareto Securities** – Marlon Värnik
- **SEB** – Mathias Lundberg
- **Aktiespararna** – Jonatan Andersson

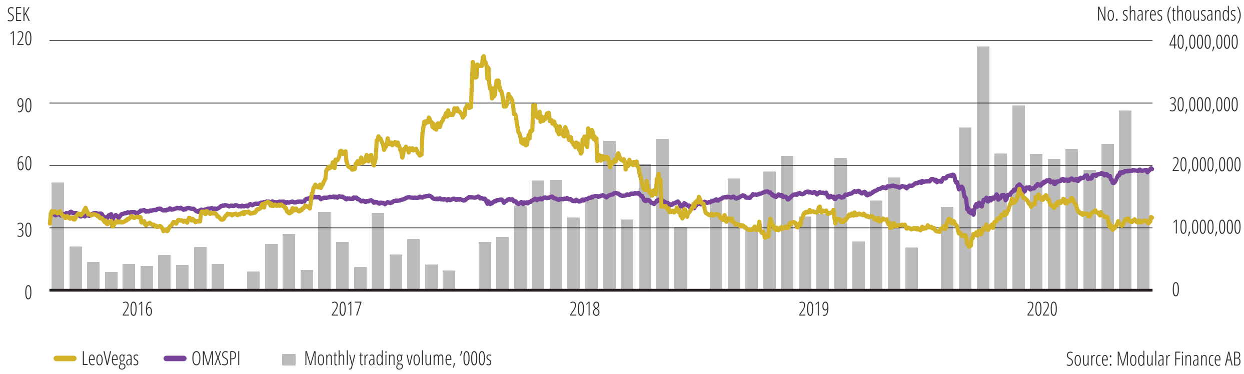
The analysis performed by the Aktiespararna (the Swedish Shareholders Association) is a commissioned analysis, and LeoVegas regards it as a service for its shareholders. LeoVegas has a growing shareholder base and believes it is important that information and analyses are available for private savers and the general public. The traditional analyses performed by banks do not reach this target group, which is why LeoVegas considers it to be important to complement with Aktiespararna. To read analyses and other published information, see the analysis guide on Aktiespararna's website.

TEN LARGEST SHAREHOLDERS, 31 DECEMBER 2020



Gustaf Hagman	8.3%
Avanza Pension	4.5%
Torsten Söderberg with family	4.4%
TT International	2.4%
Lombard Odier Asset Management	2.3%
Pontus Hagnö	2.2%
Robin Ramm-Ericson	2.2%
Filip Engelbert	1.7%
Graffe Holding AB	1.6%
Sundt AS	1.5%
Total, 10 largest shareholders	**31.1%**

SHARE PRICE DEVELOPMENT 17/3/2016 – 31/12/2020

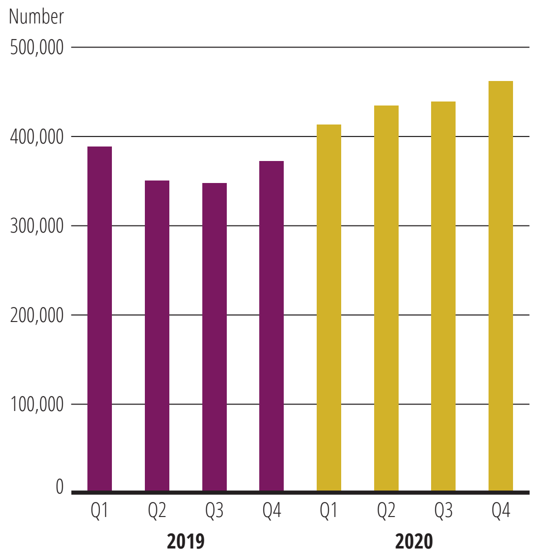


Source: Modular Finance AB

KEY PERFORMANCE INDICATORS

LeoVegas is a data-driven company. Working online to present the company's offering enables immediate follow-up of statistics, key performance indicators (KPIs) and revenues. All data is measured, verified and followed up in all areas and departments of the Group – all in an effort to optimise all aspects of the business. Two examples in which a data-driven work approach generates large gains are in responsible gaming and marketing spend. To offer a safe and secure gaming experience, data and customer follow-up are essential for being able to proactively act on unsound gaming behaviour. By systematically and continuously analysing and monitoring marketing spend, LeoVegas achieves a high level of precision at the same time that the company gains an opportunity to optimise and thereby achieve the highest possible return. The five most important KPIs are total deposits; the number of depositing customers; the number of returning, depositing customers; marketing investments; and KPIs for responsible gaming. Development of these is shown in the charts on the next two pages.

NUMBER OF DEPOSITING CUSTOMERS



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

TOTAL DEPOSITS

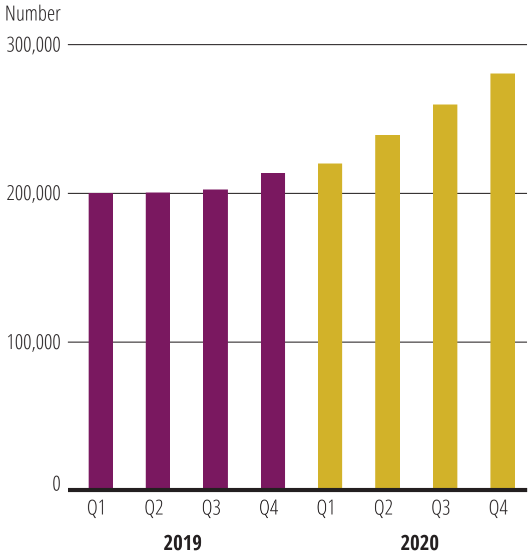
Customer deposits. Total deposits is a measure that shows how attractive LeoVegas' products are in customers' eyes. When deposits increase, LeoVegas' revenues also increase, and the company gains a stronger position in the market as well as with game providers and companies that provide payment solutions.

NUMBER OF NEW DEPOSITING CUSTOMERS

Customers that has made the first deposit during the period.

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)

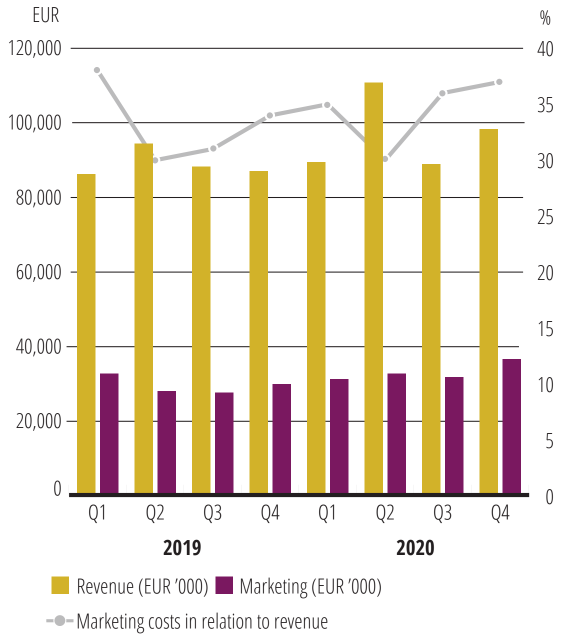


Returning customers

Customers who have made a deposit during the period but made their first deposit in an earlier period.

MARKETING INVESTMENTS

Marketing costs in relation to revenue



Marketing investments (development and return)

Marketing costs in relation to revenue and to the number of new customers and total deposits.

BEING SCALABLE IS A MUST

Mårten Forste, COO

Brief bio

Mårten has an extensive and broad base of experience from the online and e-commerce industry. Among other positions he has served as country manager for the gaming company Expekt and COO of Meetic/Match.com Europe.

Mårten has been active on LeoVegas' board of directors since 2012 and has been Chairman of the Board since 2017. Since the beginning of 2020 Mårten Forste is LeoVegas' Chief Operating Officer with overall responsibility for operations at the company's office in Malta.

The business environment is changing at an ever-faster pace in an increasingly globalised world. The effect is steadily rising competition, where you not only have to be best or fastest – you must also be the most adaptable and have the ability to change in step with new rules to the game. To meet these challenges the company must strike a good balance between technology, digital tools, processes and people. At LeoVegas we are driven by such changes.

The pace of change in our industry is high and shows no sign of slowing – on the contrary. We are seeing growing demands from customers for an even smoother and better gaming experience, a larger offering of games and better, more flexible and more secure payment methods. On top of this, more and more markets are becoming regulated, which puts higher demands on compliance and periodically gives rise to a higher tax burden. This development requires great knowledge and execution capacity in tech, products and legal affairs. Development is progressing fast and is challenging, but it is also a comparative advantage for larger companies like LeoVegas. This is because, above all, over time companies like us have invested a lot in brand-building measures, proprietary technology, and in knowledge and experience in compliance. Added to this is the larger companies' ability to benefit from economies of scale and thus to also absorb the higher tax burden.

The ability to adapt is the key to avoiding getting mired down in old structures that are not aligned with the current regulatory regimes or a gaming experience that does not appeal to existing customers and new, interesting customer segments.

During the year LeoVegas achieved sharp growth in EBITDA compared with the preceding year. This can be credited to a number of initiatives that generated clear results during the year. This demonstrates the scalability of our business model, as revenues have also shown a good increase. The strongly improved operating profit was achieved despite a continued high pace of expansion and higher investments in technology and product developement.

By building Group functions – units that cover the entire company and all customers no matter what market they are in – and by expanded use of tech for automation, LeoVegas is succeeding at making its business scalable. In the coming years I see a greater focus on this – especially through the increased use of bots in customer service, but also through increased automation in various work flows such as document management and customer reactivation. Contrary to what many fear, the use of technology for automation can contribute to an improved customer experience. With a more scalable operation, LeoVegas becomes even more resilient to external events that we cannot influence ourselves. We are on the right path, and through hard work LeoVegas will see more efficient work and a positive trend in improved margins and rising profits. In 2020 this was demonstrated in our success at growing our underlying EBITDA by 25%. In a highly competitive business with growing regulatory requirements and a growing tax burden, this is something I am proud of, for this is how we create shareholder value.

EXPANSIVE GROWTH JOURNEY – HOW ONE OF OUR TECH OFFICES GREW TO BECOME A CENTRAL HUB IN THE COMPANY

Andreas Freij, Team Lead, and Daniel Lüning, Development Manager, LeoVegas Växjö.

Five years after moving in to the offices on Storgatan in Växjö, the operation has expanded from nine to 45 employees. This reflects the unique growth journey that the company has made since the start.

At the Växjö office, focus is on the platform that all our brands and product categories are run on. At peak times, when most people are playing, there can be as many as 10,000 at the same time, and since every spin on one of LeoVegas' machines represents a unique purchase, this means in practice 115,000 transactions per minute – which during a month translates to 1.2 billion transactions. So it is a very transaction-intensive system we are working with here, say Andreas Freij, Team Lead, and Daniel Lüning, Development Manager, at LeoVegas.

"Gaming online is a form of entertainment, a total experience that is intended to be both exciting and fun," they explain. "This total concept put high demands on a high level of user friendliness throughout the experience and putting the right feeling into the visual context."

WHAT IS THE ALLURE OF WORKING IN THE GAMING INDUSTRY?

"The direct response from customers is amazing. You see the effects of your work immediately. We have an incredibly fast, data-based feedback loop within the company, which means that we are always working with input that provides the greatest value at the moment.

"Technologically we are cutting-edge. For example, we were the first gaming company to move our entire game and service platform to Google Cloud Platform."

HOW MANY COUNTRIES HAVE A REGULATED GAMING MARKET AT PRESENT?

"There's a bit of a global trend when it comes to regulating domestic gaming markets. In Europe many countries are already regulated or are well on their way. Germany and the Netherlands are two examples of markets that are midstream in this work. Certain states in the USA have regulated or are currently regulating their local gaming markets. LeoVegas has the same platform in all of these markets, so the challenge for us who work with the platform is to bridge the rules that the respective markets are incorporating in their regulations."

HOW DID LEOVEGAS COME TO HAVE AN OFFICE IN VÄXJÖ?

"It was a bit by chance, you could say. LeoVegas initially leased its platform, but wanted greater flexibility. We brought in help from consultants to do some probing, and the decision was made to build an own platform. The consultant who conducted the study – just like many other of the Växjö office's early employees – had worked for Boss Media, the Växjö company that was a pioneer in online casino. And when he was offered a position to realise the platform, it was natural to bring in parts of the old gang who had previously worked with Boss Media's corresponding platform. The consultant subsequently moved to Västerås, and in that way the third development office was opened in Sweden."

"Work on the new platform was conducted under tight secrecy so as not to alert our vendor at the time, and it took about a year and a half to finish. After a lot of hard work, the platform was ready for launch."

WHAT HAPPENED NEXT?

"It might sound a little boastful, but everything in fact went entirely to plan. Everything worked from the start."

The platform has thereafter successively been built out and further developed, all in pace with the growing need for technology and capacity. Andreas and Daniel describe an exciting growth journey where recruitment has been based a lot on own networks.

"Initially we relied heavily on our own contacts. When we met someone with the right expertise and who fit in with our company culture, we'd decide then and there and hire them. Now we have to look more broadly to be able to continue our growth."

HOW WOULD YOU DESCRIBE YOUR COMPANY CULTURE?

"Open, familiar and helpful. Our people are empowered with great freedom to make decisions and structure their own working hours, which is conducive to strong engagement."

The office premises are a comfort factor, according to Andreas and Daniel. There are many open and welcoming areas that are well-suited for gatherings, relaxing, and playing table tennis, for example. In fact, the offices are often also used for family events.

"It's true – the employees sometimes hold their kids' birthday parties here on weekends. The mix of nationalities is also a distinctive feature.

"Twenty-five per cent of the employees here at the office come from foreign backgrounds. In the beginning we spoke only Swedish at work, but now we have gone over more and more to English."

The global online gaming market is growing steadily, and the opportunities to expand are good. 2020 was a good year for LeoVegas, according to Andreas and Daniel, who also see positive development in 2021.

"We expect to see continued expansion and to establish in new markets," they say.

The hopes are, of course, that the pandemic will subside and disappear.

"Most of all to be able to travel abroad and meet other employees in the Group. Today LeoVegas has more than 830 employees."

Names: Andreas Freij, Team Lead, and Daniel Lüning, Development Manager for LeoVegas in Växjö.
Activity: Build and develop platforms for online casino.
Number of employees: 45.
Recruitment need: We have four positions open right now.
Current: Expanding in pace with growth in online gaming.
Known ambassadors: Marketing has been a key success factor for LeoVegas. Among others, Frank Andersson, Dolph Lundgren and Tommy Söderström have been LeoVegas ambassadors. Frank Andersson was here and inaugurated our offices here in Växjö in 2015 – a fantastic personality who sadly passed away in 2018.
Goal 2021: To continue growing!

BUSINESS CONCEPT AND STRATEGY

BUSINESS CONCEPT

To create the ultimate gaming experience based on mobile devices. Through innovation in products, technology and marketing, to offer world-leading gaming entertainment.

VISION AND POSITION

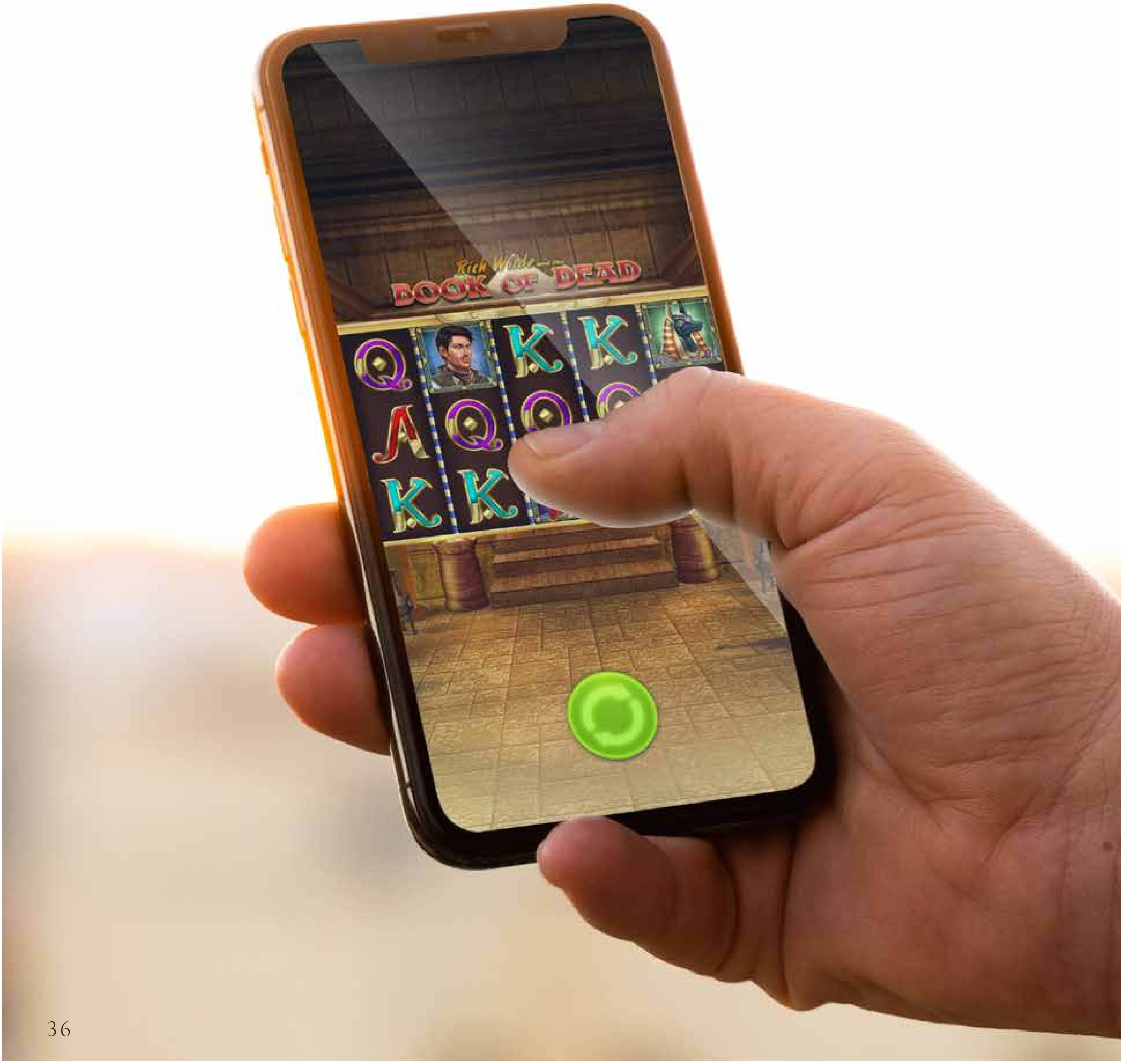
The vision and wanted position is to be "King of Casino" – the number one global casino company.

EXPANSION STRATEGY

The expansion strategy is to achieve organic growth in regulated markets and markets that will soon become regulated as well as through strategic and complementary acquisitions.

PRODUCT STRATEGY

The company will be the most innovative and creative in its core product areas in addition to exploring new categories and new functionality in the gaming industry.



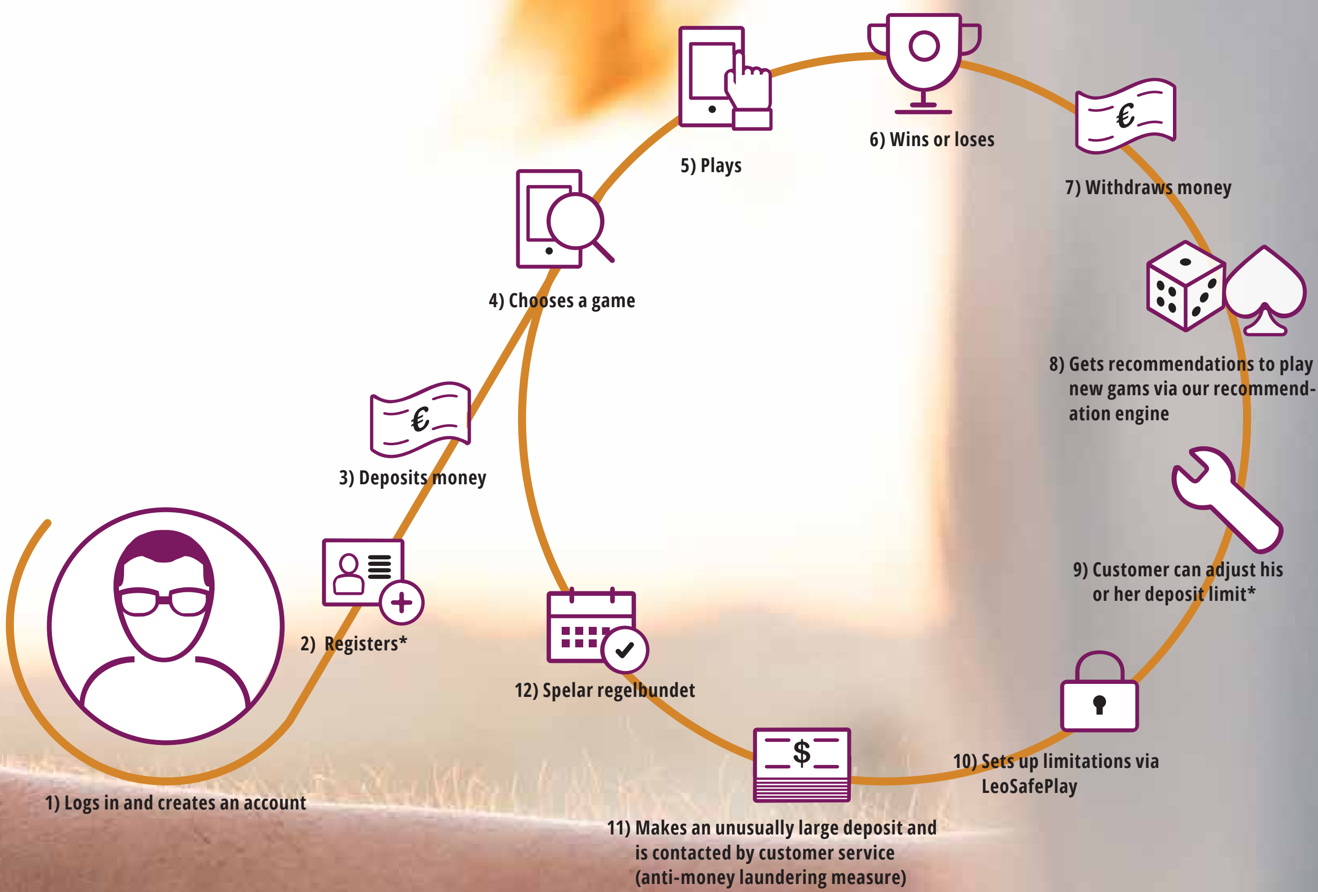
LEOVEGAS' CUSTOMER JOURNEY

LeoVegas' ambition is to offer the best casino experience. This means offering modern, entertaining games that are based on state-of-the-art technology, and making it easy to log in and play.

THE CUSTOMER JOURNEY

For many, gaming offers a moment of fun relaxation and entertainment with an element of excitement. This can entail playing on any of the casino's more than 2,500 games. Most people play slots (referred to in the old days as one-armed bandits), while others choose to play Live Casino, whereby the customer links into and is present at a real gaming environment where a croupier is running a roulette table or a dealer is dealing cards at a Blackjack table. Still others might place bets on the outcome of various sporting events, such as a football or a tennis match. Bingo is another game that LeoVegas offers.

THE FIGURE BELOW ILLUSTRATES A CUSTOMER'S "JOURNEY" WITH LEOVEGAS



**In Sweden, setting the deposit limit is part of the registration process. Deposit limits are mandatory in certain markets and voluntary in others. On 2 July 2020 Sweden implemented new rules entailing that:*

- *The deposit limit for an online casino gaming account is max. SEK 5,000 per week. A corresponding loss limit is to apply for all fixed odds betting terminals.*
- *Players are required to set a limit for the amount of time they spend playing in an online casino or on fixed odds betting machines.*
- *Bonuses offered by licensors that provide online casino.*

LEOVEGAS' PRODUCT OFFERING

LeoVegas has won numerous accolades for its business, including as Casino Operator of the Year (SBC Awards and EGR Nordic Awards) and a Business Continuity Award at the Industry Community Awards for exceptionally positive action during the pandemic. LeoVegas continues to lead development in the gaming industry, driven by innovation and with a strong technological edge. The company offers the most user-friendly mobile gaming experience along with the market's broadest selection of mobile games. A strong product offering is one of the keys to achieving the long-term ambition to be global casino gaming company number one.

CASINO

LeoVegas today offers more than 2,500 games from more than 60 game providers. Most of these are in the Casino category and are various types of slots, whereby the player bets on a winning combination of various symbols. In the old days these were often referred to called one-armed bandits, where the player inserted a coin and pulled a lever to make the wheels spin.

LIVE CASINO

LeoVegas continues to invest in Live Casino, such as through efforts to provide an improved experience via the exclusive Chambre Séparée studio. LeoVegas also offers bigger, exclusive tables with local croupiers in specific markets. For example, LeoVegas has Live Casino tables with Danish-speaking croupiers for Danish customers – a local adaptation that customers appreciate. The launch of the niche brand livecasino.com is a further example of the company's focus on Live Casino.

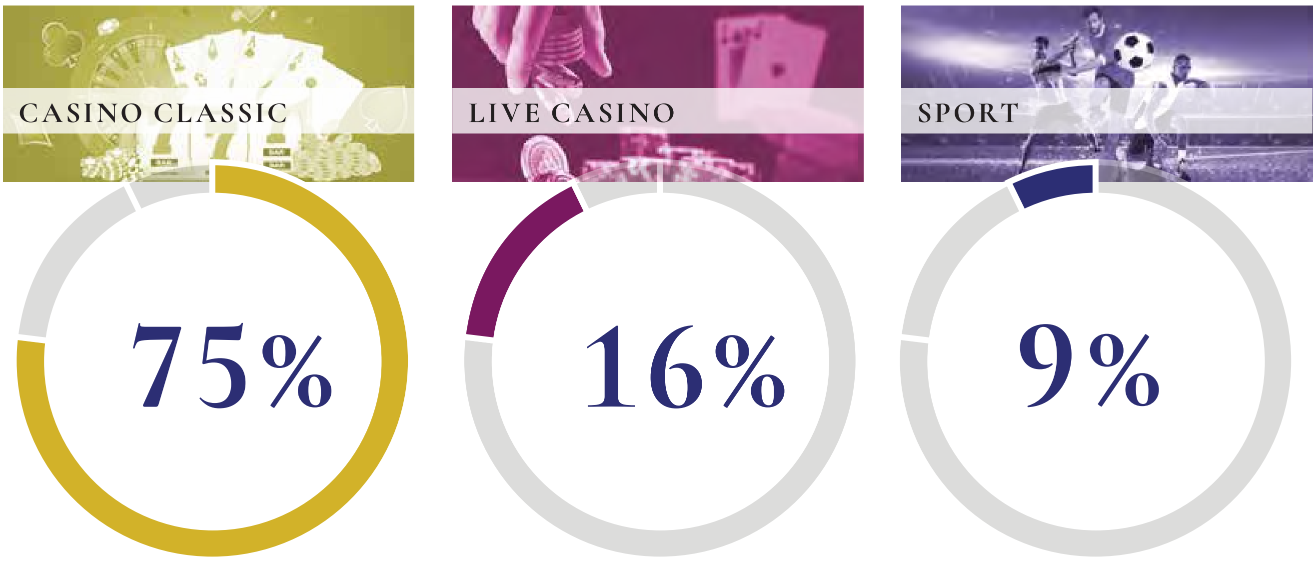
BINGO

Bingo was introduced in 2020 and has great potential in the digital environment. The game was rolled out successively in all the company's markets. The global bingo market is worth approximately EUR 2 bn, and only 23% is currently played online. This means that the potential for digitalisation is immense, and a lot of bingo playing will be shifting to the digital realm.

SPORT

LeoVegas launched sports betting back in 2016. With a passion for the ultimate mobile gaming experience, LeoVegas has new, exciting opportunities in the sports betting market. Even though Casino is LeoVegas' main focus, sports betting plays an important role and today accounts for approximately 10% of the Group's revenue. LeoVegas works according to a multibrand strategy, which helps promote niche brands, and this is something that LeoVegas also uses in the Sport category. The brand portfolio includes, for example, the BetUK sports betting brand in the UK market.

PRODUCT MIX Q4 2020 (% OF GROSS GAMING REVENUE)



Type of game	Explanation	Example
CASINO CLASSIC	The Casino Classic segment includes slots, where the player bets on a winning combination of symbols in a field that usually comprises three to five columns. Slots include a number of jackpots that players can play for. LeoVegas' jackpot games are a type of slot. What distinguishes jackpot games from regular slots is that they use progressive jackpots where the jackpot steadily increases until someone wins it. In 2020 LeoVegas launched its own, unique jackpot with a chance to win 50 million kronor. We call it LeoJackpot!	
LIVE CASINO	Live Casino includes traditional table 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 also offers a Live Casino solution with streaming from land-based casinos, where customers can play together with other players. The Live Casino segment includes a new category of games called Game Shows. Game Shows are games that combine traditional games and wheels of fortune with an element of world famous game shows and board games, for an engaging and exciting gaming experience together with a croupier.	
SPORT	To offer the ultimate mobile sports betting experience, LeoVegas uses the leading providers of software, risk management and odds-setting backed by LeoVegas' proprietary technical platform and mobile gaming experience.	
BINGO	Bingo is a game where random numbers are drawn and marked on cards with pre-printed numbers on a matrix. The game entails achieving 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. LeoVegas has a strongly growing customer database, and demand for entertaining games is growing, which prompted LeoVegas to launch Bingo across all its brands in 2020. Bingo is a social, easy and fun game that suits all target groups.	
ESPORTS BETTING	Esports is an international and fast-growing segment that engages millions of players and viewers every month. Esports betting is also a strongly growing trend and a market in its infancy. LeoVegas is pursuing growth in this segment by running the esports betting operator pixel.bet.	

LEOVEGAS AS AN EMPLOYER

ORGANISATION AND EMPLOYEES

LeoVegas is a global group with offices in several European countries. Operations for the gaming activities are conducted in Malta, and the headquarters of LeoVegas AB (publ) are in Stockholm. The company's technology development is conducted at offices in Stockholm, Västerås and Växjö. LeoVegas UK is based in Newcastle, UK, and the company also has an office in Milan, Italy.

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 two companies in LeoVentures: Pixel Holding Group Ltd (Pixel.bet) and GameGrounds United (CasinoGrounds).

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. The average age of LeoVegas employees is 32. During the year, 62% of employees were men and 38% were women. LeoVegas' board of directors has seven members, of whom five are men and two are women.

LEOVEGAS' EMPLOYEES

LeoVegas has more than 830 employees from 67 countries. The company has extensive breadth in its employees' expertise, including 285 IT specialists, game developers and product specialists, 30 lawyers, five artificial intelligence specialists, 10 designers, 98 people who work with marketing, 17 HR specialists, 37 economists and 119 customer service representatives. Approximately 10% of the employees work with compliance and responsible gaming.

LeoVegas offers a dynamic and forward-leaning environment with a culture designed to promote and develop empowered employees who make decisions closest to their areas of specialisation instead of driving decisions via a traditional, hierarchical company culture. In parallel with a high tempo and winning mindset, the company is permeated by a strong team spirit, which goes by the banner "Team Leo". LeoVegas is always a winning team, regardless of which country one works from for what one works with. In a constantly changing environment, naturally there are good development opportunities for all employees to grow in specialist areas as well as in leadership. The employees develop within the company, and many also take the chance to learn about an entirely new area and grow within it. Some are even allured by the opportunity to pack up and switch work locations for a shorter or longer time – perhaps even relocate from Sweden to Malta for a longer period, or vice versa. These are key factors in attracting, retaining and developing talents. They also contribute to a long-term and engaging relationship between LeoVegas as an employer and individual employees.

FACILITATING GROWTH THROUGH SHARED ATTITUDES AND CORNERSTONES

LeoVegas is a rapidly growing company with many young employees from diverse backgrounds. Working with a complex structure in a fiercely competitive and highly dynamic market requires a culture with clear goals and values that facilitate cooperation and progress. LeoVegas, which conducts more than 100 million transactions per month, puts high demands on flexibility and that everyone always focuses on the most important matters. With offices in many locations and employees from 67 countries, cooperation and shared values and attitudes is one of the keys to success. LeoVegas has summarised the company's attitudes in five key concepts:

• WE ARE TEAM LEO

LeoVegas wins when we work together. As a global company with people from many different countries (67 countries at present), internal cooperation is built upon 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 make 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 an agile organisation that strives for simplicity.

There are always opportunities to develop, simplify and improve what you do. Without development, both companies and people stagnate. LeoVegas always strives for improvement.

• WE CHASE BETTERNESS

LeoVegas aspires to be better tomorrow than it is today. 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.

Success requires activities and initiatives, which LeoVegas calls:

• WE MAKE IT HAPPEN

Courage and the capacity to act are central components of LeoVegas' culture. Employees are encouraged to not only say what they think, but to also do what is 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 and takes own initiative.

Maintaining high growth and the capacity for improvement requires trust and responsibility. LeoVegas calls this:

• **TRUST AND ACCOUNTABILITY COUNTS**

The entire company's business and existence are based on credibility and responsibility. If LeoVegas were to fall short on either of these points, it would be hard to conduct a successful business, internally as well. Every individual is to take great personal responsibility, keep their promises, and communicate clearly with their colleagues.

CORNERSTONES

In all organisations it is necessary that the employees understand their roles and what the company is striving to focus on and achieve. LeoVegas communicates this internally through its reliance on five cornerstones:

The ultimate gaming experience	Data-driven	Responsible	Scalable	Sustainable & profitable growth
LeoVegas aspires to offer the ultimate gaming experience.	The business and its development are built upon decisions based on facts and data as the foundation for maximising growth and profits.	That players and employees alike take responsibility is decisive for LeoVegas' long-term success.	Everything LeoVegas does shall be scalable in order to create efficiency.	LeoVegas' focus is on sustainable and profitable growth.

MORE BRANDS AND EVEN MORE GAMING FUN

Andres Reyes,
Director of Brands of Leo

Brief bio

Andres has solid academic background from the Stockholm School of Economics, HEC (Paris) and UBC (Vancouver). Before joining LeoVegas he worked as a management consultant and ran his own start-ups. Andre's entrepreneurial experience combined with his personal interest in the gaming industry gave him the perfect profile to be the one who leads, runs and develops Brands of Leo.

Brands of Leo is run by an entrepreneurial team backed by the central and global functions within the Group. The team is led by Andres, whose job is to grow the GoGoCasino and LiveCasino.com brands internationally, and during 2021 the team will add even more brands.

HOW DID YOU END UP AT LEOVEGAS?

I have always been driven by innovation and value creation combined with technology, so after finishing school and with some experience from running some companies on my own I started working with payments at LeoVegas. Relatively soon thereafter we took the decision to start Brands of Leo, and it is incredibly fun to go to work every day and drive the business forward with my team. We have only one focus and that is to grow, grow and grow!

WHY WAS THE DECISION MADE TO ADD MORE BRANDS?

One brand doesn't have the ability to attract all target groups. There are always target groups that think differently or want something different or are interested in a specific niche. Just look at Coca-Cola and all their brands. Even though LeoVegas itself is a very strong brand, we discovered that we were not reaching all customers interested in games and entertainment. For example, we found a clear gap in the market that we were not addressing, which gave rise to the birth of GoGoCasino.

The main purpose is that we can complement and diversify the brand portfolio by launching new, niche brands. To be the global player that is regarded at King of Casino, naturally we must reach more customers, and having more brands is one way.

BRANDS OF LEO WAS INTRODUCED RELATIVELY RECENTLY. WHAT ARE YOU MOST PROUD OF SO FAR?

To begin with I want to say that it is not only Brands of Leo that can take credit for what we have achieved, but the entire company that has stood and stands behind the investment in all our brands – so a big applause for the entire company. This is a great competitive advantage, and we benefit from the strong position that LeoVegas has in the industry. For example, when negotiating with a major marketing partner it is a big advantage that we can negotiate at the Group level for several of our brands. But to answer the question of what I am most proud of, it is the team that has maintained world class and how the launch of GoGoCasino has gone in Sweden and Finland – that we continue to deliver strong figures to the Group as a whole. It is strong validation that the concept and our approach work.

HOW DO YOU COME UP WITH NEW BRANDS?

We have a methodical and structured way of working that is based on data. We look at, among other things, customer behaviours with our other brands, i.e., which types of games are trending, which behaviours may be changing, and how this is trending. We also work closely with our vendors and know what is current and what we are also facing ahead of us. On top of this we work with qualitative surveys to see how a concept and tonality are perceived. Once our research is finished and we've made a decision, we are quick to launch. You have certainly heard often about the advantages of our technical platform and that we own it and run it ourselves – this is yet another area in which it gives us a great advantage. Without it we would never manage to be as agile and fast as we are when we go from idea to launching a brand soon thereafter.

WHAT CAN WE EXPECT IN THE FUTURE FROM BRANDS OF LEO?

VWe have only just begun, and to date there are "only" two brands that have been launched in a handful of markets. These will be rolled out across a broader front internationally, and we have many exciting ideas for new brands in target groups and segments in which we see great potential. We have ambitious plans for 2021, with strong focus on profitable growth!

SPORT AT LEOVEGAS

Christian Polsäter,
Head of Sportsbook

Brief bio
Christian has worked in the gaming industry his entire life, and given is passionate interest in sports, he is totally cut out for driving LeoVegas' sport product forward. Christian has been part of LeoVegas since 2017, and prior to this he had various roles with a competing gaming company. His solid experience has given him a depth of understanding of products, marketing and customer preferences.

In 2020 LeoVegas SPORT took important leaps toward a better and more effective and scalable sport product. I find it impressive how resource-efficient we are on the sport team, given that we account for roughly 10% of the Group's total revenue. After all the brands in the UK have now been migrated to LeoVegas' own platform, we can now offer all sport products to all of the Group's brands. This means that we can work faster and more cost efficiently, achieving considerable synergies in both product development and in the operational activities. It also means that we can quickly launch sport in new markets and on new brands.

One challenge with a multibrand strategy is to create and retain a unique identity for each brand. We who work with sport at LeoVegas have that opportunity. There is a flexibility in the formulation of the sport client's functionality and design – this owing to our proprietary technology and previous choices of technology. This is done since we can build entirely unique customer experiences for each brand if we choose to do so.

The biggest launch we conducted during the year was our internally developed free-to-play product LeoKing. LeoKing has been launched in all markets where that type of product is allowed. The product is easy to use: players guess the outcome of a number of matches and contribute to a joint prize pot. The players can then follow how it is going via a top list. The product can be used for all types of sports and can thereby be adapted locally to specific markets in which various sports are popular. LeoKing has already proved to work both for attracting new customers and retaining existing ones.

SETTING YOURSELF APART FROM THE CROWD AND BEING AT THE FOREFRONT OF THE GAMING EXPERIENCE, PRODUCTS AND TECHNOLOGY


Sebastian Shelbourg, Head of LeoVegas.com

Brief bio

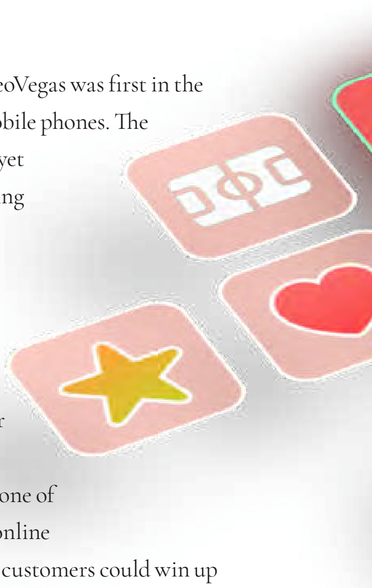
Sebastian has 25 years of experience in online product development and a background in the gaming industry from Electronic Arts. He joined LeoVegas in Stockholm in 2014, and since then he has managed to spend a few years at the Malta office and at LeoVentures. He now heads development of LeoVegas.com with the goal to create the world's ultimate gaming experience.

At first glance a gaming product may seem generic and be perceived as being the same with different operators and brands. This is because many gaming operators use the same type of content and payment solutions. Moreover, smaller actors often use third-party platforms in which many central services are outsourced, such as customer service. We at LeoVegas share that perception to some extent, if you generalise the industry, and therefore see an enormous advantage in being able to set ourselves apart from the crowd. Our proprietary technical platform is one of the most central building blocks for being able to differentiate our business. In a world where the competition is intensifying, the winners will be those that can offer the best experience and product.

SO WHAT IS LEOVEGAS DOING TO DISTINGUISH ITSELF FROM THE COMPETITORS?

During the year, LeoVegas launched its exclusive games with Megaways functionality. Megaways slots have completely invaded the casino lobby and have grown so popular that more and more game makers have created their own variants. But Megaways – what is it actually? A Megaways slot has an unusually large number of win combinations – often over 100,000. The number varies from spin to spin. Slots with Megaways often include functions such as free spins and re-spins to further increase the excitement and fun. Launching a unique and exclusive slot only for LeoVegas' customers is pioneering and a further example of how we are first out in the industry with something new. Its success goes without saying, since the games have become one of the most popular variants among LeoVegas' customers.

Exclusive features of the experience, such as the games and their functionality, are becoming an increasingly important way to broaden the offering. Two other such examples that we launched during the year are LeoJackpot and Mobile Multiplay. Multiplay is a technical innovation that allows a customer to play two games at the same time – LeoVegas was first in the industry to offer this on mobile phones. The high point for the year and yet another big step toward being King of Casino was the launch of LeoJackpot. The jackpot is exclusive for our brands and elevates the excitement and entertainment value for our customers – in games they already love. The jackpot is one of the biggest in the world in online casino, and upon its launch customers could win up to 50 million kronor directly through their mobile phones.



On top of this are countless improvements that are constantly being made to drive development in the industry, improve the experience for our customers and deliver world-class entertainment. Being at the forefront and launching new innovations has been a hallmark ever since LeoVegas was founded – did you know, for example, that LeoVegas was first out with fingerprint log-in functionality back in 2015? Technology and product focus have been part of the company's DNA from the start, and today it is advancing us toward the position as King of Casino.

During 2020 we at LeoVegas worked more intensively to create unique content and developed a number of exclusive games, and these will be even more in number in 2021. We are doing this to become more relevant, unique, and to create more entertaining products. The rationale behind this is to attract new customers, but above all to create loyal and long-term customer relationships.

WHAT IS BEST ABOUT WORKING AT LEOVEGAS?

I really appreciate that it is a global company with people with so many nationalities who work together. You get so much insight and perspective that way.


MARIA
9:41
Hej Maria!
Check games recommended based on your last session
Live Now
Evolution Gaming
Lightning Roulette
5 - 400 000 kr
Live Roulette
5 - 400 000 kr
CHAMBRE SÉPARÉE COLLECTION
Based on your history
Recommended games that you never tried before
Wings of Riches
Cygnus
El Dorado Infinity Reels
Unique Features
MULTIPLAY

LEOVEGAS IS CONQUERING THE WORLD WITH DATA-DRIVEN MARKETING AND A NEW, GLOBAL COMMUNICATION CONCEPT

Sarah Krusell, Marketing Director

Brief bio

Sarah has an extensive and broad record of experience from the online and e-commerce industry. She has served previously as head of marketing at Nelly.com and E-handels, and as digital manager at Gina Tricot. Sarah brings to LeoVegas her wealth of experience in digital marketing, digital customer journeys, creative production and brand-building. Sarah has been with LeoVegas for a little over a year and is stationed at the company's offices in Malta.

A brand experience is more than just advertising and a logo. We are consuming more and more of our time and money online and on digital brands. If you believe in the future and the digital transformation, digital brands will continue to grow. To be successful and a market leader, the brand experience must go hand-in-hand with the other operations, and in an increasingly globalised operation, this is key to staying relevant and commercially viable in several markets at the same time. With that background, we at LeoVegas have developed a new, global concept for our biggest brand – LeoVegas.

LeoVegas has always had strong growth, and we are already a leader in many markets. We continue to add new markets, and this has created a need to work under a brand concept that is global, but also adaptable locally. For us it is important that we have the same visual expression and tonality in all our markets, but we must not for that part lose our local touch. We work according to the motto "as global as possible but as local as needed". For example, in Denmark, the impression is that LeoVegas is a Danish brand. Studies show that a local touch strengthens a brand's credibility.

This concept makes us more operationally scalable, since with some minor adjustments we can be relevant in all our markets at the same time that we use a universal foundation in our communication. This creates stronger cohesion in the customer experience, since the concept is adapted for all our marketing channels, ranging from TV to digital advertising and CRM. Higher quality and robustness of the brand also give us greater economic scalability. Since this spans over so many parts, it has been intensive but fun working for all of the teams that have been involved. It is truly a pleasure to see the passion among our employees and the focus we have on cementing our position as King of Casino in our markets, but also the eagerness to stand out among the competition and do things better every day.

As for scalability, we now have better measurability as we can monitor how our brand affects the customer's experience since we are now consistent in all our markets. If we were good at measuring the return on our marketing investments previously, you can expect that we will be even better going forward. We can make more precise decisions and grow even more profitably or gain more scope to invest in our growth markets. This is a flexibility that is priceless for our marketing team and country managers, whose primary task is to generate sustainable growth.

The concept should permeate everything we say with LeoVegas as a brand. Above all, LeoVegas conveys entertainment, and since it is a global brand that is aimed at the broad public, it must also be folksy and inclusive. As King of Casino we have always had a clear coupling to the product and to casino, and such is the case also with the new concept, and for those of you who have followed LeoVegas, you will also see this as a common thread going forward. In general, gaming advertising has historically been focused on quantity rather than quality and blasted out offers and bonuses, for example. We want to create something that customers want to consume and that sets us apart from the competitors. I think we have really succeeded with this and I am proud that we are successful at communicating entertainment and gaming fun in a new and innovative way. I am also happy to see that we have been received so well in all our markets, because customers' reactions and feedback are most important of all.


PLAY
Meet
The L.E.O.

DATA-DRIVEN DECISIONS

To take market shares and be successful, every part of the business needs to be constantly optimised. This applies externally, such as for the customer experience, but also internally, where LeoVegas is looking inward in its efforts to improve efficiency within the company. Data-driven decisions are key to this, and LeoVegas uses data to make decisions in all areas. This applies to everything from A/B testing to improve conversion, to segmentation for precise reactivation campaigns, to analyses of marketing investments. Over time, major investments have also been made in machine learning and algorithms – all in an effort to constantly develop, be better and make better decisions and come closer to the goal of being King of Casino.

MACHINE LEARNING

A data system and statistics can never capture the human experience, and people will always be needed to understand human behaviour, but the right people who have a good understanding and competence combined with powerful machines and technology provide a solid foundation for the right decisions.

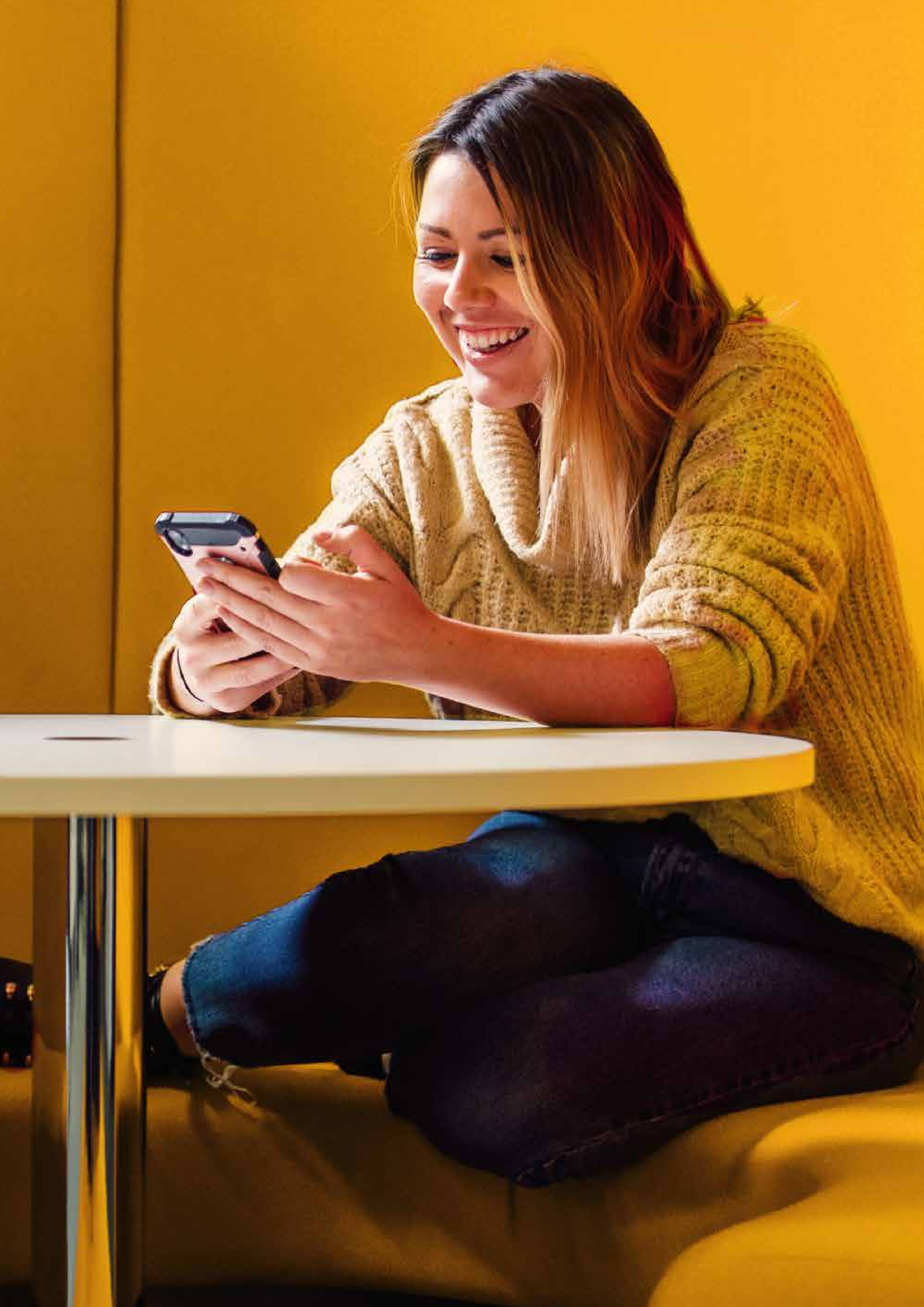
LeoVegas' strong focus on machine learning is central to its ability to base business decisions on data instead of instinct. The various solutions that are now in place allow LeoVegas to measure, analyse and – if necessary – adjust considerably more efficiently than before. What used to takehundreds of person-hours to accomplish, LeoVegas today can achieve considerably faster thanks to its proprietary technology that can be applied across the entire business.

RESPONSIBLE GAMING

Responsible gaming is something that LeoVegas takes with utmost seriousness. The big challenge has always been to identify at an early stage which players are at risk of developing unsound gaming behaviour. This is no easy task, but machine learning combined with other tools gives LeoVegas the conditions to be proactive instead of reactive. With the help of technology, LeoVegas can identify unsound gaming at the individual level, and at an early stage. The system automatically sends out information to players to increase their awareness of the risks. For the company's responsible gaming department, this means that they can instead focus on cases where a human interaction is needed.

AUTOMATION AND PERSONALISATION

Automation of LeoVegas' system affects all parts of operations, and the solutions benefit customers in the form of a relevant and smooth experience. LeoVegas can personalise its offerings so that each individual player gets the most fun based on his or her personal preferences. LeoVegas sees further improvement potential in this area and thus major commercial upside. Just like in other sectors, this is only in its infancy, and for consumers of digital services, this is an area where LeoVegas will be taking large leaps in the coming years.



CASINO OPERATOR OF THE YEAR

James Ford, Head of Casino

Brief bio

With over 12 years of experience from the gaming industry, James has extensive and deep industry knowledge and experience from both B2B and B2C perspectives. In 2017, after spending nearly nine years at Microgaming, an industry-renowned software vendor based on the Isle of Man, he moved to Malta to lead LeoVegas' casino operation. In February 2018 he was promoted to Head of Casino for the entire Group.

LeoVegas was appointed as Casino Operator of the Year at the 2020 SBC Awards. In connection with this, James Ford, Head of Casino, explained how LeoVegas achieved this accolade.

CONGRATULATIONS FOR THIS YEAR'S AWARD AS CASINO OPERATOR OF YEAR! CAN YOU EXPLAIN WHAT THIS MEANS FOR LEOVEGAS?

At LeoVegas we have a number of cornerstones that form the foundation of our work and our passion to be King of Casino. The main focus is to offer the ultimate gaming experience.

Receiving the distinction as Casino Operator of the Year from the SBC panel was clear confirmation that we are well on track to achieving our goal. It makes us even more determined to build further upon this success and to continue developing our product.

TO WHAT CAN YOU CREDIT WINNING IN THIS CATEGORY?

If you were to ask my colleagues, you would receive many different answers, which points to the wealth of new features, innovations and new thinking that we continuously deliver from our various departments. Everyone has a passion for what we do, and many would surely credit our Mobile Multiplay function. Others would name the tournaments that we can hold; our work with responsible gaming, which goes by the name of LeoSafePlay, would be highlighted by some; and certainly there are many who would point to our new LeoJackpot, which is rapidly rising from the starting pot of 5 million euros and continuously growing.

The heart of this lion (King of Casino) is our casino product, and it is just as strong today as when we were born nearly ten years ago. Owing to long-term relationships with a complementary offering of vendors, we can consistently offer exclusivity for many of the industry's largest games, provide a high-quality selection of games, and even create customised games for our players.

So it is impossible to mention just one thing that always puts us at the forefront, but rather a combination of so many amazing colleagues, I'd say.

HOW SIGNIFICANT HAS CONSOLIDATION AND REGULATION OF THE EUROPEAN MARKET BEEN FOR YOUR GROWTH, AND WHY?

We are convinced that regulation creates a safe and responsible market for players at the same time that it leads to greater knowledge and understanding for the industry. This is extra important as Europe is regarded as an international example of how to provide online gaming and how it can be managed. We are taking this experience with us in our continued expansion in other markets. Even though the respective regulatory regimes have their own unique challenges, these are more than amply outweighed by the benefits.

2020 POSED THE INDUSTRY WITH CHALLENGES. CAN YOU EXPLAIN HOW YOU SEE LEOVEGAS AS A COMPANY THAT WORKS ONLY ONLINE?

The past year has affected all of us, but thanks to the fact that our main focus has always been casino, we have been fortunate to work in an industry that has benefited rather than being hurt by the shift from offline to online gaming.

LeoVegas was appointed as Casino Operator of the Year at the 2020 SBC Awards. The annual SBC Awards recognise excellence in sport, betting and iGaming.

HOW HAVE YOU MANAGED TO NAVIGATE RIGHT AND MAINTAIN COLLABORATION WITHIN LEOVEGAS?

When the very foundation was laid for the company, it was built upon being adapted for mobile devices. From the start the web has been a natural environment to work in, and since we have offices in many places around the world that were already collaborating and with firmly established contact channels, it was relatively easy to move the workplaces from offices to the home. Naturally, we all miss the face-to-face meetings, small talk at the coffee machine, the informal quick meetings and a natural contact with many colleagues, but everyone has struggled to achieve stellar results and at the same time deliver the ultimate gaming experience to our players. We have adapted, learned new ways of working and teaming up, and we not only succeeded in continuing to offer the ultimate gaming experience, we in fact also improved it considerably.

WHAT ARE YOU LOOKING FORWARD TO IN 2021?

The obvious answer is a return to some form of normality, where everyone is safe and we can start meeting each other again. I really miss it, even though we succeeded in maintaining a fantastic work effort with great achievements during the year.

As a company it's the same thing every year: we are looking forward to adding more pioneering functions, increasing our offering of casino games and broadening our reach to new worlds through a broader offering of brands within the LeoVegas Group.

I can assure you that there will be a lot to applaud in 2021, since I know what we have in our pipeline.

LEOVEGAS' ACQUISITIONS

Expansion through strategic and complementary acquisitions is part of LeoVegas' growth strategy. To date the LeoVegas Group has carried out six acquisitions and one divestment. Transactions conducted by LeoVentures are presented in a separate section further down. Acquisition activities are conducted by a dedicated M&A team with extensive experience from both the gaming industry and mergers and acquisitions. The team and its work are headed by LeoVegas' CFO, Stefan Nilsson, as the ultimate responsible party.

Stefan Nelson, CFO

Brief bio

Stefan has a background in the financial sector with nearly 20 years of experience in the capital market, company analysis and corporate finance. He joined LeoVegas from a position as Director of Corporate Finance for SEB with sector responsibility for gaming, media and retail, and has worked with a large number of M&A and ECM projects, including LeoVegas' stock market introduction. Prior to this he was an equity analyst at SEB Enskilda, Standard & Poor's and Redeye. Stefan was a top-ranked equity analyst in the gaming sector for many years.

WINGA S.R.L., 1 MARCH 2017

Winga S.r.l. was LeoVegas' first acquisition. Winga S.r.l. was an Italian gaming operator with a licence in the Italian market. The acquisition gave LeoVegas an established position in Europe's largest regulated gaming market.

Relatively soon after the acquisition, Winga.it was rebranded to LeoVegas. In 2018 Winga's platform was also replaced with LeoVegas' technology. Following the technology and brand transformation, LeoVegas has taken market shares month on month and has reached new record levels. LeoVegas Italy continues to experience strong growth, where a local team draws benefits from the Group's economies of scale with central operating functions and the company's technology. This is a prime example of a successful acquisition and LeoVegas' approach to future, strategic acquisitions that can be integrated with the existing operations.

The deal closed on 1 March 2017 for a purchase price of EUR 6.1 m.

ROYAL PANDA, 1 NOVEMBER 2017

The acquisition of Royal Panda closed during the fourth quarter of 2017. The acquisition strengthened LeoVegas' expansion and added a strong and exciting brand to the Group. The brand complements and adds value to the Group's multibrand strategy and brand portfolio. Royal Panda's focus is on casino, but it also offers sports betting. Royal Panda is now an integrated part of LeoVegas, both operationally and technologically, and a large share of the employees who worked for the company at the time of the acquisition have stayed on with LeoVegas.

The deal closed on 1 November 2017 for a purchase price of EUR 60 m plus an earn-out payment. The earn-out was subsequently finalised at EUR 9 m, resulting in a total purchase price of EUR 69 m.

ROCKET X, 1 MARCH 2018

LeoVegas completed an acquisition in the UK during the first quarter of 2018, when it 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 LeoVegas UK.

Since LeoVegas' establishment in 2012 the company has had a global brand strategy that is very successful. At the time of this acquisition LeoVegas had two global brands, LeoVegas and Royal Panda. With this acquisition these were complemented with a local, multibrand strategy, giving LeoVegas a strong foothold in the UK with local expertise.

The UK market is large and mature, which is why the company works with several brands that attract different types of customers. LeoVegas UK works according to a digital and data-driven customer acquisition strategy.

The deal closed on 1 March 2018 for a purchase price of GBP 65 m.

LICENCES FOR GERMANY, 26 MARCH 2018

LeoVegas completed the acquisition of the Maltese company World of Sportsbetting Ltd, which held 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 state of Hessen. These licences give LeoVegas a competitive advantage and have allowed LeoVegas to establish a position as one of the leading casino brands in Germany. Having this position has been extra important ahead of the German market's implementation of a local licence system in 2021.

The deal closed on 26 March 2018 for cash payment of EUR 2.6 m.

FINANCING

In 2020 LeoVegas successfully issued a bond for SEK 500 m under a framework of SEK 800 m. The bond has a tenor of 3 years and a floating interest rate of STIBOR three months plus 550 basis points and will mature on 10 December 2023.

In connection with the bond issue, LeoVegas also secured a new, three-year Revolving Credit Facility of EUR 40 m. The combination of the bond and credit facility give the company total capacity of approximately EUR 90 m. LeoVegas works with the two major Swedish banks SEB and Swedbank for its banking and finance solutions.

"LeoVegas has secured a new, long-term and diversified financing through a combination of bank borrowing and capital from the bond market. Together with a strong balance sheet, proprietary technology and extensive experience from acquisitions, LeoVegas has a very stable foundation on which to carry out further acquisitions. This gives us excellent conditions to continue delivering on our expansion strategy with focus on organic growth and strategic, complementary acquisitions," says Gustaf Hagman, Group CEO.

LEOVEGAS' ACQUISITIONS

2017

Royal Panda

The acquisition of Royal Panda strengthened LeoVegas' expansion, especially in markets outside the Nordic region. The acquisition also added a strong and exciting grand to the Group, which improves scalability in the continued growth. The deal closed on 1 November 2017 for a purchase price of EUR 60 m plus an earn-out payment of EUR 9 m.

Winga

Winga S.r.l. was the first acquisition in LeoVegas' history. Winga S.r.l. was an Italian gaming operator with a licence in the Italian market. The acquisition gave LeoVegas an established position in Italy, which together with the UK is Europe's largest gaming market. The deal closed on 1 March 2017 for a purchase price of EUR 6.1 m.

2018

RX – Part of the LeoVegas Mobile Gaming Group

LeoVegas completed an acquisition in the UK during the first quarter of 2018, when it 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. Rocket X has a local multibrand strategy and is focused on digital and data-driven customer acquisition. Rocket X earns revenue only from the UK, which is a large and mature market, which the reason for working with several brands that attract different types of customers. The deal closed on 1 March 2018 for a purchase price of GBP 65 m.

Casino Grounds – Streaming Community

The LeoVegas Group, through LeoVentures, acquired 51% of the shares in CasinoGrounds. The company operates the site www.casinogrounds.com, which is a casino streaming platform with an active social casino forum. CasinoGrounds has created a new forum in which people interested in casino games watch others play casino games via YouTube and Twitch. The deal closed on 1 January 2018, and the total purchase price including an earn-out was SEK 45 m.

pixel.bet

The LeoVegas Group, through LeoVentures, acquired 51% of the shares in 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. The investment amounted to EUR 1.5 m for 51% of the company. In Q2 2020 LeoVegas increased its ownership to 85%.

In March 2018 LeoVegas completed the acquisition of the Maltese company World of Sportsbetting Ltd, which held 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 state of Hessen. These licences give LeoVegas a competitive advantage as they increase opportunities to make local adaptations of its products. The deal closed on 26 March 2018 for cash payment of EUR 2.6 m.

2021

expekt

LeoVegas AB (publ) acquired Expekt Nordics Ltd and related assets ("Expekt") from Betclic Group in March 2021. Expekt is one of the most well-known brands in sports betting in Sweden and the rest of the Nordic region. The total purchase price amounted to EUR 5 m for all assets. The acquisition strengthens LeoVegas brand portfolio with an established position in sports betting, and expands the company's strategic growth opportunities in the segment. The transaction is expected to be completed in May 2021.

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 backed by the capital, knowledge and strength of the entire LeoVegas Group. LeoVentures thereby has a unique capacity to invest, grow and over time realise value.

INVESTMENT FOCUS

LeoVentures searches for value-creating investment opportunities in the gaming industry or closely related areas. This is done through a selective process that ensures that there are not more investments being made than the Group's capacity to develop them and help them to reach their full potential.

These may be entrepreneurs who approach LeoVegas with ideas, industry knowledge or business models that complement the Group' existing business as well as well-established companies with potential to develop and grow. What the investments all share in common is that they are made at a relatively early stage. Through LeoVentures the Group 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 and knowledge. 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

CASINOGROUNDS

The company operates the site www.casinogrounds.com, which is a casino streaming platform with an active social casino forum. CasinoGrounds cooperates both with operators and game manufacturers in the industry. CasinoGrounds has created a forum 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 acquisition closed on 1 January 2018, and the total purchase price including an earn-out was SEK 45 m for 51% of the company.

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 acquisition closed during the third quarter of 2018. The investment amounted to EUR 1.5 m for 51% of the company. In Q2 2020 LeoVegas increased its ownership to 85%.

SHAREDPLAY

SharedPlay is an exciting start-up which with new and proprietary technology will offer casino players an entirely new way to watch others playing slots. The product allows players to play slots together, which will drive a change in consumption patterns while elevating casino games to a more social context. The investment amounted to EUR 1.1 m for 25% of the company and was made during the first quarter of 2021. LeoVentures has the option to increase its ownership over time.

DIVESTMENT

When the time is deemed right, LeoVentures has the opportunity to exit portfolio companies. During the fourth quarter of 2019 Authentic Gaming was sold to industry giant Genting for EUR 15 m on a debt-free basis. Over a slightly more than three-year period, Authentic Gaming was developed from an idea to a strongly growing enterprise. The transaction demonstrates the Group's ability to develop and build up sustainable companies and thereby create shareholder value.

CASINOGROUNDS

LeoVentures invested in CasinoGrounds in 2018, and since then the company has grown exponentially and achieved new record levels in all its key performance indicators. CasinoGrounds.com is a platform for casino streaming with an active and social casino forum.CasinoGrounds has created a new behaviour where people interested in casino watch others play casino games. While the primary business model is affiliation, CasinoGrounds cooperates both with gaming operators and game producers. In 2020 the company took a further step into the value chain and developed a game together with a game producer. The game is called Iron Bank and has been customised to CasinoGrounds' specifications and includes a number of functions that are based on CasinoGrounds' extensive experience and knowledge about slots. The game was well-received, and in the future the strategy calls for CasinoGrounds to further refine its business and develop more games.

Animation is a strongly growing trend that is appreciated by consumers regardless of sector or target group. The combination of internally produced content and the animated format creates interesting opportunities for the future.

For example, Cisco projects that 82% of all online content will be animated by 2022.* CasinoGrounds definitely has a future for itself and is in the pole position to capitalise on the growing digitalisation trend as more and more content is created in the form of animation.

[1] Cisco projects that 82% of all online content will be animated by 2022.

KIM "LETS GIVE IT A SPIN" HULTMAN

Kim Hultman, who also goes by the name "Let's give it a spin", is the casino streaming world's greatest and most popular streamer. He can be likened to what in other sectors is called an influencer. Kim is successful on account of his genuine personality and his passion for gaming. In an entertaining and informative way he has attracted tens of thousands of followers on YouTube and Twitch, who following his gaming.

Kim "lets give it a spin" Hultman

CASINOGROUNDS

CASINO GROUNDS STREAMING COMMUNITY

WHAT DOES CASINOGROUNDS DO?

CasinoGrounds is the leading streaming network and community in which individuals who are interested in casino watch other people play casino games via YouTube and Twitch.

WHAT IS THE BUSINESS MODEL?

The business model is affiliation, where CasinoGrounds funnels customers to selected gaming operators.

LEOVEGAS' MARKETING MIX

One of the success factors behind LeoVegas' growth is effective, data-driven marketing. The company's marketing strategy builds upon a strong, global organisation with a multitude of brands that offer world-class entertainment combined with local country managers who ensure that the right tonality is used in the respective markets. LeoVegas evaluates all of its marketing channels using the same methodology, namely, how much a customer costs and the value of a new customer. When the relation between these two is sufficiently attractive, LeoVegas increases its marketing investments. When a marketing channel does not live up to the set return targets, the partner agreement is renegotiated or terminated. These types of evaluations are conducted on a daily basis to ensure that marketing investments contribute to sustainable growth and create shareholder value. When the company was first established, this work was conducted manually, but today it is handled by internally developed algorithms.

MARKETING STRATEGY AND MARKETING CHANNELS

Marketing plays a central role in customer acquisition and activating 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 and personalised, depending on the type of designated target group and the brand that is being marketed. This contributes to brand recognition and loyalty.

LeoVegas' marketing channels are very broad and consist of a combination of digital media and traditional marketing. Examples of channels that are used in digital media include advertising on affiliates' websites as well as on Google and Facebook. Traditional marketing is marketing that is directly visible for the general public, such as TV and radio advertising.

The benefits of investing in search engine optimisation (SEO)

Owing to its proprietary technical platform, LeoVegas can offer the best, fastest and most innovative mobile gaming experience. The platform also serves as a foundation for extensive search engine optimisation (SEO). Enhanced SEO increases the volume of organic traffic to LeoVegas' brands, which means that customers can find the Group's brands more easily via search engines. Traffic that comes to a website directly via a search engine without the involvement of a third party is referred to as organic traffic. For example, when a customer is routed to Leovegas.com via a third party affiliate site and plays, profit-sharing takes place with the affiliate.

Work with SEO takes time, and the effects are experienced gradually over time. What LeoVegas can see is that its continuous investments in SEO have contributed to an increase in organic traffic. 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 advertising. Going forward, LeoVegas' continued work with SEO will contribute to a reduced dependence on external marketing channels. LeoVegas has a distinct goal to increase the volume of organic traffic, which in turn will lead to higher profitability.

Brand-building

Marketing is especially important in regulated markets, where brand loyalty is often decisive. Loyalty must be built with other values than an overabundance of bonuses and "call to action advertising", and in such cases the brand and product are compelling tools and offer a competitive advantage. LeoVegas' experience from and understanding of the various national regulations combined with the company's data-driven marketing has contributed to the company's success. This will continue to be an important factor as the trend points to more and more markets implementing local licence systems.

TRADITIONAL MARKETING

Brand-building marketing intended to lead to generally higher brand recognition (TV, radio, newspapers and outdoor advertising).

DIGITAL MARKETING

Marketing through channels that can be measured and analysed continuously to achieve optimal impact and effectiveness (Google Adwords, Facebook, YouTube and large media houses like Schibstedt and Bonnier).

AFFILIATE MARKETING

Affiliate marketing is partner-driven marketing where LeoVegas shares the profitability with the affiliate partner through which a customer made a deposit and plays.

The relation between the gaming operator and the affiliate is that the gaming operator pays either a profit share that is valid for the customer's entire lifetime, a lump-sum amount per customer, or a combination of both. LeoVegas works with thousands of affiliates and is not dependent on a handful of marketing partners.

MULTIBRAND – THE GROUP'S BRANDS

The reason for offering multiple brands in the same product category is to gain greater market coverage within that specific product category – no single brand can cover an entire market or meet all needs. Research shows that when a market matures, there is a need for differentiation and a larger offering. In such case a single brand cannot represent several different qualities and levels of performance without becoming watered-down and losing its brand identity.

The gaming industry is developing and maturing gradually, and in pace with this customers are putting higher demands on the total experience, where the brand is part of that experience. Consequently, clarity concerning the brand and its identity is becoming increasingly important. In pace with the gaming industry's rapid development, continuous adaptation is needed to customers' evolving behaviours, and how this is handled is decisive. At the same time, more and more countries – like Sweden and Denmark – are regulating their local gaming markets. Moreover, the market is consolidating as many smaller actors are being acquired or leaving the market. It is important to have brands that set themselves apart from the crowd, add value for customers, and that they offer something for everyone.

An example of this can be seen in the successful multibrand strategy of the global consumer products giant Procter and Gamble, whose products and brands (Gillette, Ariel, Braun, etc.) take up more shelf space in stores than its competitors. In the same way, LeoVegas can work with its brands online in the various marketing channels. Other benefits of having many brands is that the company can vary its offering and constantly stay relevant and current among multiple target groups.

LeoVegas

LeoVegas is the company's most well-known brand. Since its inception the brand has established a position as the leading name in mobile casino. Owing to a clear and data-driven marketing strategy, LeoVegas has succeeded in establishing a distinctive brand with high recognition in the markets in which LeoVegas operates.

In the Swedish online casino market LeoVegas is "top of mind", which signifies the highest brand recognition. By working in a data-driven manner the company has also improved its long-term key performance indicators, such as brand preference. In other markets where LeoVegas has also worked actively and invested in brand-building marketing, various surveys also show high brand recognition. In Denmark, for example, LeoVegas is ranked in the top three of the most well-known brands in the industry.

Royal Panda

Royal Panda is the Group's other global, premium brand and in a short period of time has established a strong and recognised brand in the gaming community. Like LeoVegas, Royal Panda appeals to a broad, global target group. Royal Panda is a brand that is marketed with the help of inviting and entertaining communication. The brand is marketed primarily through affiliates and search engine optimisation. The marketing mix therefore consists mainly of digital channels.

LeoVegas UK

LeoVegas has a number of different brands in the UK – eight in all, which are niched, attractive and loyalty-creating. Pink Casino. 21.co.uk and slottboss.co.uk are the largest. The customer acquisition strategy in the UK is based on search engine optimization, demographic segmentation and a number of brand-adapted customer acquisition sites, which has proved to be an effective customer acquisition model.

Expekt

Expekt complements the Group's brand portfolio with an established position in sports betting and enables the company's strategic growth opportunities in the betting segment. Expekt was acquired in March 2021.

Brands of Leo

To further complement and diversify the Group's brand platform, in 2019 LeoVegas introduced a proprietary multibrand platform. The aim is to launch new, customised brands under the collective name Brands of Leo. Brand of Leo is made possible by LeoVegas' proprietary, flexible and scalable technical platform. This presents a competitive advantage, as new brands can draw benefit from the strong position that LeoVegas has in the industry. Brands of Leo is run by an entrepreneurial team that is backed up by the Group's central and global functions.

This is in line with LeoVegas' constant work on increasing scalability. The economies of scale from launching new brands organically are clear in the form of knowledge, technology and staffing and are one of the keys to creating a cost effective way of working that leads to profitable growth.

To date Brands of Leo has launched two brands with different orientations, which clearly shows how a successful multibrand strategy can be used to broaden the array of brands and reach broader and more target groups.

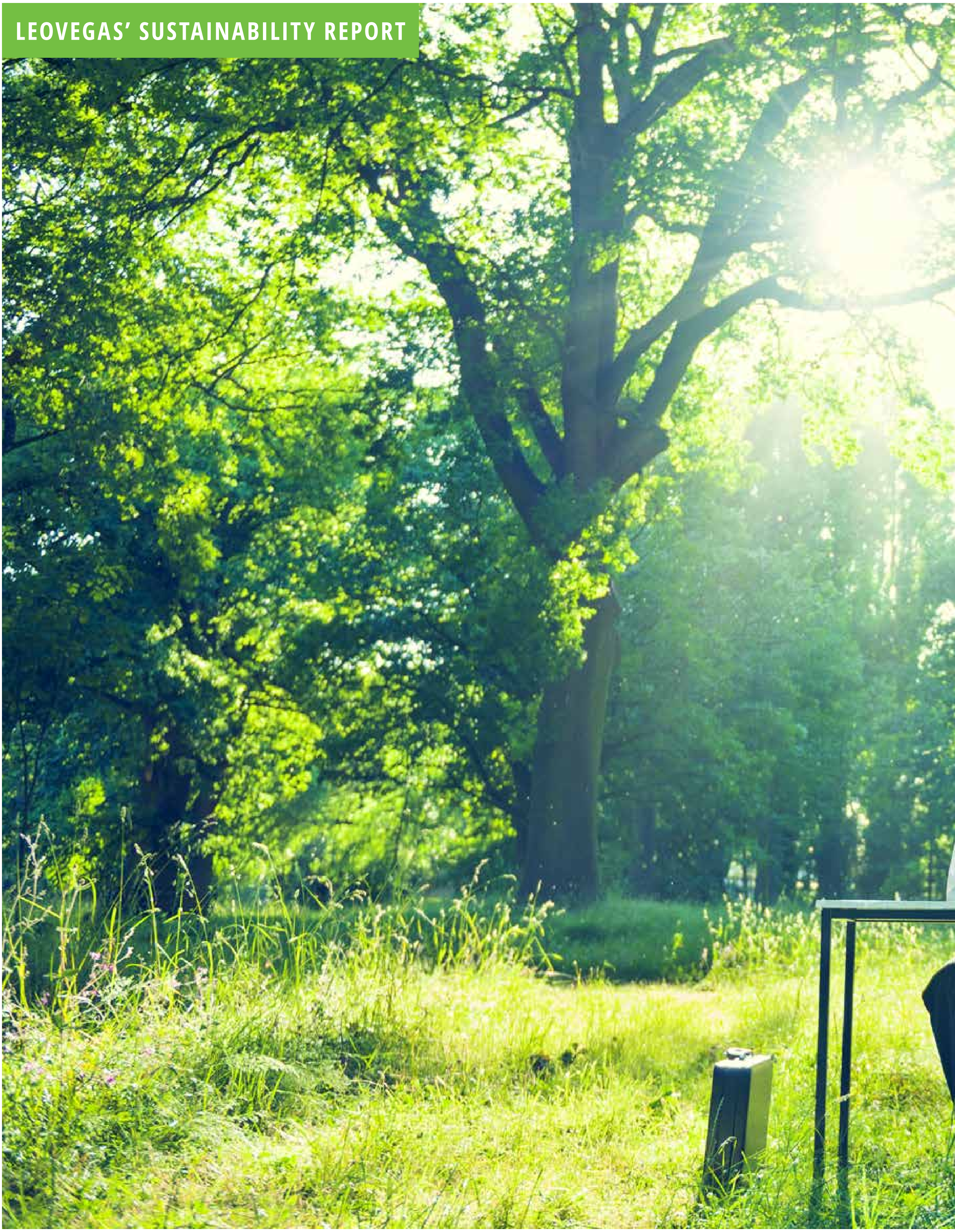
GoGoCasino

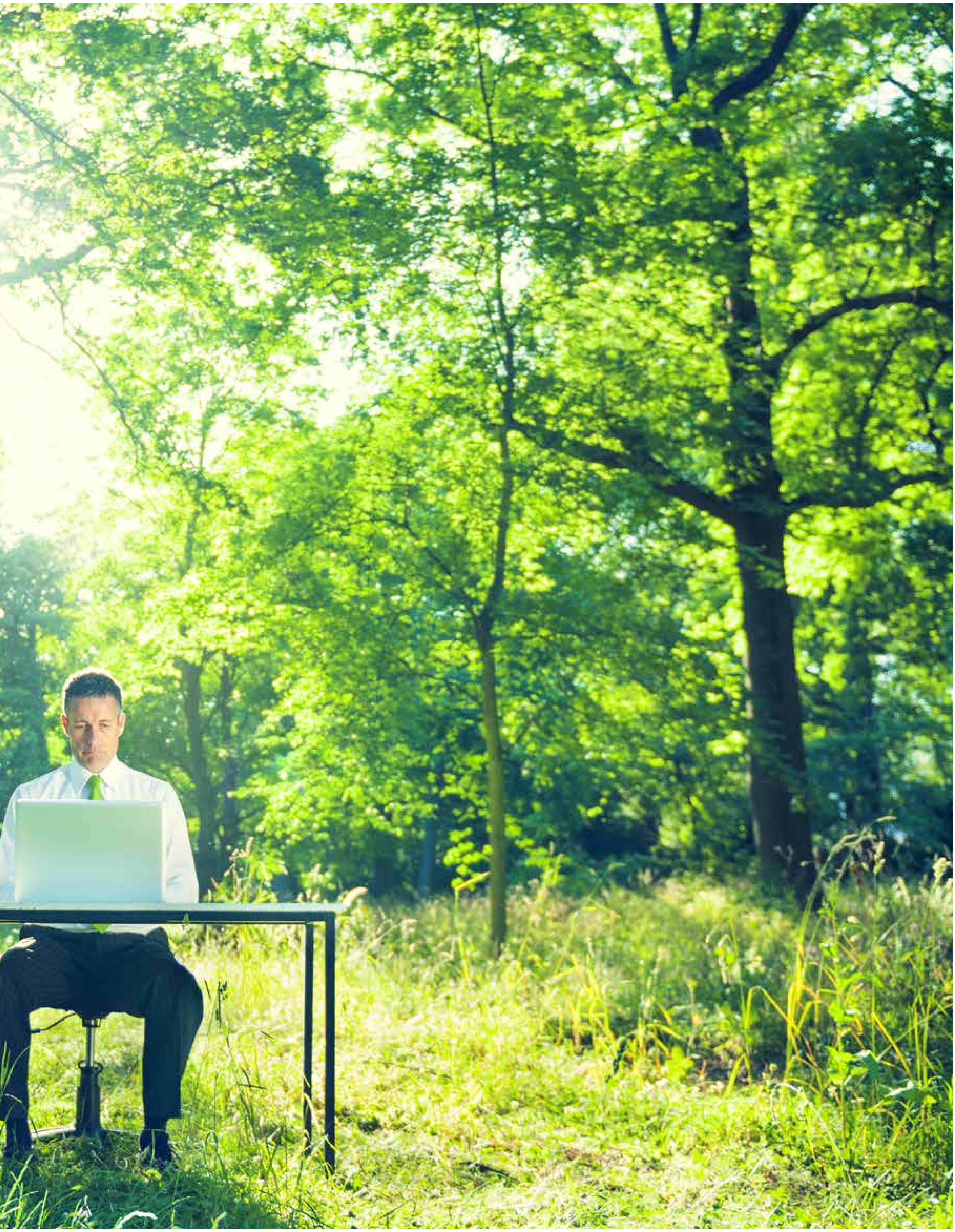
GoGoCasino combines the best functions of casino games with high user friendliness and a compelling design. The brand offers new-thinking and innovative product that features one of the industry's fastest and smoothest gaming experiences. For customers who value simplicity and speed, GoGoCasino has set an entirely new standard for the industry.

LiveCasino.com

LiveCasino.com is a niche brand in the fastest growing product category of online gaming, namely, Live Casino. The Live Casino category is dominated by traditional table games like roulette and blackjack. The brand is aimed at the target group that is especially interested in playing live casino games, and LiveCasino.com's ambition is to grow globally.

LEOVEGAS' SUSTAINABILITY REPORT





LEOVEGAS' SUSTAINABILITY REPORT

LeoVegas' sustainability report pertains to the 2020 financial year. In accordance with Ch. 6 §10 of the Swedish Annual Accounts Act, LeoVegas has opted to prepare the sustainability report as an integrated, expanded part of the Annual Report. The Sustainability Report has also been published as a separate document on the company's website. The Sustainability Report was submitted to the company's auditor at the same time as the Annual Report. The Sustainability Report covers the Parent Company, LeoVegas AB (publ.) (corporate identity number 556830-4033) and its subsidiaries (see Note 16). In connection with its signing of the Annual Report and consolidated financial statements, the Board of Directors of LeoVegas AB (publ.) also approved the Sustainability Report.

INTRODUCTION

LeoVegas was founded to offer world-class entertainment in a responsible way. The gaming experience has been in focus from day one and still is today. LeoVegas is innovative, uses state-of-the-art technology and is data-driven in an effort to always improve the customers' gaming experience and offer customers gaming fun in their daily lives. LeoVegas, with 837 employees, is today one of the leading gaming operators in Europe and is listed on Nasdaq Stockholm, Main Market list.

In LeoVegas' sustainability work, focus is on the area in which the company can make the greatest difference and has a clear coupling to its business, namely, responsible gaming. Starting in 2021 the company's sustainability work will be evaluated and certified yearly by a third party. Assurances are also made that the work is in conformity with European Commission recommendation 2014/478/EU from 2014 on principles for the protection of consumers and responsible gaming.

LEOVEGAS' SUSTAINABILITY TARGETS

Each year LeoVegas sets sustainability ambitions, targets and measures in order to show in a transparent, clear and concrete manner what it aspires to achieve in its work on building a sustainable company and advocate for a sustainable gaming industry.

Sustainability is often described in terms of ESG, or Environmental, Social and Governance factors. It is these three areas in which LeoVegas sets clear targets. The company's targets are described in more detail further back in the Sustainability Report.

RESPONSIBLE GAMING

LeoVegas' goal is to offer entertainment in a safe and smart way. Striving for long-term and sustainable relationships with LeoVegas' customers and partners is central part of the company's sustainability strategy.

What's most important for the company is that the customers view their gaming as entertainment and that they play in a wise and responsible way. For certain individuals there is a risk that their gaming can go beyond entertainment to instead cause financial and/or social problems. LeoVegas takes this with utmost seriousness and dedicates extensive resources to responsible gaming, both when it comes to proactively protecting customers and providing support to individuals who develop unsound gaming behaviour.

Investments in and focus on responsible gaming are imperative for being able to act in compliance with the company's gaming licences. As part of its work to proactively counter unsound gaming, the company has a proprietary, automated system that is based on machine learning and algorithms. This is a valuable complement to the tools that help customers control their gaming. Examples of such functions are Loss limit, Time limit, Pause account and Account closure. All this is done within LeoSafePlay, which is the Group's platform for responsible gaming. The ambition with LeoSafePlay is to make it the most complete tool possible for consumer protection.

LeoVegas works continuously from a standpoint of commitment and knowledge to promote a positive and safe gaming experience for everyone. This work is part of the company culture that all employees stand behind.

REGULATED MARKETS – THE FOUNDATION FOR A SUSTAINABLE GAMING INDUSTRY

LeoVegas' expansion strategy is to focus on regulated markets and markets that will soon become regulated. Today roughly half of LeoVegas' revenue is derived from regulated markets, and that figure is expected to rise in the coming year. This is because Germany and the Netherlands are currently in the process of regulating their markets. In other markets, LeoVegas conducts operations under a European gaming licence issued in Malta. This means that LeoVegas' revenue is generated under several trustworthy licence systems which differ from market to market.

In recent years more and more markets have implemented local gaming licences under which the operators follow local laws and rules, and pay taxes on their revenues. As a market becomes regulated, the previous monopoly situation is dissolved, and stricter requirements and rules are created for operators. In these cases, it is the companies that have invested in a sustainable and long-term customer database that take market shares and that, over the long term, will achieve higher growth than competitors that have not taken the same long-term decisions. Achieving high quality and sustainability in customer relationships requires, among other things, one or more strong brands, proprietary technology that forms the foundation for a good product, and depth of knowledge about compliance.

A great advantage of local licence systems is that it is clear which operators have a licence and together can offer a safe gaming experience. This is ensured by, among other things, the establishment of a national exclusion register, where the operators must check customers against the register to make sure that they do not offer games to individuals who have blocked themselves. In the UK such system is called GamStop, in Denmark it is called Rofus, and in Sweden it is called Spelpaus. These are good and effective tools since customers can block themselves from all licensed operators in the individual markets. LeoVegas also offers this in markets that have not yet implemented local regulation by allowing customers to block themselves from LeoVegas' brands.

What is ESG?

Sustainability is often described in terms of ESG, or Environmental, Social and Governance factors. In business contexts, sustainability pertains to a company's business model, value chain and risk management, i.e., how its product and services contribute to sustainable development.

LeoVegas has decided to set ambitions, targets and measures for the three ESG pillars in an effort to transparently, clearly and concretely show what LeoVegas is trying to achieve in its work on building a sustainable company and advocate for a sustainable gaming industry. The targets are followed up and reported on a yearly basis in LeoVegas' sustainability report. Today approximately 10% of LeoVegas' employees work specifically in roles coupled to compliance and responsible gaming.

LeoVegas' sustainability targets are a platform on which to work and serve as a clear management tool for continuously working with sustainability while ensuring continuous improvement. The targets are evaluated yearly, and progress towards their achievement is checked half-yearly. The following pages include a compilation and follow-up of LeoVegas' sustainability targets and actions in 2020.

The company's board of directors and management are responsible for and work actively with the overarching sustainability work.

Environmental impact.

The following page provides a follow-up of LeoVegas' work in this area and the new targets that have been set for 2021. The targets are followed up yearly, and the company's target achievement will be presented in the following year's sustainability report.

ENVIRONMENT

AMBITION - 2020	
	• That LeoVegas' influence on society and the environment are sustainable • Concrete and measurable goals for environmental management • All LeoVegas' employees will be role models in driving sustainability through concrete actions

TARGETS 2020	WHAT HAS BEEN DONE?	TARGET ACHIEVED
All offices in the Group will drive a sustainability strategy that is optimised for local conditions	All offices have a sustainability strategy and recycle consumables such as paper, glass, batteries and plastic. Single-use items are not used at LeoVegas' offices. Every new hire at LeoVegas receives a welcome gift made of sustainable material in connection with their hiring.	**100%**
Increase awareness about every employee's travel	Continuous information about environmental impact and the importance of sorting and travelling sustainably is provided by the office team to all of the Group's employees. The company believes that more can be done to raise awareness about each individual's travel and concretely about the environmental impact of business travel.	**75%**
Reduce travel	In connection with the spread of Covid-19 in 2020, LeoVegas instituted a travel ban to reduce the spread of infection. Due to the pandemic, travel has decreased, and electronic meetings have increased. LeoVegas uses a central travel system from Expedia for booking and following up business travel. The vast majority of the Group's travel is registered in this system. Compared with 2019, travel within LeoVegas decreased by **78%** in 2020.	**100%**
Use conference calls and virtual meetings instead of travel – increase the number of virtual meetings per employee	During 2019, **23,466** virtual meetings were held via the Zoom conferencing system; the corresponding number of 2020 was **71,324**, i.e., an increase of **204%.**	**100%**

ACTIONS 2020	WHAT HAS BEEN DONE?	TARGET ACHIEVED
Annual evaluations of the sustainability strategy to ensure improvements	An evaluation of the sustainability strategy for LeoVegas' offices was performed.	**100%**
Add KPIs for employee travel to employees' yearly performance reviews	Employee travel is followed up on a continuous basis by the company's travel function instead of in employees' yearly performance reviews.	**100%**

AMBITION - 2021	
	• LeoVegas' climate and environmental impacts will be sustainable.

TARGETS
LeoVegas' operations shall strive to be climate-neutral.
LeoVegas' climate and environmental work will be evaluated by a third party.
Ahead of 2022, to formulate improvement targets based on mapping conducted in 2021.

AMBITION - 2021	
	• All of LeoVegas' offices and employees will take responsibility and, based on their own preconditions, act as role models and work in a sustainable and conscious way

TARGET
LeoVegas' employees will feel that they can perform their work in an environmentally conscious and sustainable way.

Social responsibility

The following pages provides a follow-up of LeoVegas' work in this area and the new targets that have been set for 2021. The targets are followed up yearly, and the company's target achievement will be presented in the following year's sustainability report.

SOCIAL RESPONSIBILITY – RESPONSIBLE GAMING

AMBITION - 2020	• Retain and strengthen the position as one of the leading companies in responsible gaming

TARGETS 2020	WHAT HAS BEEN DONE?	TARGET ACHIEVED
Increase the number of customer interactions	Increased automation of the evaluation process for customers that indicates changed gaming behaviour has been implemented, resulting in an accelerated process for LeoVegas to interact with customers. Interactions increased from 2,754 to 10,834 in number.	**100%**
Increase customers' use of responsible gaming tools	Use of our tools increased during the year and is coupled to the number of interactions (which the point above shows an increase in), since in most of our interactions with customers we recommend that they use one or more of the tools at their disposal. Certain supervisory authorities have also set new requirements for customers to set limits upon registration, which has increased the use of these tools.	**100%**
Launch a marketing concept with focus on responsible gaming and trust	LeoVegas conducted a large marketing campaign during the year where the message highlighted a safe and sound gaming experience.	**100%**
Contribute to academic research into responsible gaming	**During 2020 LeoVegas contributed to research in several initiatives:** • Together with Professor Mark Griffiths at Nottingham Trent University, LeoVegas published a scientific paper that compares casino players and sports betting players with respect to unsound gaming. The research concluded that there is no stronger or weaker coupling to unsound gaming based on which product the player uses. • Together with a team of researchers at Stockholm University, LeoVegas designed and conducted an experiment with algorithmic support in responsible gaming. The results are currently being analysed and will be published once the work is completed. • Together with the Danish Gambling Authority, via the Danish Competition and Consumer Authority (DCCA), LeoVegas contributed to an experiment in algorithmic support in responsible gaming. • LeoVegas initiated cooperation with the University of Malta to use advanced machine learning techniques for identifying unsound gaming. *Read more about all of these initiatives on page 85.*	**100%**
Increase the level of education and competence in responsible gaming throughout the Group **Expand this with a follow-up course for employees who have already completed the basic course**	A number of forums have been implemented at several levels in the operations to regularly discuss suggestions and improvements concerning responsible gaming. This is helping to ensure that responsible gaming is integrated throughout operations. All new employees are required to complete introduction training in responsible gaming, and all employees are required to complete a yearly update in responsible gaming. In addition, all employees are encouraged to do a study visit in the responsible gaming department in order to increase their knowledge about the processes and techniques that are used as well as to gain a better overall understanding of responsible gaming.	**100%**

ACTIONS 2020	DATA FOR 2020	DATA FOR 2019	CHANGE 2019/2020 (%)	TARGET ACHIEVED
Follow up KPIs for responsible gaming (RG):				**100%**
Total number of RG customer reviews	24,638	15,770	56	
Total number of RG interactions with customers	10,834	2,754	293	
Number of self-exclusions	275,991	96,720	185	
Number of new deposit limits	418,450	897,881	-53	
Number of new loss limits	8,133	8,945	-10	
Number of new session limits	211,799	95,922	45	
Number of new limits for bets/spins	4,210	4,736	-11	

SOCIAL RESPONSIBILITY – RESPONSIBLE GAMING, CONT.

AMBITION - 2020	• With resources, actions and commitment, build a more sustainable future by supporting the communities that LeoVegas works in • Continue strengthening and driving equality and diversity • LeoVegas aspires to be the first choice as an employer in the industry with its company culture as its greatest strength	
TARGETS 2020	**WHAT HAS BEEN DONE?**	**TARGET ACHIEVED**
• All offices in the Group will drive initiatives – selected on the basis of LeoVegas' company culture – to ensure local support to the communities that LeoVegas works in	Numerous donations and initiatives, including: • Numerous donations of EUR 10,00 coupled to Covid-19, including to WHO and the Swiss Philanthropy Foundation • Donation of EUR 10,000 to the Lion Recovery Fund together with the Wildlife Conservation Network in partnership with the Leonardo DiCaprio Foundation • Deliveries of lunches to hospital staff working with Covid-19 • Together with Malta Trust Foundation, LeoVegas contributed to the E3 project for the benefit of 24 children with autism. The project gave the children customised electronic devices that facilitate their learning. The E3 project aims to provide, encourage and educate young children with various skills • LeoVegas donated kitchen supplies, electronics, food and Christmas presents to children at the YMCA Malta, a nongovernmental charity organisation where most work is performed by volunteers	100%
• Offer an integration programme for employees who relocate to another country	Swedish language courses are offered to employees from foreign countries who relocate to LeoVegas' Swedish operations. A guide has also been produced for employees to help them adapt to Swedish society.	50%
• Measure and improve the KPI "Engagement at work" among the Group's employees	In 2020 the Group decided to change tools for measuring employee satisfaction, engagement and other "soft" values. Due to this change, no reliable statistics or data are available.	0%
ACTIONS 2020	**WHAT HAS BEEN DONE?**	**TARGET ACHIEVED**
• Annual evaluation of sustainability strategy to ensure improvements	Evaluation completed. Work on improving the Group's sustainability work has been started and is being conducted through a thorough work process where a mapping and current status analysis is step 1.	75%
• Via LeoRegulus, continue the work on achieving a higher degree of gender equality and inclusiveness in the tech sector	Due to the pandemic, work via LeoRegulus was temporarily paused during 2020.	0%

AMBITION - 2021	• LeoVegas will be one of the leading companies in responsible gaming. LeoSafePlay will be the most innovative and data-driven service for gaming monitoring
TARGETS	
Work with responsible gaming will be evaluated yearly by a third party.	
Customers who are alerted by LeoSafePlay will adopt more sound gaming behaviour. The goal is that 9 out of 10 customers who are contacted will change their behaviour.	
All employees will participate in continuous training in responsible gaming and about the risks of gaming with money.	

AMBITION - 2021	• LeoVegas' customers will feel safe when playing with us
TARGETS	
Customers will be aware of and understand the benefit of the company's tools for responsible gaming.	
The company will communicate responsible gaming in external communication.	
Customers will know where they can turn for concerns about their gaming.	
Customers will be of the opinion that the company takes responsible gaming issues seriously and promotes safe gaming.	

AMBITION - 2021	• LeoVegas will contribute to increasing knowledge about how we can best counter problems related to gaming with money
TARGETS	
The company will actively assist the academy and researchers to raise the level of knowledge about measures that promote responsible gaming and minimise adverse effects of gaming.	
The company will increase its collaboration with sport and other actors to counter threats to the integrity of sport, such as match fixing.	

SOCIAL RESPONSIBILITY

AMBITION - 2021	• Backed by resources, measures and commitment, LeoVegas will support local communities

TARGET
Measure and set targets for the KPI Engagement at work.

AMBITION - 2021	• LeoVegas will be a company where all employees feel welcome and have opportunities to develop and pursue a career – regardless of gender, gender identity or expression, ethnic origin, faith, functional disability, sexual orientation or age

TARGETS
All employees will feel that LeoVegas is an inclusive workplace.
Increase share of female representatives in the company.

AMBITION - 2021	• LeoVegas will be the first choice employer in the industry with the company culture as its greatest strength

TARGETS
Reduce employee turnover to 18%. Employee turnover is measured as employees who have given notice to leave the company on their own accord and thus does not include employees whose employment ended due to a decision by LeoVegas. Employee turnover varies from office to office. For example, employee turnover is higher in Malta, where more short-term positions are offered, such as in customer service.
Introduce a target that measures employee engagement in their work.

Corporate governance.

The following pages provides a follow-up of LeoVegas' work in this area and the new targets that have been set for 2021. The targets are followed up yearly, and the company's target achievement will be presented in the following year's sustainability report.

CORPORATE GOVERNANCE

AMBITION	
	• Ensure that the company is run according to ethical business principles • Make sure that operations continue to meet the most professional standards in compliance and company ethics, such as the Swedish Corporate Governance Code

TARGETS 2020	WHAT HAS BEEN DONE?	TARGET ACHIEVED
Increase internal awareness about the Code of Conduct	All employees are now required to read the Code of Conduct.	100%
Ensure continued close cooperation with authorities	Gustaf Hagman, CEO, has taken a seat on the board of the Swedish Trade Association for Online Gambling (BOS), enabling LeoVegas to actively be able to influence and build relations with the Swedish authorities. Membership in the German trade association Deutscher Verband für Telekommunikation und Medien (DVTM) Membership in the Norwegian Industry Association for Online Gaming	100%
Continue to adhere to the Swedish Corporate Governance Code ("the Code")	LeoVegas adheres to the Swedish Corporate Governance Code.	100%

MEASURES 2020	WHAT HAS BEEN DONE?	TARGET ACHIEVED
Update the Code of Conduct on a yearly basis and make the Code of Conduct obligatory reading for all employees	Completed. The Code has been approved by management and implemented within the organisation as a whole to reflect the entire company.	100%
Pursue an expansion strategy to focus on regulated markets and markets in the process of becoming regulated	Approximately 50% of the Group's revenue is generated from locally regulated markets. This figure is expected to rise further in the coming year. LeoVegas reports on development in the respective regions and on the share of revenue from regulated markets in every quarterly report.	100%
Report on the Group's risk assessment and risk management on a regular basis to the Board of Directors	LeoVegas reports on risk management to Group Management and the Board in accordance with a yearly planning wheel. The planning wheel includes the Risk and Internal Control policy, which is adopted by the Board of Directors. Risk management is reported on twice a year to the Board, and this was done in 2020.	100%

AMBITION - 2021	
	• LeoVegas will conduct its business in accordance with both ethical and professional principles • LeoVegas will use compliance as a competitive advantage and manage operations in accordance with established routines, control systems and active risk management • LeoVegas will grow in regulated markets and markets that will soon be regulated

TARGETS
Actively advocate for a long-term sustainable gaming industry with a high level of channelisation in regulated markets.
Improve the Group's risk management.
Build up knowledge within the Board and management about how equality and diversity strengthen the business.

DIVERSITY

DIVERSITY, ANTI-DISCRIMINATION AND HUMAN RIGHTS

At LeoVegas the employees are our greatest asset. If the company were to be unable to attract and retain competent employees with a strong culture at their core, there is a risk that the company would 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 and to retain its existing people. LeoVegas promotes a work environment that rewards initiative and innovation, 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, cultures and origins, internal collaboration is based on trust and respect. Diversity is an important feature within LeoVegas. Without its broad diversity the company would most likely not have developed in the same, positive way. LeoVegas has customers from around the world, and therefore this should also be mirrored by the employees, both to be able to deliver the best possible customer experience and also to create shareholder value.

The Swedish offices (Helsingborg, Stockholm, Västerås and Växjö) have an overrepresentation of men, which is explained by the fact that most of the company's technological development is conducted in Sweden, and the tech sector is generally male-dominant. The offices in the UK and Malta have a more even gender balance.

Leading a company with people from more than 67 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. LeoVegas' standpoint is to offer equal pay for equal work, and the company continues to work strategically to attract female 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. The difference in median salary between men and women at other offices is very small.

LeoVegas' position on diversity is laid out in the company's Human Resources policy, which stipulates that no person may be discriminated against due to gender, faith, origin or sexual orientation, which ensures that human rights are respected. LeoVegas respects human rights by working against all forms of discrimination within the organisation. During 2020 no cases of discrimination were reported, and the company sees no other risks related to this area. LeoVegas' Human Resources Policy is required reading for employees and is accessible in the company's internal training system.

During the last three years LeoVegas has sponsored and participated in the Malta Pride festival. The festival engages many employees and is an important annual event in Malta. In 2020 the Pride festival was cancelled due to the pandemic, but LeoVegas intends to continue supporting Pride in Malta in the future.

BOARD OF DIRECTORS

In 2020 LeoVegas' board was made up of two women and five men, which entails a composition of 29% women. When LeoVegas' Board and Group Management are to decide on a matter pertaining to the company, sustainability is always one of the fundamental perspectives that is taken into account.

MANAGEMENT

LeoVegas' Group Management team is made up of five men. The Group Management team consists of the CEO, CFO, COO, CPTO and CMO.

Management below the Group Management team is made up of employees with the titles of Directors and Heads. The gender breakdown of this category is 29% women and 71% men.

23%

SWEDEN	LeoVegas has 222 employees in Sweden, of whom 77% are men.

45%

MALTA	Of the 459 employees in Malta, 45% are women.

37%

UK	37% of employees in the UK are women.

29%

OTHER	In countries other than Sweden, Malta and the UK, 29% of employees are women.

COMPLIANCE

It is of crucial importance for LeoVegas' business that licences are maintained and renewed, and that laws and rules are followed. LeoVegas holds licences in the jurisdictions of Denmark, Italy, Ireland, Malta, the UK, Sweden, Spain, and in the German federal state of Schleswig-Holstein. Approximately half of LeoVegas' revenue is generated from markets with local licences. The assessment is that this figure will grow.

The company has invested heavily in technology and competence to meet the requirements that apply today for a long-term and serious gaming operator. LeoVegas is reviewed on a regular basis by the authorities, and its operations are continuously being adapted to ensure compliance with new or changed rules and regulations.

COMPLIANCE AT LEOVEGAS

Operators are facing growing requirements for responsible gaming and compliance. The legal landscape and compliance environment have undergone considerable changes in recent years. LeoVegas has adapted to this and has made suitable investments to meet the requirements and future-proof operations for additional regulated markets. LeoVegas' compliance department reports on a regular basis to the Group Management team and Board of Directors. The Group COO has ultimate responsibility for compliance. Given the importance and influence of regulatory changes, the COO reported on compliance at all of the board meetings held in 2020.

LeoVegas maintains a consistent high level of compliance across all of its markets. What all markets share in common is that the licence systems are characterised by strong consumer protections and prioritisation of safe and wise gaming. The company's experience from 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 requirements are similar, but local adaptation is needed in technology and products, depending on the market.

As a group, LeoVegas has made great progress in compliance, which is given better opportunities to work effectively and sustainably over the long term in a regulated environment. A few examples of areas included in regulatory compliance are Anti-Money Laundering (AML) and Source of Income (SOI) routines, which entails verifying customers' financial situations. This type of information provides a better overall picture of a customer's situation, which is valuable in the work with responsible gaming. Customers should not play for more than what is reasonable in relation to their economic situations. In the course of its operations LeoVegas maintains extensive verification processes regarding customers and takes measures to counter gaming addiction, corruption, money laundering and other criminal activity. Companies that do not comply with the requirements that apply in the respective markets are at risk of sanctions, and for serious violations this could lead to a revocation of their licences.

CODE OF CONDUCT

LeoVegas' Code of Conduct is the foundation for 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.

WHISTLEBLOWER FUNCTION

To ensure that all employees will feel secure in reporting any departures from the company's policies and rules, a whistleblower function has been established in which employees can confidentially and effectively report potential problems.

ANTI-MONEY LAUNDERING (AML)

LeoVegas conducts a transaction-intensive business. Gaming companies face a challenge similar to that of banks, as gaming companies also handle large sums of money daily in their systems. LeoVegas looks seriously upon all types of criminal activity and has processes and guidelines in place to counter and/or detect money laundering. This is facilitated by the fact that the business is conducted online and all transactions are traceable. LeoVegas regularly evaluates the integrity of its existing business partnerships. The company's internal and external routines for money laundering and preventing the financing of terrorism (AML) are in conformity with the EU's Fourth AML directive and local requirements.

BRIBERY, CORRUPTION AND FRAUD

LeoVegas has zero tolerance for bribery and corruption, and acts in accordance with relevant anti-corruption laws in the countries in which it has a presence. 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. The company also performs controls on a regular basis of marketing partners, such as affiliates and other networks, that LeoVegas works with.

LeoVegas works proactively with these issues, and risks are managed on a continuing basis through the internal control process, where routines and processes are followed up to ensure that LeoVegas conducts lawful and safe operations.

TAXES

Taxes are a natural part of responsible and sustainable business, and LeoVegas regards itself as a natural part of the economic ecosystem. LeoVegas works at a global level and is active in a number of regulated markets, which means that the company is part of numerous tax regimes. The Group shall adhere to all local tax laws in the countries in which LeoVegas is active. In addition to company taxes, the Group's various companies also pay payroll taxes, applicable local taxes, gaming taxes and VAT related to its services.

SUSTAINABLE MARKETING

LeoVegas works with data-driven marketing, where key performance indicators and efficiency are measured and evaluated on a continuous basis. LeoVegas works according to the company's Code of Conduct as the values foundation for its relations and cooperation with marketing partners. One example of when these values are called to bear upon is the company' cooperation with 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 association 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 themselves 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, among other ways, by using tools that search for references to LeoVegas on the internet and through manual controls. In certain markets, such as the UK, all material that an affiliate publishes requires LeoVegas' prior approval. This is done to maintain full control over how and where the Group's brands are exposed. As part of the requirements for acceptance in LeoVegas' affiliate programme, all new affiliates must be approved by the affiliate department following a thorough review process. LeoVegas is only willing to work with professional partners that conduct sustainable business activities. 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 partner in question. The company also uses the services of globally recognised actors in its marketing, such as Facebook and Google. One example is that Facebook assures that that no underage persons can view LeoVegas' marketing on Facebook. This has led to an 18-year limit for all of the company's profiles in all social media, and on Google LeoVegas does not advertise on unethical websites. These requirements are important for ensuring that consideration is given to sustainability in all areas and contribute to a more sustainable and professional approach to marketing.

According to the marketing targets for 2021, checks of marketing partners will be further automated through technical solutions.

THE INTEGRITY OF SPORTS AND THE FIGHT AGAINST ILLEGAL MANIPULATION OF SPORTS

Match fixing is considered to be one of the greatest threats to the integrity of competitive sports. The mere suspicion of a rigged match risks undermining trust for the participants, the sport as a whole and for gaming companies. By extension, questionable matches risk harming the public's interest, reducing the value of TV rights and diminishing the entertainment value of sports betting. Both sports and gaming companies risk losing large value if the integrity of sports cannot be protected from criminal elements.

Preventing, detecting and prosecuting match fixing requires cooperation between sport, gaming companies and law enforcement authorities – both nationally and internationally.

The sporting world has a responsibility to educate its participants in the dangers and risks of being participant in rigged matches. Many sports prohibit their participants from personally betting on matches, events or tournaments in which they are personally participating. Sport associations also have special investigators who, upon suspicion, help analyse sport performances.

Gaming companies have a responsibility to monitor all transactions surrounding the matches they offer in order to identify deviations or unexplainable outcomes. In the digital gaming industry, companies have the opportunity in real time to analyse wagers, player behaviours and odds movements. When needed, matches and events can be removed as playable objects, and disbursements can be frozen during the time suspicions are investigated. Depending on the jurisdiction, all suspicions are reported to the pertinent authorities and relevant sport bodies.

However, to be able to prosecute criminal activity, suspicions must be investigated and pursued by law enforcement agencies. It is mainly they who can gather all relevant information from gaming companies and sport organisations to determine if anyone can be prosecuted. For example, in Sweden persons who influence or try to influence the outcome of a sporting event can be convicted of match fixing.

Success at deterring match fixing and upholding the integrity of sports can be achieved exclusively by further strengthening cooperation between sports organisations, authorities and gaming companies – both nationally and internationally – in accordance with the Council of Europe Convention on the Manipulation of Sports Competitions.

LeoVegas works closely with the sportsbook vendor Kambi to manage risks associated with betting. If Kambi or LeoVegas' own team were to detect inexplicable deviations, the company can remove the game offering in question and freeze disbursements pending further investigation. Kambi analyses all transactions for placed bets and odds movements in the international gaming market, while LeoVegas is responsible for Know-Your-Customer routines and handling wagers and payment of winnings.

LeoVegas has been a member of the International Betting Integrity Association (IBIA, formerly ESSA) since 2019. IBIA today gathers many of the world's largest gaming operators and is active worldwide. The organisation's Monitoring & Alert Platform is a highly effective tool for gaming companies to cooperate on detecting suspicious matches and deviating behaviours. In the event of suspicious activity, all 50 members are required to quickly report deviations and transaction data, which can then be aggregated and analysed. In this way, the data documentation is many times larger than any individual gaming company's own sports book and makes it hard for criminal actors to conceal their criminal behaviour. In 2019 the IBIA alerted and warned its members about 183 suspicious sports events around the world. The IBIA is also engaged in direct information-sharing with organisations such as FIFA, UEFA, the Tennis Integrity Unit, the International Olympic Committee and numerous national authorities.

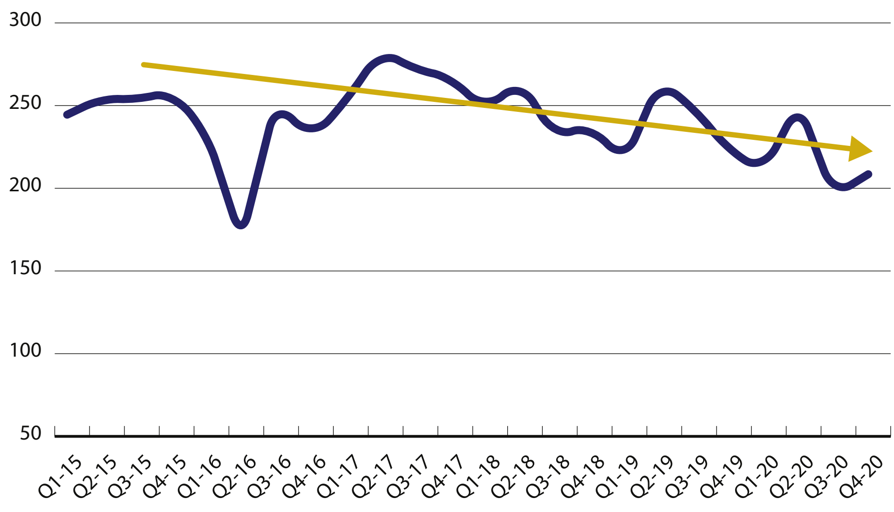
During the first quarter of 2021 LeoVegas signed a Memorandum of Understanding with the Swedish Sports Confederation as part of efforts to deepen cooperation with the individual, specific sports associations in Sweden. The document calls for greater information-sharing in connection with suspected cases of match fixing and cheating.

RELAXATION AND ENTERTAINMENT IN A SECURE, REGULATED AND SAFE GAMING ENVIRONMENT

LeoVegas is active in an industry in which companies that cannot create sustainable and long-term consumer value, provide good service and instil high trust will not survive. Investing in and focusing on sustainability is a must for LeoVegas to be able to act in accordance with the company's gaming licences as well as in accordance with European and global regulations. Today the major and well-known gaming operators have implemented tools for responsible gaming. Online gaming operators have also learned how to manage the strict rules and regulations that often differ from market to market. Interest in responsible gaming among investors is also rising as awareness of the gaming industry increases.

LeoVegas is taking market shares from competitors through sustainable and profitable growth, which is made possible by being a data-driven company that knows what drives the customer experience. LeoVegas strives to retain customers over a long period and build up sustainable relationships with them. This leads to stability in the average revenue per customer over time along with a growing number of active customers who view their gaming as entertainment. LeoVegas is thus growing by increasing its customer base rather than by increasing the value per customer. The average monthly deposit per customer is currently EUR 65, which is on par with other types of entertainment, such as a visit to the cinema for a family or a more expansive pay TV subscription. This is a sustainable and responsible growth strategy for LeoVegas.

AVERAGE REVENUE PER CUSTOMER



- The long-term trend of lower revenue per player is expected to continue.
- The reason for this trend is that games are becoming more and more of a mass market product combined with generally higher consumer protection in LeoVegas' markets.
- The geographic mix and gaming margins may drive short-term fluctuations.

SAFE GAMING

LEOSAFEPLAY

WHAT DOES RESPONSIBLE GAMING ENTAIL 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 addiction problems. The vast majority keep their financial limits in mind and know how to stop playing in a controlled manner. They know that they can lose money, and they don't play to recoup their losses. But for certain individuals, gaming can lead to problems, as they are at risk of 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 LeoVegas' obligation as an operator to give its customers tools and information to ensure that they do not adopt unsound gaming behaviours. LeoVegas directs its offering to people who view gaming as a form of entertainment and does its utmost to identify people with a gaming 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 how customer contacts can be further improved.

UNSOUND GAMING BEHAVIOURS

Unsound gaming is an unfortunate and undesirable problem for the individual in question, his or her family, and for society as a whole, but also for a gaming company like LeoVegas. LeoVegas' success is dependent on long-term and sound customer relationships. A distinction can be made between accessibility abuse and substance abuse. Gaming addiction is classified as accessibility abuse, which by definition means that if the form of gaming was not accessible, then the addiction would not exist. A ban would not remedy serious cases, but would instead lead to an increase in illegal gaming, with continued abuse but without any of the needed controls. In an illegal environment, actors emerge that do not work with responsible gaming, which hurts customers. This is the main reason why LeoVegas and the industry in general are keen on achieving a high level of channelisation in regulated markets. It safeguards customers and strengthens consumer protection, which is LeoVegas' priority. Channelisation refers to how much gaming is conducted within a local licence system.

COMPLEXITY IN COMPLIANCE, AND HOW LEOVEGAS HAS MADE IT ONE OF ITS STRENGTHS

Lisa Lombardi – Director of Legal, Regulatory and Compliance

Brief bio

Lisa joined LeoVegas in 2020 as Director of Legal, Regulatory and Compliance. Her department is made up of Information Security, Confidentiality, Technical Compliance, Compliance and Legal teams. Lisa is a lawyer and has worked in the online gaming industry for the past 15 years. She has seen the regulatory landscape evolve and mature and appreciates being part of a professional, innovative and data-driven team at LeoVegas.

Growing regulatory requirements are raising the entry barriers in the gaming industry. Companies that are proficient in this area and that manage to effectively minimise their risks have a large competitive advantage and contribute to long-term sustainable growth.

Entry barriers refer to the conditions in a market that prevent new competitors from easily gaining a foothold in a market or business area. High entry barriers make it hard for new companies to establish themselves and benefit existing companies since they protect their ongoing business from greater competition.

One industry that the gaming industry has many similarities with, and that also has high entry barriers, is the banking sector. In banking the barriers are extremely high in the form of large investments, capital requirements and the extreme growth in regulatory requirements during the last ten years. This development is familiar, and many who visit our offices in Malta are impressed by how many of the company's employees work with compliance in one way or another. As a result, we have a high level of competence, and this helps us as we prepare to enter new, regulated markets or when the legal conditions change. This applies not only for my team, but equally as much for our tech organisation, which must adapt our technology and products to local rules. Being able to do this quickly and with a high level of precision is a major competitive advantage. It is of utmost importance to handle the regulations correctly, embrace them in a positive way, and adapt to each market in order to find the right balance between the regulations and the customer experience.

Continuing to invest in regulatory compliance is equally as important as launching new functionality or features that elevate the customer experience. This is why I am happy to be part of LeoVegas, which is an innovative tech company with focus on the customer. We are in a favourable and prominent position, and handling compliance in the smartest and most effective way is and will continue to be a strong competitive advantage.

THE LEO INITIATIVE

In January 2017 LeoVegas celebrated five years in business, and as part of this milestone achievement it founded the LeoInitiative, a charity project of the LeoVegas Group focused on making a difference for lions. The LeoInitiative is one way to give back to the globally threatened lion populations. During the last decade the world's lion population has become severely decimated, and today the lion population is only one-fifth of what it was a hundred years ago.

Bruno

Omar

To contribute to growth of lion populations and help improve the situation for lions in the world, the LeoInitiative supports two organisations: Stichting Leeuw (The Lions Foundation) and the Wildlife Conservation Network (WCN). In 2020 the LeoInitiative consisted of the following initiatives:

- ***Donations to the Wildlife Conservation Network (WCN)***
  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. Due to the pandemic, LeoVegas' employees were not able to travel to South Africa for volunteer work on this initiative, so instead the company decided to invest EUR 10,000 in WCN and the Lion Recovery Fund. 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.

- ***Adoption of the lions Bruno and Omar, which were previously held in captivity***
  Bruno and Omar are LeoVegas' only official corporate sponsor beneficiaries, and the company was the largest contributor to the clinic's work on transporting the lions from Europe to South Africa.

- ***Agreement with The Lions Foundation and Stichting Leeuw***
  Stichting Leeuw is a big cat rescue centre in Landgoed Hoenderdaell, the Netherlands. Its mission is to give rescued big cats a future, and the first big cat was transferred to Stichting Leeuw in April 2012. If possible, the shelter provided is only temporary and prepares the animal for a return to a larger, semi-wild yet enclosed natural environment.

STICHTING LEEUW

In 2019, Stichting Leeuw started The Lions Foundation, a new sanctuary in the beautiful Schrikkloof Private Nature Preserve in South Africa. Together with Bruno and Omar, many more lions have been relocated from their previous shelters to a new home in a natural environment.

Schrikkloof Private Nature Preserve covers an area of 700 hectares in Waterberg, South Africa. Since it was previously a wild animal preserve, it is still populated by free-roaming buffaloes, giraffes, zebras, numerous species of antelope and other wild animals. Schrikkloof is also the host for The Lions Foundation, a subsidiary foundation of Stichting Leeuw in the Netherlands that is a rescue centre and provides shelter to lions and tigers that were previously held captive in circuses, offspring of zoo animals and large cats held by private owners. The foundation's goal is to relocate the animals to their natural environments in a semi-wild setting. Lions that are doing sufficiently well and are considered to be sufficiently stable are relocated from Stichting Leeuw to The Lions Foundation in Schrikkloof Nature Reserve.

There they receive a warm welcome and are given 1.5 hectares as home in their land of origin. After having been exploited for many years by unsuitable owners, they are given a new home through The Lions Foundation.

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 Lions 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 was transported to South Africa, where he now lives a good life under the care of The Lions Foundation.

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 Lions 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 South Africa.

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 enjoys the company of his new friends, and the plan is also to give Bruno female company in the future.

The history behind these two lions was what prompted LeoVegas to work together with Emoya. LeoVegas covers all annual costs for the lions. This includes food, care and their wellbeing, and is LeoVegas' way of giving back to the lions and helping increase lion populations.

ENVIRONMENT

LeoVegas offers a digital product, and thus it has a relatively low environmental impact. LeoVegas' largest environmental impact comes from business travel. LeoVegas is a global company, and the company's travel policy urges employees to book travel based on the most cost-effective and environment-friendly alternative. Since 2020 all business travel is booked via a travel portal, which makes it possible to measure the number of trips taken and to some extent the environmental impact. The goal is to reduce travel, and for travel that cannot be avoided to choose a sustainable mode.

Total number of business trips

2020	2019	Deviation, %
1,602	5,296	-70%

Number of trips per employee

2020	2019	Deviation, %
1.8	6.4	-72%

Owing to the pandemic, for natural reasons there was a decrease in business travel in 2020 compared with 2019. The situation that has arisen in connection with Covid-19 has had the positive outcome that people have been forced to accelerate their digital behaviours both with respect to working remotely and meeting and collaborating online. It is likely that travel will increase once the pandemic has abated. However, LeoVegas sees advantages of working together on digital platforms, and during the year the company increased the number of online meetings by 204%. LeoVegas expects to see a permanent decrease in some of the company's previous meeting and travel practices.

Number of online meetings

2020	2019	Deviation, %
71,324	23,466	204%

Recycling of office material, food waste, plastics and other waste is standard practice at all offices. In 2019 and 2020 all single-use materials were removed from LeoVegas' offices – a measure that received high praise from employees.

TECHNOLOGY

LeoVegas is a tech company with a digital product as well as a digital way of working. Even though LeoVegas offers a digital product, it must be run from a datacentre. On a global level, datacentres account for 1% of all consumed energy. Given this, it goes without saying for LeoVegas to choose an efficient and sustainable way to operate its technical infrastructure. LeoVegas' technical platform is operated via Google Cloud, and other internal infrastructure is also with Google. By choosing Google, LeoVegas is 100% climate-neutral in this area. Google climate compensates all its operations through carbon offsets and has chosen to do this retroactively since its founding. Google has the climate issue high on its agenda, and as an example, its datacentres achieve a 30% energy savings through the use of smart cooling systems that use artificial intelligence to optimise energy consumption.

In 2020 LeoVegas' technical platform was migrated from a traditional datacentre to Google Cloud. In general, Google Cloud is twice as energy-efficient as a traditional datacentre. LeoVegas achieved significant energy savings through its migration and now has zero (0) net carbon emissions for everything that is run through Google Cloud.

Google Cloud

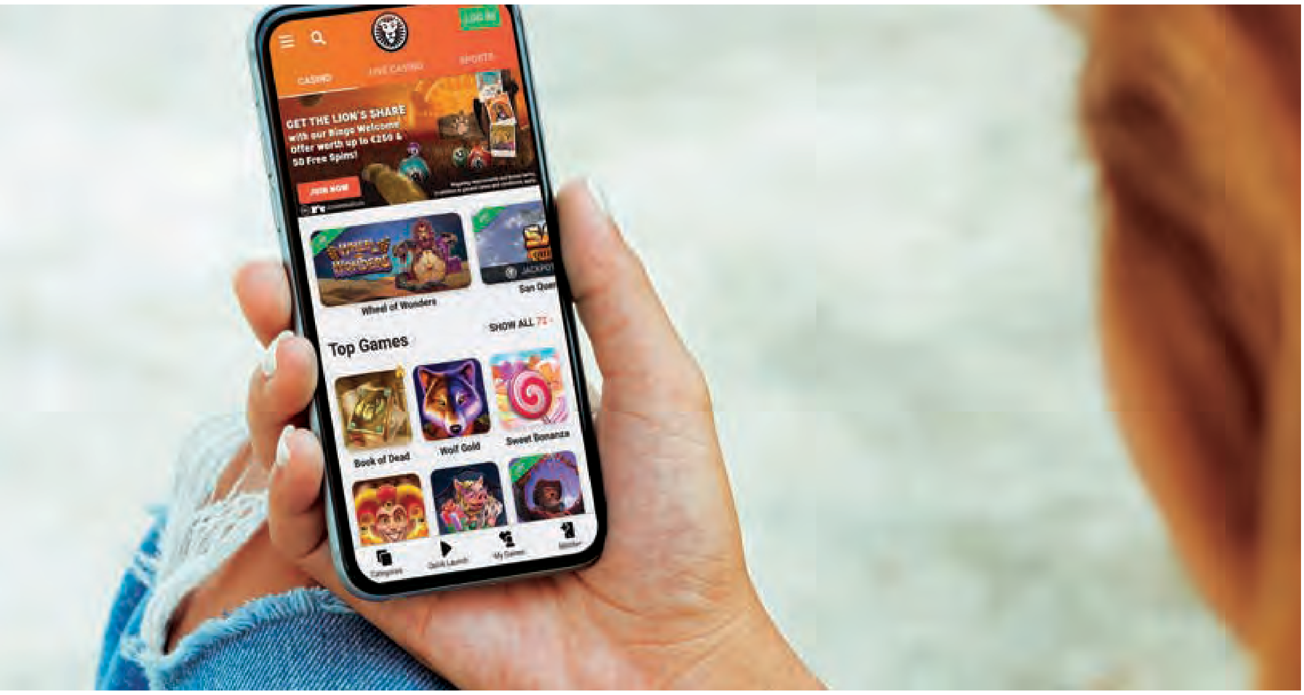
The choice of Google as a service provider is also future-proofed from an environmental perspective, as Google's datacentres, by 2030, will only operate on clean and renewable energy, 24 hours a day and at all sites.

LEOVEGAS' WORK WITH ENVIRONMENTAL IMPACT

The details of LeoVegas' environmental targets are provided under the sustainability targets. In summary, the Group's environmental focus is to reduce environmental impact per employee in connection with business travel and to continue choosing the right service providers that can contribute to LeoVegas' efforts to reduce its carbon footprint.

CONTRIBUTION TO RESEARCH

LeoVegas provides data on a continuous basis to a number of research projects. The projects are conducted by the company's Data and Analytics team.



COMPARISON OF CASINO PLAYERS AND SPORTS BETTORS RELATED TO PROBLEM GAMBLING

Together with Professor Mark Griffiths at Nottingham Trent University, LeoVegas has contributed to a scientific study that compares casino players with sports bettors related to problem gambling. Mark Griffiths is a highly acclaimed psychology professor who studies addiction, including gambling addiction. The scientific study can be read in its entirety on SpringerLink: https://link. springer.com/article/10.1007/s10899-020-09964-z

The conclusion of the study is that there is no stronger or weaker coupling to problem gambling based on the product chosen by the player.

ALGORITHMIC SUPPORT FOR RESPONSIBLE GAMING

LeoVegas has also provided data and collaborated with a group of researchers at Stockholm University. The group has conducted an experiment involving algorithmic support for responsible gaming. Individuals who were predicted to be at-risk for problem gaming were shown a series of pedagogic messages in order to detect any behavioural changes. The study was conducted from July to September 2020, and the results are currently being analysed. Once the results have been compiled they will be published.

RESEARCH IN THE DANISH MARKET

Together with the Danish Gambling Authority, via the Danish Competition and Consumer Authority (DCCA), LeoVegas contributed to an experiment in algorithmic support in responsible gaming. The DCCA conducted the experiment, and LeoVegas contributed data and the opportunity to obtain concrete results from the research. The DCCA's intention is to create and uphold sound gaming regulation in the Danish market. The results of the study will be published externally towards the end of 2021.

COOPERATION WITH THE UNIVERSITY OF MALTA ON RESPONSIBLE GAMING

During the year LeoVegas initiated cooperation with the University of Malta to use advanced machine learning techniques for identifying unsound gaming. The cooperation is currently being developed, and from the start in November 2020 one undergraduate student has been working with the project. Once the results have been completed, the ambition is that they will be published externally.

AUDITOR'S OPINION REGARDING 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 2020 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 sustainability report has been established.

Stockholm, 8 April 2021
PricewaterhouseCoopers AB

Aleksander Lyckow
Authorised Public Accountant

CORPORATE GOVERNANCE REPORT

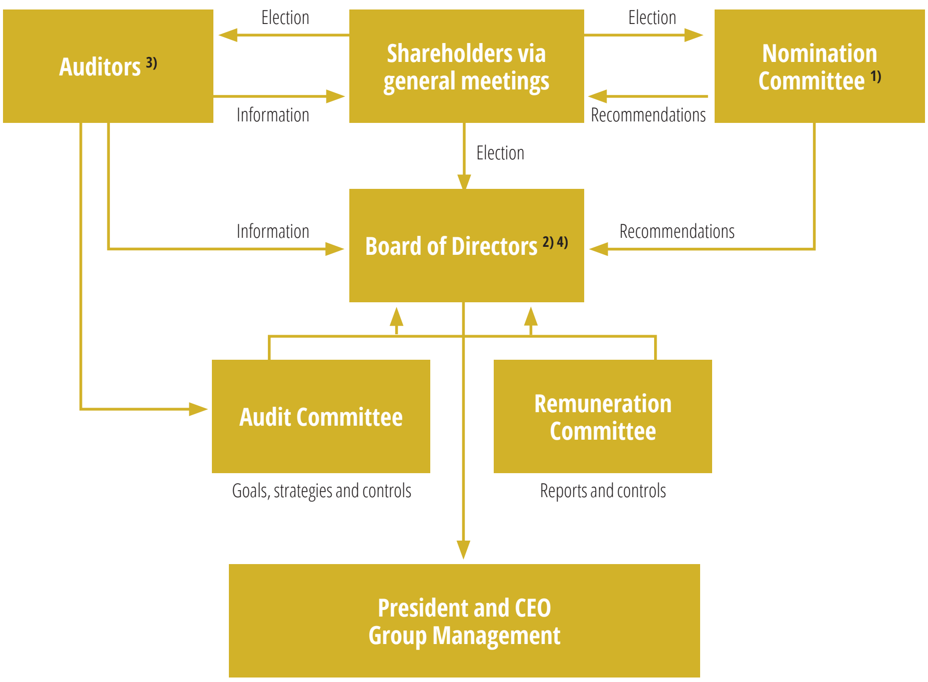
CORPORATE GOVERNANCE AT LEOVEGAS

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. 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



1) The Nomination Committee proposes resolutions ahead of the AGM regarding issues concerning election of directors and fees, and drafts a proposal 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 audit 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 and Remuneration Committee report 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.

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 in a satisfactory manner, or if the board has gained assurance in some other say that such is the case. LeoVegas today has a dedicated person with chief responsibility for monitoring and evaluation of internal control. In 2021 an internal audit function will be established in LeoVegas with initial focus on ensuring implementation of processes coupled to compliance.

SHAREHOLDERS

As per 31 December 2020 LeoVegas had 17,284 shareholders. The ten largest shareholders as per 31 December 2020 had ownership corresponding to 31.1% (40.3%) 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 31/12/2020

Owner	No. shares	Capital and votes, %
Gustaf Hagman	8,400,000	8.3
Avanza Pension	4,580,253	4.5
Torsten Söderberg with family	4,486,861	4.4
TT International	2,439,784	2.4
Lombard Odier Asset Management	2,343,253	2.3
Pontus Hagnö	2,250,000	2.2
Robin Ramm-Ericson	2,250,000	2.2
Filip Engelbert	1,767,480	1.7
Graffe Holding AB	1,636,361	1.6
Sundt AS	1,500,000	1.5

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 2020 was EUR 1,219,835, divided among 101,652,970 shares. The shares, which are denominated in euros (EUR), had 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 – 2019 FINANCIAL YEAR

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.

Notices 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 2019 financial year was held on 8 May 2020. 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 1.40 per share shall be paid to the shareholders, for a total sum of SEK 142,314,158. The dividend shall be paid out on two occasions in the amount of SEK 0.70 per share*
- *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 Anna Frick and Fredrik Rüden be re-elected as board members, and that Hélène Westholm, Mathias Hallberg, Carl Larsson, Per Norman and Torsten Söderberg be elected as new board members. Per Norman was elected as Chairman of the Board. Robin Ramm-Ericsson, Mårten Forste and Tuva Palm declined re-election*
- *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 adopt the guidelines for remuneration of senior executives in accordance with the Board's recommendation*

The Annual General Meeting also resolved in favour of an issue of a maximum of 1,000,000 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. As a result of the AGM's resolution in favour of the Board's recommendation to issue a maximum of 1,000,000 warrants with deviation from the shareholders' preferential rights, the total number of shares and votes in the company may be diluted by a maximum of approximately 1%. The warrants carry entitlement to subscribe for new shares in the company. For further information, see Note 6 and Note 21.

GENERAL MEETING – 2020 FINANCIAL YEAR

LeoVegas' Annual General Meeting for the 2020 financial year will be held on 11 May 2021 in Stockholm. Further information is provided at www.leovegasgroup.com under the tab Corporate Governance. In connection with the year-end report for 2020 the Board proposed raising the dividend to SEK 1.60 per share (1.40), corresponding to an increase of 14%, to be paid out on four occasions.

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 2020 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 an even 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 2020 AGM was appointed and consists of the following persons, who together represent approximately 17% of the number of votes and shares in the company as per 30 September 2020:

- *Anders Fast (chair), appointed by Gustaf Hagman*
- *Malcolm Lilliehöök, appointed by Torsten Söderberg*
- *Pontus Hagnö*
- *Robin Ramm-Ericson*
- *Per Norman, 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 8 May 2020 for terms until the end of the 2021 AGM. Gustaf Hagman, Group CEO, participates at board meetings to report on development of the operations. Stefan Nelson, CFO, participates at board meetings and reports on the company's financial development. 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, which the company meets.

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 18 meetings. The Board's work during the year was focused particularly on the company's strategy, including the integration of previously acquired operations, positioning, financing, culture, and the company's development and expansion. The focus of the technology platform as well as the development and impact of stricter compliance requirements were also discussed.

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 Mathias Hallberg, Carl Larsson, Hélène Westholm and Fredrik Rüden, who is also 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 2020.

Remuneration Committee

The members of the Remuneration Committee are Anna Frick, Torsten Söderberg and Per Norman, who is also committee chair. The Remuneration Committee has an advisory and a drafting function, and works according to a work plan set by the Board of Directors. Its main duties are to conduct preparatory 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 six meetings in 2020.

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 2020 AGM resolved that directors' fees of SEK 300,000 shall be payable each to Anna Frick, Fredrick Rüden, Mathias Hallberg, Carl Larsson, Torsten Söderberg and Hélène Westholm. Per Norman, as Chairman of the Board, is paid a fee of SEK 600,000. These amounts are based on the assumption that the directors' assignments continue for the entire period until the 2021 AGM.

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 who are not employees of the company. 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 2020 AGM until the 2021 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 2020 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 are 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. LeoVegas structures this work in accordance with a yearly planning wheel, which is illustrated below, where the first phase (1) consists of risk identification and an update of existing risks; (2) entails defining implemented control activities for risk mitigation; the third phase (3) tests the effectiveness of identified control activities and quality assurance; in the fourth (4) and final phase, follow-up is conducted to ensure that identified deficiencies are handled along with reporting to the Audit Committee and the Board.

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*
- *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 2021 an internal audit function will be established within LeoVegas with initial focus on ensuring implementation of processes coupled to compliance.

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 industry-specific regulations issued by the gaming 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 LeoVegas' business and industry-related risks factors that could affect the company'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, 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 gaming authorities, such as the Malta Gaming Authority (MGA), the UK Gambling Commission (UKGC), the Swedish Gambling Authority (SGA), 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 activitiesg

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 Audit Committee and 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 communication tools 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 the financial manual, for example, new developments, risks, outcomes of controls, etc., are communicated and discussed on a regular basis at 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 meets the applicable requirements for providing accurate information to the market. The policy documents adopted by the Board 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

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, and in 2021 an internal audit function will be established in LeoVegas with initial focus on ensuring implementation of processes coupled to compliance.

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 included four senior executives as per 31 December 2020: the Chief Financial Officer, the Chief Operating Officer, the Chief Product & Technology Officer and the Chief Marketing Officer.

Remuneration of the CEO and senior executives

Remuneration of the CEO and other senior executives may consist of a fixed cash salary, possible variable cash remuneration, other customary benefits and pension. The com-bined yearly cash remuneration shall be in line with the going rate in the market and competitive in the labour market and geographic area in which the executive is stationed, and shall be commensurate with the individual's qualifications and experience. By other senior executives is meant the four persons who together with the CEO make up the Group Management. The Remuneration Committee has drawn up recommendations for guidelines for remuneration of senior executives to be put to the 2021 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 2020, 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 8 May 2020 resolved to elect the chartered accounting firm PricewaterhouseCoopers AB as auditor of the company for a term until the end of the 2021 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 tax consulting.

BOARD OF DIRECTORS

Per Norman

Assignments and year elected
Born 1964. Chairman of the Board since 2020. Chair of the Remuneration Committee

Education
M.Sc., Royal Institute of Technology (KTH) in Stockholm, MBA, Uppsala University

Other current assignments
Senior advisor and Chairman of the Board of Red Jade AB, Chairman of GLHF Group AB, Chairman of Stockholm Security Holding AB, director of Green Jade Games Ltd and Sveriges Television Aktiebolag (SVT)

Professional experience and previous assignments
Per has previously held many executive positions, including as CEO of Mr Green & Co AB (publ.), CEO of Boxer TV Access AB, Deputy CEO of MTG AB as well as directorships for several companies, including Mr Green AB

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

Director's fee (yearly)
600,000

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' share-holdings as per 31 December 2020
60,600

Attendance at board meetings
11 of 11 possible

Attendance at Remuneration Committee meetings
6 of 6 possible

Hélène Westholm

Assignments and year elected
Born 1971. Director since 2020. Member of the Audit Committee

Education
MBA, Uppsala University

Other current assignments
Partner, Korp Kommunikation

Professional experience and previous assignments
Hélène has many years of experience in the financial sector, including from Erik Penser's Corporate Finance department. She also has served as Investment Director in the Swedish Government Offices and has held directorships with Svenska Spel, Bilprovningen and Svensk Exportkredit, and had company responsibility for SAS. Aside from her directorship with LeoVegas, Hélène is currently a partner and part-owner of Korp Kommunikation with focus on investor relations

Special areas of expertise
Investor relations, communication, gaming industry

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' share-holdings as per 31 December 2020
0

Attendance at board meetings
11 of 11 possible

Attendance at Remuneration Committee meetings
4 of 4 possible

Fredrik Rüden

Assignments and year elected
Born 1970. Director since 2019. Chair of Audit Committee

Education
M.Sc. Business Administration, Bachelor of Laws, Mälardalen University

Other current assignments
In addition to his assignments with LeoVegas, Fredrik Rüden is a director of Acroud and CFO of Cambio Healthcare Systems, one of the Nordic region's leading suppliers of healthcare information systems and business systems for municipalities and regions

Professional experience and previous assignments
Fredrik's career has progressed through numerous senior positions with listed companies with an emphasis in finance, including Betsson AB (CFO), Teligent AB (CFO), Hallvard Leröy AS (CFO) and Investment AB Kinnevik

Special areas of expertise
Economics, gaming industry, management, equity market

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' share-holdings as per 31 December 2020
20,000

Attendance at board meetings
18 of 18 possible

Attendance at Remuneration Committee meetings
4 of 4 possible

Torsten Söderberg

Assignments and year elected
Born 1949. Director since May 2020. Member of Remuneration Committee

Education
M. Sc. Econ., DIHR

Other current assignments
Director of Feelgood Svenska AB, Tastsinn AB with subsidiaries, 4evergreen AB, Impulse Radar AB, Buir AB, Dox Sweden AB, AB Syoto with subsidiaries, and SARSYS-ASFT AB (publ)

Professional experience and previous assignments
Torsten's main occupation is board directorships. He has previous experience as a self-employed business owner in various industries and as Chairman of Cherryföretagen and Stingbet, among other companies

Special areas of expertise
Professional board member, gaming industry

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 2020
4,507,253

Attendance at board meetings
11 of 11 possible

NAttendance at Remuneration Committee meetings
6 of 6 possible

Anna Frick

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

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

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

Professional experience and previous assignments
Anna previously served as a director of Nordnet AB, A3 Allmänna IT- och Telekomaktiebolaget and Frisq AB, Vice President of Garbergs Reklambyrå AB and CEO of Oakwood Creative AB

Special areas of expertise
Communication, digital transformation and organisation

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 2020
3,700

Attendance at board meetings
18 of 18 possible

Attendance at Remuneration Committee meetings
6 of 6 possible

Carl Larsson

Assignments and year elected
Born 1974. Director since 2020. Member of Audit Committee

Education
B.A. Computer and System Science, Stockholm University, MBA, Stockholm School of Economics

Other current assignments
Director of Strukturinvest Fondkommission (FK) AB

Professional experience and previous assignments
Carl has extensive experience from the financial sector, where he has worked on large development projects for IT systems for banks. He is also a co-founder of DigitalRoute. Carl has also been self-employed in IT and still is today

Special areas of expertise
Technology

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 2020
6,800

Attendance at board meetings
11 of 11 possible

Attendance at Remuneration Committee meetings
4 of 4 possible

Mathias Hallberg

Assignments and year elected
Born 1971. Director since 2020. Member of Audit Committee

Education
M.S. Biology and Chemistry, Lund University, Doctor of Pharmacy, Uppsala University

Other current assignments
Professor of Molecular Dependency Research at Uppsala University, Department of Pharmaceutical Biosciences

Professional experience and previous assignments
Mathias has a Master of Science in Biology and Chemistry from Lund University. He earned a Ph.D. in Pharmacology in 2005 and became Assistant Professor of Pharmacology at Uppsala University in 2007. Director of Studies at Uppsala University 2005-2021

Special areas of expertise
Professor of Molecular Dependency Research

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 2020
0

Attendance at board meetings
11 of 11 possible

Attendance at Remuneration Committee meetings
4 of 4 possible

GROUP MANAGEMENT - 2020

Gustaf Hagman, Group CEO

Background
Born 1974. President 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 gaming industry. Former CEO and director of Net Gaming Europe AB

Special areas of expertise
Gaming industry, organisation, entrepreneur

Own and related parties' shareholdings as per 31 December 2020
8,400,000 shares and 95,000 warrants

Stefan Nelson, CFO

Background
Born 1977. LeoVegas employee since 2018

Education
B.Sc. Econ., Stockholm University

Other current assignments
Director of Esportal AB

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

Special areas of expertise
Economics, M&A, equity market

Own and related parties' shareholdings as per 31 December 2020
40,000 shares and 255,000 warrants

Mårten Forste, COO

Background
Born 1971. Began role as COO in 2020. Prior to that, director on LeoVegas' board

Education
Master of Laws, Lund University

Other current assignments
Director of MD International AB, Padstow AB, Docly. Chairman of the Board of Match.com Nordic AB.

Professional experience and previous assignments
Mårten 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/March.com Europe

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

Own and related parties' shareholdings as per 31 December 2020
265,000 shares and 95,000 warrants

Dersim Sylwan, CMO

Background
Born 1981. LeoVegas employee since 2020

Education
Studies in business economics and marketing, IHM Business School

Other current assignments
-

Professional experience and previous assignments
14 years of experience in the gaming industry, including roles as Head of Poker at bwin for the Nordic market, Brand Manager of Oddset at Svenska Spel, and numerous positions in the Kindred Group, including as head of the Maria Casino brand and General Manager for Kindred Sweden

Special areas of expertise
Gaming industry, marketing

Own and related parties' shareholdings as per 31 December 2020
42,000 shares and 155,000 warrants

Mattias Wedar, CPTO

Background
Born 1973. LeoVegas employee since 2019

Education
Bachelor of Social Science in Informatics, Lund University

Other current assignments
Director of PE Accounting

Professional experience and previous assignments
Mattias 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 gaming 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

Special areas of expertise
Technology and product development

Own and related parties' shareholdings as per 31 December 2020
21,200 shares and 175,000 warrants

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 2020 and that it has been prepared in accordance with the Swedish Annual Accounts Act.

THE 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, 8 April 2021
PricewaterhouseCoopers AB

Aleksander Lyckow
Authorised Public Accountant

SHARES, SHAREHOLDERS AND SHARE CAPITAL

GENERAL INFORMATION

LeoVegas AB (publ) was listed on Nasdaq First North in March 2016. Since 5 February 2018 LeoVegas AB (publ) has been listed on Nasdaq Stockholm. 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 240,000,000. 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 0.012. 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.

Share repurchases

The Board of Directors of LeoVegas decided during the fourth quarter 2020 to exercise the authorisation granted to it at the company's Annual General Meeting on 8 May 2020 to repurchase shares in the company. In total the granted mandate allows LeoVegas to repurchase shares for an amount
of up to EUR 10,000,000 on one or more occasions until the Annual General Meeting on 11 May 2021. The purpose of the repurchases is to optimise the company's capital structure and create shareholder value by reducing the number of shares outstanding. Repurchased shares may also be used as payment for potential future acquisitions. As per the balance sheet date, LeoVegas' share capital amounted to EUR 1,219,835.65. The number of shares outstanding before repurchases was 101,652,970. A total of 1,471,344 shares have been repurchased at a cost of SEK 49,997,441, of which SEK 248,743 (0.5%) pertains to brokerage fees. The cost corresponds to EUR 4,891,042. The average price of the repurchased shares was SEK 33.8. A total of 1.4% of the shares outstanding have been repurchased, of which the number of shares outstanding on the balance sheet date was 100,181,626. The share quota price before the repurchases was EUR 0.012.

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 at general meetings, and each shareholder is entitled to a 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, according to main rule under the Companies Act, the shareholders 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 shareholder 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 2020 the Board of Directors proposes a dividend of SEK 1.60 per share, representing a total dividend of EUR 15,943,602. 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 2020 will be paid out on four 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 three current 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 key 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 enhance motivation among the participants, and aims to achieve a greater foundation for shared interests between the programmes' participants and the company's shareholders.

Summary of warrant programmes	Programme 1	Programme 2	Programme 3
Subscription period	1 June-15 June 2021	1 Sept.-30 Sept. 2022	1 June-30 June 2023
Exercise price	SEK 115.77 per share	SEK 50 per share	48.45 SEK per share
No. outstanding warrants	633,766	788,150	931,900
Relation	1 warrant = 1 share	1 warrant = 1 share	1 warrant = 1 share

Warrant programme adopted by 2020 Annual General Meeting

At the Annual General Meeting on 8 May 2020 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 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 in June 2020. Each warrant carries entitlement to subscribe for one new share in the company during the period 1 June 2023–30 June 2023 at a subscription price of SEK 48.45 per share.

A total of 931,900 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 the 2019 Extraordinary General Meeting

At an Extraordinary General Meeting on 28 August 2019 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 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 in September 2019. Each warrant carries entitlement to subscribe for one new share in the company during the period 1 September 2022–30 September 2022 at a subscription price of SEK 50 per share.

A total of 788,150 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 Annual General Meeting in 2018

At the Annual General Meeting 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 2021–15 June 2021 at a subscription price of SEK 115,77 per share.

		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

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.

Conversion of warrants 2018

The number of shares and votes in LeoVegas AB (publ) changed during 2018 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 warrant 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 as per 31 December 2020. The company had 17,248 shareholders on 31 December 2020.

Shareholder (incl. related parties)	No. shares	Share of ownership, (%)
Gustaf Hagman	8,400,000	8.3
Avanza Pension	4,580,253	4.5
Torsten Söderberg with family	4,486,861	4.4
TT International	2,439,784	2.4
Lombard Odier Asset Management	2,343,253	2.3
Pontus Hagnö	2,250,000	2.2
Robin Ramm-Ericson	2,250,000	2.2
Filip Engelbert	1,767,480	1.7
Graffe Holding AB	1,636,361	1.6
Sundt AS	1,500,000	1.5
Total, 10 largest shareholders	**31,653,992**	**31.1**
Other existing shareholders	69,998,978	68.9
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

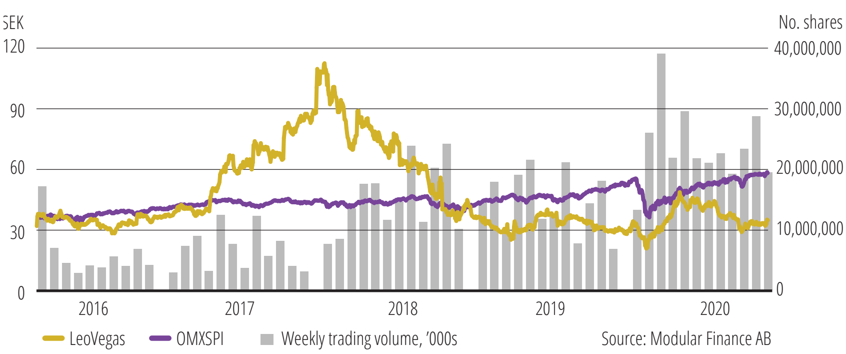
The table below shows movements in the company's share price during the year. LeoVegas' shares are traded under the ticker code "LEO". The initial listing was on Nasdaq First North Premier in March 2016. The listing price was SEK 32. The lowest price paid for the shares in 2020 was SEK 19.66 and the highest price paid during the year was SEK 49.70. The price of the shares was SEK 34.90 at year-end.

DIALOGUE WITH THE CAPITAL MARKETS

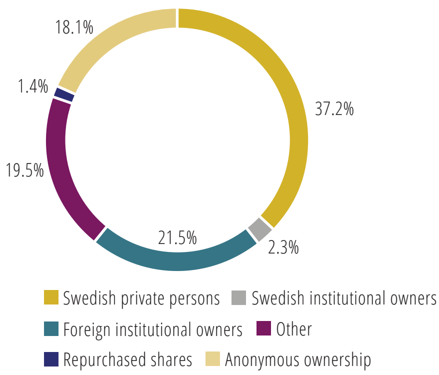
The Group's investor relations activities focus on a dialogue with representatives from the capital markets with the purpose of stimulating interest in LeoVegas' shares among existing and potential investors by providing relevant and current information at the right point in time. Investors receive clear information about the Group's operations in order to enhance shareholder value. The Group strives to ensure that the capital markets have good access to such information, which is provided 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.

SHARE PRICE DEVELOPMENT, 17/3/2016 – 31/12/2020



SHAREHOLDER BY CATEGORY



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 2020. The results of operations during the year and Parent Company's and Group's financial position are described in the Board of Directors' Report and following 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 and European markets. LeoVegas' product portfolio includes primarily slots, jackpot games, roulette and other table games, live casino, bingo 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 made possible 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 the vision and position as "King of Casino", 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 a superior 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.

MARKET DEVELOPMENT

The online gaming market continues to experience strong growth. Regardless of whether customers play via smartphones, tablets or PCs, the internet is the distribution channel for LeoVegas' products. The shift to online gaming during the past year has accelerated with the increase in digitalisation. 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:

- *Continued migration of the gaming market from offline to online*
- *Continued growth in appeal to new customers of gaming on mobile devices*
- *Continued technological development and innovation in the gaming market*
- *Regulation of the gaming market in Europe and globally*

IMPORTANT EVENTS DURING THE YEAR

The first quarter of 2020 was dominated by Covid-19 and the outbreak of the pandemic. This initially entailed a major adjustment for operations, as LeoVegas' employees began working from home and a travel ban was instituted. However, business activities continued without noticeable disruptions, and work could continue with a number of new innovations, product improvements and investments in new markets during the year. On the whole the pandemic had a minor impact on LeoVegas, which is an online-based business. Online gaming is part of the entertainment industry, and when people can no longer go to the cinema, restaurants or similar, they are spending more of their entertainment budgets on other entertainment, such as games. Postponed sporting events initially led to a decrease in sales, as sporting events were cancelled in the early part of the year, but at the same time it is believed that LeoVegas took market shares in casino mainly from the land-based industry. This is because LeoVegas experienced a structural shift from offline to online. LeoVegas' online position, strong brands and proprietary technical platform have thereby benefited the company in an increasingly digital world.

Mårten Forste, formerly Chairman of the Board of LeoVegas, took on a new role as Chief Operating Officer (COO) during the first quarter at the company's office in Malta. In connection with this, the Nomination Committee proposed that Per Norman take over as Chairman of the Board after the 2020 Annual General Meeting.

During the second quarter of 2020 LeoVegas completed the migration of 12 brands in the UK to the Group's proprietary technical platform, in line with the Group's strategy to optimise, streamline and improve scalability. LeoVegas also increased its investment in new brands, which is in line with the company's multibrand strategy and shows its ability to create new revenue streams.

During the quarter several countries eased their restrictions that had been temporarily instituted to reduce the risk for problem gaming in connection with the pandemic. For example, Spain and the UK returned to their normal rules as society opened up again. Sweden, on the other hand, as a regulated market, moved in the opposite direction an introduced new, temporary restrictions specifically targeted at online casino. These restrictions took effect on 2 July 2020 and have continued to be extended. Among other things the temporary rules limit players' deposits and the level of welcome bonuses.

At LeoVegas' Annual General Meeting on 8 May, Anna Frick and Fredrik Rüdén were re-elected as board members. Hélène Westholm, Mathias Hallberg, Carl Larsson, Per Norman and Torsten Söderberg were elected as new board members. Per Norman was elected as Chairman of the Board. During the third quarter LeoVegas increased its ownership in the esports betting operator Pixel.bet to 85%, from 51% previously.

Operating profit for the third quarter was charged with costs of EUR 0.5 m for organisational streamlining, which will result in yearly net savings of approximately EUR 1.5 m starting in 2021, which is in line with efforts to continue optimising scalability and reducing complexity in the organisation. During the quarter, synergies from previous acquisitions were realised and a clearer organisational structure was launched.

During the fourth quarter LeoVegas was the first company in the gaming industry to offer payments via Open Banking, which will result in even faster and more secure payments and lower transaction costs. During the quarter the Group's unique and record-large jackpot was launched under the name "LeoJackpot", where customers can win over SEK 50 m directly from their smartphones.

Ahead of the forthcoming regulation in Germany, a number of changes were implemented during the quarter, such as obligatory deposit limits, changed gaming mechanisms and an end to offering live casino. This led to reduced revenue in Germany, with the greatest effect during the month of December. LeoVegas expects to receive nationwide gaming licences for the German market once these are available.

The decision was made to exercise the authorisation to repurchase shares in the company. A total of 1,471,344 shares were repurchased at a cost of SEK 49,997,441 (1.4% of the shares outstanding). The purpose of the repurchases was to optimise the company's capital structure and create shareholder value by reducing the number of shares outstanding.

Also in December, LeoVegas secured long-term and diversified financing through a combination of a bank credit facility (RCF of EUR 40 m) and a bond issue of SEK 500 m under a total framework of SEK 800 m.

In line with the existing strategy to increase efficiency and improve scalability, the decision was taken to migrate the Royal Panda brand to the Group's proprietary technical platform. This led an impairment loss of EUR 1.9 m for all intangible assets coupled to Royal Panda's platform. Finally, LeoVegas changed its interpretation of the calculation of gaming taxes in Denmark for earlier periods. This resulted in a self-correction, and a cost of EUR 3.5 m was charged against EBITDA as an item affecting comparability.

YEAR IN REVIEW

Consolidated revenue grew 9% in 2020. The year involved adaptation to greater complexity in LeoVegas' regulated markets, but above all focus on innovation, technology and the customer experience. Focus was also on integrating previous acquisitions and driving scalability for the continued growth journey. During the year the Group increased its work force from 794 employees to 837 at year-end. With focus on technology, product innovation and more brands in the portfolio, LeoVegas is poised for further expansion and the entry to new markets, and to solidifying its positions in existing markets.

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 external jackpot wins and bonuses. Net sales also include adjustments for changes in provisions for local jackpots and bonuses. LeoVegas also had revenue during the year coupled to affiliate business. Following the sale of Authentic Gaming during the fourth quarter of 2019, LeoVegas no longer has any royalty revenue.

Since LeoVegas' launch in Sweden in January 2012 the company has maintained a high rate of growth in pace with its international expansion. Revenue for the year grew 9% to EUR 387.5 m (356.0). LeoVegas' largest markets in terms of revenue are currently the Nordic countries and Rest of Europe, which together accounted for 84% (88%) of revenue in 2020. Since its start LeoVegas has focused on the mobile gaming experience, which has benefited from the continued digitalisation of the market.

Gross profit increased by 10.6% during the year to EUR 262.3 m (237.1). The gross margin for the year was 67.7% (66.6%). Other operating expenses decreased in relative terms and amounted to 9.1% (9.7%) of revenue. The decrease is attributable to the Group's focus on higher efficiency. During the year 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 34.2% (33.3%), which is 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 51.9 m (49.5), corresponding to an EBITDA margin of 13.4% (13.9%). EBITDA included EUR 3.5 m in items affecting comparability pertaining to a provision for gaming tax in Denmark. EBITDA in the preceding year included a positive effect of EUR 5.3 m in items affecting comparability coupled to sales of subsidiaries and restructuring costs. Adjusted for items affecting comparability, EBITDA amounted to EUR 55.4 m (44.2), corresponding to an EBITDA margin of 14.3% (12.4%).

Operating profit (EBIT) amounted to EUR 22.8 m (12.7), corresponding to an operating margin of 5.9% (3.6%). Operating profit adjusted for items affecting comparability amounted to EUR 44.6 m (34.0), corresponding to a margin of 11.5% (9.6%).

The Group's depreciation and amortisation excluding acquisition-related depreciation and amortisation totalled EUR 10.8 m (10.2).

Amortisation related to acquired intangible assets totalled EUR 16.3 m (16.5). In addition to this, an impairment loss of EUR 1.9 m was recognised during the year, related to the remaining intangible assets for Royal Panda's technical platform. The impairment loss was recognised in the context of Royal Panda's migration to LeoVegas' technical platform. In the preceding year, an impairment loss of EUR 10.2 m for goodwill was recognised.

Net financial items for the year totalled EUR -1.9 m (-2.4) and was mainly related to the Group's credit facilities. At the end of the year the previous credit facility was renegotiated, and a new, three-year Revolving Credit Facility (RCF) was secured. The new credit facility was unutilised as per the balance sheet date. In December 2020 a bond of SEK 500 m was issued, valued at EUR 49.9 m. Remeasurement effects of the bond and the currency derivative ("OTC derivative") contracted for the transaction gave rise to financial income of EUR 0.3 m.

In connection with the acquisition of Royal Panda, the Group has an outstanding liability as per the end of the balance sheet date for an earn-out payment. As per the balance sheet date, the liability that has now been confirmed is EUR 5.3 m (9.0). The matter was concluded at the start of the financial year, resulting in a positive effect of EUR 0.7 m on the company's net financial income. During the year the company made a first partial payment of the earn-out of EUR 3.0 m. The remainder will be settled in its entirety not later than the third quarter of 2021. See further information in Note 25.

The company's tax on profit for the year was EUR -2.2 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 year amounted to EUR 19.3 m (9.6). Net profit for the year adjusted for items affecting comparability amounted to EUR 40.4 m (30.9).

FINANCIAL POSITION, CASH FLOW, INVESTMENTS AND ACQUISITIONS

Balance sheet and financing

The Group's shareholders' equity amounted to EUR 98.2 m (99.2) on the balance sheet date. Cash and cash equivalents amounted to EUR 63.3 m (50.7). Balances held on behalf of customers are included in 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 15.8 m (13.4). Cash and cash equivalents, excluding customer balances, amounted to EUR 47.5 m (37.4). The Group has an available Revolving Credit Facility (RCF) of EUR 40 m, which was unutilised as per the end of the reporting period. The Group has issued a bond of SEK 500 m, which has been valued at EUR 48.9 m. Total assets amounted to EUR 249.3 m (262.2). The equity/assets ratio was 39% (37%).

SEVERAL-YEAR OVERVIEW

EUR 000s	2020	2019	2018	2017	2016
Condensed consolidated income statement					
Revenue	387,464	356,039	327,817	217,014	141,398
Gross profit	262,311	237,114	235,543	162,675	109,206
Operating profit before depreciation and amortisation (EBITDA)	51,865	49,531	41,605	25,947	16,001
Operating profit after depreciation and amortisation (EBIT)	22,776	12,672	19,175	19,914	14,602
Profit before tax	21,548	10,273	44,461	18,804	14,619
Net profit for the year	19,333	9,543	43,240	18,128	14,426
Condensed consolidated balance sheet					
Assets					
Intangible assets	142,845	156,618	178,457	105,570	5,860
Lease assets (right-of-use assets)	8,878	8,222	-	-	-
Other non-current assets	5,583	6,029	7,116	4,411	2,031
Trade and other receivables	23,160	35,307	29,268	15,178	6,739
Prepaid expenses and accrued income	5,480	5,329	7,768	7,074	3,098
Cash and cash equivalents	63,340	50,738	56,738	52,758	60,218
Total assets	**249,287**	**262,243**	**279,347**	**184,991**	**77,946**
Shareholders' equity and liabilities, condensed					
Shareholders' equity	98,181	98,152	99,930	58,906	50,835
Non-current liabilities	55,595	46,181	73,368	23,811	924
Current liabilities	95,511	117,910	106,049	102,274	26,187
Total shareholders' equity and liabilities	**249,287**	**262,243**	**279,347**	**184,991**	**77,946**
Group cash flow, condensed					
Cash flow from operating activities	69,240	37,024	36,494	34,075	27,151
Cash flow from investing activities	-11,609	1,953	-103,293	-50,102	-3,887
Cash flow from financing activities	-43,977	-44,523	71,638	9,937	15,353
Cash flow for the year	**13,654**	**-5,546**	**4,839**	**-6,090**	**38,617**

Cash flow

Cash flow from operating activities totalled EUR 69.2 m (37.0). The increase is primarily attributable to the change in EBITDA and the change in working capital. Paid income tax also affected cash flow by EUR -1.7 m (-4.5).

Cash flow from investing activities was affected by non-current assets, totalling EUR 0.4 m (1.1). Investments in intangible non-current assets totalled EUR 10.5 m (8.1) and consisted mainly of capitalised development costs. During the year the Group increased its ownership in Pixel.bet by EUR 0.6 m and made a partial payment on the finalised earn-out for Royal Panda of EUR 3.0 m. Cash flow pertaining to sales of subsidiaries and intangible assets amounted to EUR 2.9 m (11.2) and is attributable to the sale of the previous subsidiary Authentic Gaming.

Cash flow from financing activities totalled EUR -44.0 m (-44.5). The negative cash flow during the year is mainly explained by amortisation and repayment of the company's credit facilities, totalling EUR -70.3 m. Cash flow was positively affected by EUR 48.3 m from the issuance of a new bond in December 2020. Amortisation of the lease liability, i.e., rent paid for the Group's leased assets, affected cash flow by EUR 3.2 m (3.2). Share repurchases affected cash flow by EUR -4.9 m (0.0). Payment of EUR 14.2 m in dividends (11.5) to the Parent Company's shareholders also affected cash flow for the year. The proceeds from the issue of the company's option programme to employees had a positive cash flow effect of EUR 0.4 m (0.2).

FACTORS THAT AFFECT LEOVEGAS' EARNINGS

LeoVegas believes that the company's operating profit is affected primarily by the following factors:

- *The 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 KPI'S

LeoVegas has defined four central key performance indicators (KPIs) that it uses to manage 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 the number 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 749,344 (641,723) new customers in 2020, an increase of 17%. 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 during the year. 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 461,983 (372,032). Of these, 280,391 (213,632) 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 2020 were made for a value of EUR 1,251 m (1,116).

Net Gaming Revenue (NGR)

Net Gaming Revenue (NGR) is defined as the sum 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 2020 amounted to 30% (31%) 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. The gaming surplus for the year was EUR 379.0 m (346.4).

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.

LeoVegas sees continued strong demand for gaming services and believes that the opportunities for continued expansion in existing and new markets are favourable. The structural trend alone – consisting of a growing share of consumer-oriented services being provided online – points to favourable growth going forward. Development of more and more markets ahead of local regulation is increasing the entry barriers and favours companies like LeoVegas that have a scalable organisation, strong brands and an attractive customer offering.

LeoVegas has removed its previous short-term targets for 2021 for revenue and earnings, but continues to pursue its long-term financial targets. LeoVegas does not provide future forecasts, but has the following long-term financial targets:

- *Long-term organic growth that outperforms the online gaming market*
- *Long-term EBITDA margin of at least 15% under the assumption that 100% of revenue will be generated in regulated markets subject to gaming tax*
- *The leverage ratio (net debt in relation to adjusted EBITDA) shall not exceed 1.0x. However, LeoVegas may, under certain circumstances, choose to exceed this level during short time periods in connection with e.g., larger acquisitions or other strategic initiatives*
- *To pay a dividend, over time, of at least 50% of profit after tax*

RESEARCH AND DEVELOPMENT

Costs for development of gaming platforms, development of 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 works according 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 publishes 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 837 (794), of whom 41 (34) are in LeoVentures. LeoVegas was using the services of 31 (25) full-time consultants at year-end. During the year, the Group's total work force increased in number, and the share of highly qualified employees also increased. This is to be able to meet the growing demands in technology, innovation and compliance, and to be able to continue delivering scalable, long-term growth.

SIGNIFICANT RISKS AND UNCERTAINTIES

LeoVegas' operations are subject to numerous risks 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. In addition to its licence in Malta, LeoVegas Gaming Plc has gaming licences in Sweden, the UK, Denmark, Italy and Spain, and a sports betting licence in Ireland. In addition, LeoVegas has a sports betting licence and a casino licence in the German state of Schleswig-Holstein. 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, as in the UK and Sweden. The Group's compliance is evaluated regularly by the regulatory bodies, and each of the licensing authorities requires that LeoVegas continuously meets certain requirements, such as that the Group's operations maintain detailed verification processes with respect to its customers, and that the Group conducts activities to counter gaming addiction, corruption, money laundering and other unlawful activity. If it turns out that interpretations and measures that the company has taken to be in compliance with the licensing authorities' requirements are insufficient, it could lead to costs for the company in the form of fines or other sanctions. Regulations and requirements are constantly changing, which in turn puts greater demands on the company's internal routines, processes and systems. Developments in the legal area are monitored and assesses on a regular basis within LeoVegas, and the company cooperates with the authorities in licensed markets. If a gaming 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. Should LeoVegas not be able to maintain its licences, the Group's earnings and financial position would be significantly negatively affected. LeoVegas believes that these regulated markets help mitigate risk as a result of greater predictability and greater opportunities for targeted marketing, and benefit companies such as LeoVegas that have a strong brand and extensive experience in regulated markets.

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. The legal situation for online gaming is changing continuously within the EU, but also in individual geographic markets outside of the EU. LeoVegas' expansion strategy is to work in locally regulated markets or markets that are in the process of or moving towards local regulation. Many countries in the EU have implemented or are engaged in discussions to implement so-called local regulation. Examples of countries that have implemented local regulation include the UK, Denmark, Italy, Spain and Sweden. This trend is also spreading outside of the EU, and most countries in Latin America, for example, are engaged in discussions to regulate their gaming markets. Colombia is an example of a country that has already taken the step into a regulated environment. The same applies in the USA, where gaming is regulated by the individual states. Among other states, New Jersey and Pennsylvania have introduced local regulation for both casino games and sports betting. The trend in the USA is that more and more states are regulating their local gaming markets.

The authorities in the UK are currently conducting a review of the current gaming laws. The results of this analysis have not yet been compiled, but it may lead to more demanding regulation for the licensed operators, such as for greater consumer protection and stricter requirements concerning customers' financial situation.

In the Netherlands the authorities have decided to introduce a local licensing system, which is expected to take effect at the end of 2021. The gaming tax has been set at 29% plus an additional 2% fee, which is the same as for land-based operators.

In Germany the federal states have agreed to introduce a licence system, which is expected to be implemented during the second half of 2021. Before this takes effect the operators that intend to apply for and receive a gaming licence must align themselves with a number of restrictions, including a ban on live casino online (Blackjack, Baccarat and Roulette) and new monthly deposit limits for casino and poker games of EUR 1,000. It is possible that these limits will be raised once complete licences have been issued. Nor is it allowed to refer to the word "casino" in marketing, and mandatory maximum limit of a EUR 1 wager per spin will apply. In general, regulation is positive from a long-term perspective. However, there are certain elements and limitations in the German regulations that will affect customer value negatively and also risk leading to low channelisation. Over time this may be compensated by lower competition within the regulated market and greater access to local payment opportunities and marketing channels. The continuing global pandemic has given rise to societal concerns over the risk for an increase in unsound gaming under the current circumstances, as people are spending more time in their homes. There are no reliable statistics indicating that unsound gaming has increased, and LeoVegas has not seen any increase attributable to the pandemic in its customer data. Given that this situation is unique, LeoVegas is dealing with it in a responsible manner and has, among other actions, implemented proactive measures to strengthen consumer protection.

In Sweden, on 2 July 2020 temporary restrictions were introduced for online casino to mitigate risks associated with the pandemic. These include new restrictions of bonus offers, a weekly deposit cap of SEK 5,000 and an obligatory time restriction on gaming. The temporary restrictions have been extended through 30 June 2021. During the fourth quarter the Swedish government commissioned an investigation to strengthen work on countering unlicensed gaming and match fixing. The purpose of the investigation is to identify obstacles and recommend solutions to enabling more effective oversight of illegal gaming.

The Rest of World region includes markets with unclear gaming and tax laws, which over time may affect LeoVegas' revenue, earnings and expansion opportunities, depending on what legal changes may take place. 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 adverse impact on LeoVegas' operations, financial position and earnings. However, regulated markets such as Sweden, Spain 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.

Problem gaming

LeoVegas' aim is to offer customers entertainment in a safe and wise way. LeoVegas strives for long-term and sustainable relationships with its customers, and thus it is important that customers view their gaming as entertainment and play in a sound and responsible way. However, some people are at risk of developing problems with their gaming. LeoVegas takes this with utmost seriousness, and responsible gaming is a fundamental principle in the design of its offerings and customer contacts. LeoVegas has employees whose dedicated role is to promote 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 in the development of algorithms that detect early signs among players that can indicate a risk for unsound gaming. 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 gaming 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 gaming addictions may bring legal action against 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 diminishing of in trust in LeoVegas, which by extension could lead to lower revenues and thereby affect the Group's financial results and position.

Affiliate partnershipsp

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 local trade associations to create sustainable and trustworthy industry. These include, for example, the Swedish Trade Association for Online Gambling (BOS) in Sweden and The Norwegian Industry Association for Online Gaming (NBO) in Norway.

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.

The EU General Data Protection Regulation (EU 2016/679) ("the GDPR"), which was adopted by the EU and took effect on 25 May 2018, is an example of a regulation that affects LeoVegas' work and processing of personal data. The GDPR applies throughout the EU and, for Sweden's part, has superseded 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. 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 interpretations and measures that LeoVegas has taken to ensure and maintain confidentiality and integrity with respect to personal data prove to be insufficient in interpretation of the directive or in some other respect are not in compliance with applicable laws in the jurisdictions in which LeoVegas conducts its operations. If it turns out that interpretations and measures that LeoVegas has taken to ensure its compliance with the GDPR are insufficient, it could result in costs for the company in the form of fines. 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 interpret and thereby meet the GDPR's requirements in a way that is in compliance with applicable requirements for the processing of personal data in the jurisdictions that LeoVegas operates in, 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.

In the preceding year LeoVegas was party to a dispute pertaining to its acquisition of Royal Panda. The amount payable has now been determined, and a partial payment of EUR 3.0 m was paid, with a remaining liability of EUR 5.3 m (9.0) as per the balance sheet date. See also under Note 25.

A self-correction regarding gaming taxes in Denmark for earlier periods has been submitted, since LeoVegas changed the interpretation it based its calculation on. This resulted in a one-off cost of EUR 3.5 m against EBITDA. In other respects, there are no other claims for damages that 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 gaming taxes, but at the same time it leads to higher entry barriers, which changes the competitive picture and also benefits companies like LeoVegas.

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 certain markets are not significant. The Group is also moderately affected by seasonal and cyclical variations. Seasonal variations can affect the company's operations 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 are growing. The requirements are rising since LeoVegas must be able to continue to attract customers through its offering and retain its existing customers. If LeoVegas fails to hold its own against the competition, it could have a negative impact on the company's operations, financial position and earnings. In addition, LeoVegas needs to ensure that it continuously works with product innovation and new functions, and makes upgrades to its technical platform in order to not lose its position as a technical leader in the industry.

BUSINESS-RELATED RISKS

Dependence on external parties to conduct operations

In the course of its business LeoVegas is generally dependent on suppliers of technical solutions, game developers and game vendors, 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 sports 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 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 that LeoVegas 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 of registration, deposits and withdrawals is a central factor that contributes 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. 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, disruptions in the company's service, 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 operational 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. During the year, new, long-term and diversified financing was secured through a combination of a bank credit facility (RCF of EUR 40 m) and a bond issue of SEK 500 m under a total framework of SEK 800 m. The interest rate for the credit facility is approximately 2.5%, while the bond carries a floating interest rate of STIBOR three months plus 5.5%. 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. In connection with the bond issue in SEK, a currency derivative ("OTC derivative") was contracted. In other respects, 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 AA- (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 LeoVegas' 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. During the year it was decided to exercise the authorisation granted by the company's Annual General Meeting in 2020 to repurchase shares in the company. The purpose of the repurchases is to optimise the company's capital structure and create shareholder value by reducing the number of shares outstanding. A total of 1,471,344 shares were repurchased at a cost of SEK 49,997,441 (1.4% of the total number of shares outstanding). For further information about financial risk management, see Note 30.

OTHER RISKS

The spread and effects of the pandemic

The risks and impacts of the global pandemic are hard to assess, and the situation is changing continuously. The continuing crisis is having a minor impact on online businesses, where most services are consumed in the home, where most people are spending most of their time. Online gaming is part of the entertainment industry, and when people cannot go to a cinema, restaurant or similar to the same extent, they are spending more of their leisure budget on other entertainment, such as games and other digital amusement. LeoVegas' assessment is that, thus far, the pandemic has had a positive effect on the Group as a whole. However, there are markets where the effect has been negative, where Sweden is one such example. A potential, long-term economic recession will likely affect the Group's business negatively over time. The health of LeoVegas' employees and their families is of utmost importance, and therefore the company's employees have been instructed to work from home, and a ban on travel is currently in place. LeoVegas has employees in offices in many countries, who are accustomed to working digitally with the help of conference systems and other technical tools, where the impact on efficiency is not considered to be noticeable.

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.

LeoVegas acquires Expekt

On 14 March 2021 LeoVegas entered into an agreement to acquire all of the shares in the Maltese company Expekt Nordics Ltd ("Expekt"). Expekt holds a Swedish gaming licence and conducts operations with Swedish customers under the Expekt brand. At the same time, LeoVegas entered into an agreement to acquire assets related to Expekt from the company Mangas Gaming Ltd, including all rights to the Expekt brand and access to the existing customer database. The total purchase price is EUR 5 m for all assets. NGR (Net Gaming Revenue) for the acquired business amounted to EUR 6.9 m in 2020, and the business is profitable. During the fourth quarter of 2020

Expekt generated EUR 1.6 m in NGR, of which 91% is attributable to the Swedish market. The purchase price represents a revenue multiple (based on NGR) of 0.7x for 2020. LeoVegas is not acquiring any technology, and technical migration to LeoVegas' proprietary technical platform has been initiated.

The acquisition strengthens LeoVegas' brand portfolio with an established position in sports betting and increases the company's strategic growth opportunities in the segment. Payment is being made in cash and is being financed with existing funds. Transfer of ownership and control (the acquisition date) are expected to take place in May/June 2021 in connection with completion of the technical migration.

LeoVegas invests in casino start-up

After the balance sheet date, LeoVegas also invested in SharedPlay, an exciting start-up with new and proprietary technology that will give casino players an entirely new way to watch others play slots. The product allows players to play slots together, which will drive a change consumption patterns while bringing casino into more social context. The investment amounted to EUR 1.1 m for 25% of the company and was made during the first quarter of 2021. LeoVentures has the option to increase its ownership over time.

LeoVegas on the US marketplace OTCQX

Starting from 25 March 2021, LeoVegas' shares is available for trading on OTCQX Markets in the US as an F share under the ticker symbol LEOVF. Accessibility on OTCQX will make it easier to meet the growing interest in LeoVegas from American investors and is thereby expected to bolster global trading in the company's shares. Trading on OTCQX will complement LeoVegas' current listing on the Nasdaq Stockholm Main Market list.

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 2020 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 2021 Annual General Meeting vote in favour of the following guidelines for remuneration of senior executives:

By senior executives is meant the CEO and other members of Group Management. Remuneration may consist of a fixed cash salary, possible variable cash remuneration, other customary benefits and pension. The combined yearly cash remuneration, including pension benefits, shall be in line with the going rate in the market and competitive in the labour market and geographic area in which the executive is stationed, and shall be commensurate with the individual's qualifications and experience, and outstanding performance shall be reflected in the overall level of remuneration. The fixed cash salary and variable cash remuneration shall be commensurate with the executive's responsibility and authority. The fixed cash salary shall be reviewed yearly. Fulfilment of criteria for payment of variable cash remuneration shall be measurable during a period of one year. The variable cash remuneration may amount to a maximum of 50% of the executive's combined fixed cash salary during the measurement period for such criteria. Additional, variable cash remuneration may be payable for extraordinary circumstances under the condition that such arrangements are limited in time and only made at the individual level. The aim of such arrangements must be to recruit or retain executives, or be paid as remuneration for extraordinary work efforts above and beyond the person's normal work duties. Such remuneration may not exceed an amount corresponding to 25% of the executive's fixed annual cash salary and may not be paid out more than once per year and per individual. Decisions on such remuneration shall be made by the Board of Directors based on a recommendation by the Remuneration Committee.

For the CEO, pension benefits (including disability insurance) shall be according to a defined contribution solution. Variable cash remuneration shall not be pensionable. Defined contribution pension premiums may amount to a maximum of 45% of the fixed annual cash salary. For other senior executives, pension benefits (including disability insurance) shall be according to a defined contribution solution unless the executive is covered by a defined benefit pension under compulsory stipulations of a collective agreement. Variable cash remuneration shall be pensionable to the extent stipulated under compulsory collective agreements that are applicable for the executive. Defined contribution pension premiums may amount to a maximum of 45% of the fixed annual cash salary. Employees also have the right to enrol in salary exchange programmes (i.e., receive a portion of their salary as a pension contribution; the salary exchange shall be cost-neutral for the employer). Other benefits may include, among other things, life insurance, private health insurance and in certain cases a car benefit. Such benefits may amount to a maximum of 10% of the employee's fixed annual cash salary. For employees who are stationed in another country than their home country, additional remuneration and other benefits may be payable to a reasonable extent, taking into account the special circumstances associated with such a foreign stationing, whereby the overall aims of these guidelines shall be met as far as possible. Such benefits may together amount to a maximum of 15% of the fixed annual cash salary.

If a board member performs work on behalf of the Company in addition to his or her board work, a consulting fee and other remuneration for such work may be payable after a specific decision by the Board, based on a recommendation by the Remuneration

Committee. Such remuneration shall be structured in accordance with these guidelines.

The notice period for termination of employment may be a maximum of six months. Fixed cash salary during the notice period and severance pay may together not exceed an amount corresponding to one year's fixed cash salary. For notice given by the employee, the notice period shall be a maximum of six months.

Variable cash remuneration shall be based on and coupled to outcomes in relation to pre-determined and measurable concrete goals based on the company's business strategy and the long-term business plan approved by the Board of Directors. The goals may include financial targets – either at the Group or unit level – operating targets and targets for sustainability and social responsibility, employee engagement or customer satisfaction, and individually adapted quantitative or qualitative targets. These targets shall be set and documented yearly to promote the employee's long-term development. The company has set financial targets and KPIs based on strategic and business-critical initiatives and projects that ensure achievement in accordance with the business plan and business strategy for sustainable, continued operations and safeguarding of the company's long-term interests. The terms of variable cash remuneration should be formulated so that the Board – in the event of particularly strained economic conditions – has the opportunity to limit or withhold the payment of variable remuneration if such payment is determined to be unreasonable and incompatible with the company's responsibility in general to the shareholders. For yearly bonuses, the possibility should exist to limit or withhold payment of variable remuneration if the Board determines that it is justified for other reasons. The Company shall have the opportunity, pursuant to law or agreement and with the limitations that may follow from such, to fully or partly rescind rewards of variable cash remuneration. When the measurement period for fulfilment of criteria for payment of variable cash remuneration has ended, a determination shall be made of the extent to which the criteria have been met. The Board, after preparatory work conducted by the Remuneration Committee, is responsible for the determination of variable cash remuneration for the CEO, and the CEO is responsible for the determination of variable cash remuneration for other executives. With respect to financial targets, the determination shall be based on most recently published financial information from the company.

In the preparatory work for the Board's proposed guidelines, salary and terms of employment for the company's employees are taken into account in such manner that information about the employees' total remuneration, the remuneration components, and the remuneration's growth and rate of growth over time make up part of the Remuneration Committee's and Board's decision-making documentation in evaluating the fairness of the guidelines and the limitations that follow from these. The company's board of directors shall strive to ensure that all subsidiaries in the Group apply these principles. Matters concerning cash salary and variable cash remuneration for the CEO and other senior executives are addressed by the Remuneration Committee and decided on by the Board and, where applicable, by the CEO. The Board shall have the right to depart from the guidelines outlined above if it determines in individual cases that there are special, justifiable reasons and a departure is necessary to safeguard the company's long-term interests and sustainability or to safeguard the company's financial soundness. Such departures shall also be approved by the Remuneration Committee.

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 0.7 m (0.6), and net profit for the year was EUR 16.7 m (28.8). To strengthen the Parent Company's liquidity ahead of the proposed dividend to the Parent Company's shareholders, a dividend of EUR 20.0 m (32.0) was made from subsidiaries. Apart from dividends from subsidiaries, the Parent Company's earnings are steered in all essential respects by invoiced management services and other operating expenses. 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 technical platform. Cash and cash equivalents amounted to EUR 1.4 m (0.4).

SHARE CAPITAL AND OWNERS

5 February 2018 a change in listing was carried out to Nasdaq Stockholm. In 2020 LeoVegas AB carried out a repurchase of 1,471,344 shares. The total number of shares outstanding after the repurchase is 101,652,970. As per the balance sheet date the number of shares and votes is 100,181,626. The registered share capital on 31 December 2020 was EUR 1,219,835.652184. The share quota value was EUR 0.012 before the repurchase.

As per 31 December 2020 LeoVegas had 17,284 shareholders. The five largest shareholders were Gustaf Hagman, with 8.3%; Avanza Pension, with 4.5%; Torsten Söderberg and family, with 4.4%; TT International, with 2.4%; and Ombard Odier AM, with 2.3%. All shares in the company are of the same class, and all shares carry equal entitlement to profit distribution, except for those held by LeoVegas.

At an Extraordinary 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 wholly owned subsidiary Gears of Leo AB.

At an Extraordinary General Meeting on 28 August 2019 it was resolved to add 1,000,000 new warrants directed at key persons in the company. Of these, 788,150 warrants were subscribed, of which

211,850 remain in the possession of the subsidiary Gears of Leo AB.

At the Annual General Meeting on 8 May 2020 it was resolved to issue a maximum of 1,000,000 warrants with deviation from the shareholders' preferential rights. A total of 931,900 warrants were transferred from Gears of Leo to the persons entitled to subscribe.

A total of 828,084 warrants were in the possession of the 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 2020.

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	37,069,511
Profit brought forward	-18,818,314
Net profit for the year	16,722,373
Total	**34,973,570**
Payment of dividend to the shareholders (100,181,626 shares x EUR 0.16)	-15,943,602
Profit brought forward	**19,029,968**

The Board of Directors proposes a dividend of SEK 1.60 per share (1.40), corresponding to EUR 0.16 (0.13) per share. The total proposed dividend to the Parent Company's shareholders for the full year 2020 amounts to SEK 160,290,602 (142,314,158), corresponding to EUR 15,943,602 (13,558,895). The dividend in EUR has been calculated at the exchange rate in effect on 31 December 2020. The remainder of retained profit and unrestricted reserves shall be carried forward. The dividend will be paid out on four occasions. 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 34,973,570 are at the disposal of the Annual General Meeting. If the Annual General Meeting resolves in favour of the proposal, EUR 19,029,968 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 24% (49%). The Group's equity/assets ratio, after the proposed dividend, amounts to 33% (32%). 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	2020	2019
Revenue	5	387,464	356,039
Cost of sales		-67,871	-69,225
Gaming taxes		-57,282	-49,700
Gross profit		**262,311**	**237,114**
Personnel costs	6	-50,548	-49,359
Capitalised work performed by the company for its own use		10,504	8,654
Other operating expenses	7, 8, 12	-35,441	-34,496
Marketing costs		-132,552	-118,517
Other income and expenses	9	-2,409	6,135
EBITDA		**51,865**	**49,531**
Depreciation and amortisation	7, 14, 15	-10,789	-10,152
Amortisation of of acquired intangible assets and impairment of assets incl. goodwill	15	-18,300	-26,707
Operating profit (EBIT)		**22,776**	**12,672**
Financial income		983	6
Financial expenses		-2,911	-2,405
Financial liability fair value gains/losses		700	-
Financial items – net	**10**	**-1,228**	**-2,399**
Profit before tax		**21,548**	**10,273**
Income tax	11	-2,215	-730
Net profit for the year		**19,333**	**9,543**
Net profit for year attributable to owners of the Parent Company		18,512	10,439
Net profit for the year attributable to non-controlling interests		821	-896
Other comprehensive income			
Items that may be transferred to profit for the year:			
Exchange differences on translation of foreign operations		-12	7
Other comprehensive income for the year, after tax		**-12**	**7**
Total comprehensive income for the year		**19,321**	**9,550**
Comprehensive income for the year attributable to owners of the Parent Company		18,500	10,446
Comprehensive income for the year attributable to non-controlling interests		821	-896
Earnings per share, EUR			
- Before dilution	13	0.18	0.09
- After dilution	13	0.18	0.09

CONSOLIDATED BALANCE SHEET

Amounts in EUR 000s	Not	31/12/2020	31/12/2019
ASSETS			
Non-current assets			
Property, plant and equipment	14	2,393	3,347
Lease assets (right-of-use assets)	7	8,878	8,222
Intangible assets	15	19,494	16,943
Intangible assets related to surplus values from acquisitions	15	28,694	45,018
Goodwill	15	94,657	94,657
Financial assets	29	314	-
Deferred tax assets	11	2,876	2,682
Total non-current assets		**157,306**	**170,869**
Current assets			
Trade and other receivables	18	23,160	35,307
Prepaid expenses and accrued income	19	5,480	5,329
Cash and cash equivalents	20	63,340	50,738
of which, restricted cash (player funds)		*15,801*	*13,352*
Total current assets		**91,981**	**91,374**
TOTAL ASSETS		**249,287**	**262,243**
EQUITY AND LIABILITIES			
Share capital	21	1,220	1,220
Additional paid-in capital		36,115	40,615
Translation reserve		421	830
Retained earnings including profit for the year		55,075	50,683
Equity attributable to owners of the Parent Company		**92,831**	**93,348**
Non-controlling interests		5,350	4,804
Total equity		**98,181**	**98,152**
LIABILITIES			
Non-current liabilities			
Non-current liabilities to credit institutions	22	-	39,924
Bond issue	22	48,860	-
Lease liabilities	7	5,300	4,169
Deferred tax liability	11	1,435	2,088
Total non-current liabilities		**55,595**	**46,181**
Current liabilities			
Trade and other payables	23	20,287	21,344
Player liabilities	23	15,801	13,352
Tax liability		5,948	4,997
Accrued expenses and deferred income	24	45,082	35,811
Current liabilities to credit institutions	22	-	30,000
Current lease liabilities	7	3,093	3,406
Liability for earn-out payment for acquisition	25	5,300	9,000
Total current liabilities		**95,511**	**117,910**
Total liabilities		**151,106**	**164,091**
TOTAL EQUITY AND LIABILITIES		**249,287**	**262,243**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in EUR 000s	Share capital	Other capital contribution	Other reserves	Retained earnings, incl. profit for the year	Equity attributable to owners of the Parent Company	Non-controlling interests	Total equity
Balance at 1 January 2019	**1,220**	**40,409**	**485**	**52,116**	**94,230**	**5,700**	**99,930**
Profit for the year	-	-	-	10,439	10,439	-896	9,543
Other comprehensive income (Exchange differences on translation of foreign operations)	-	-	7	-	7	-	7
Total comprehensive income for the year	**-**	**-**	**7**	**10,439**	**10,446**	**-896**	**9,550**
Transactions with shareholders in their capacity as owners:							
Dividends	-	-	338	-11,872	-11,534	-	-11,534
Warrant premium	-	206	-	-	206	-	206
Transactions with non-controlling interests:							
Acquisitions of non-controlling interests							
	-	**206**	**338**	**-11,872**	**-11,328**	**-**	**-11,328**
Balance at 31 December 2019	**1,220**	**40,615**	**830**	**50,683**	**93,348**	**4,804**	**98,152**
Balance at 1 January 2020	**1,220**	**40,615**	**830**	**50,683**	**93,348**	**4,804**	**98,152**
Profit for the year	-	-	-	18,512	18,512	821	19,333
Other comprehensive income (Exchange differences on translation of foreign operations)	-	-	-39	27	-12	-	-12
Total comprehensive income for the year	**-**	**-**	**-39**	**18,539**	**18,500**	**821**	**19,321**
Transactions with shareholders in their capacity as owners:							
Dividends	-	-	-66	-14,147	-14,213	-	-14,213
Warrant premium	-	391	-	-	391	-	391
Share repurchases	-	-4,891	-	-	-4,891	-	-4,891
Transactions with non-controlling interests:							
Acquisitions of non-controlling interests	-	-	-304	-	-304	-275	-579
Balance at 31 December 2020	**1,220**	**36,115**	**421**	**55,075**	**92,831**	**5,350**	**98,181**

The Board's proposed dividend and proposed distribution of profit are presented in Note 31 and in the Board of Directors' Report.

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in EUR 000s	Note	2020	2019
Cash flow from operating activities			
Operating profit		22,776	12,672
Adjustments for non-cash items:			
Depreciation, amortisation and impairment losses	7, 14, 15	29,089	25,562
Other non-cash items		963	5,199
Net income taxes paid		-1,695	-4,538
Interest paid		-1,206	-1,860
Cash flow from operating activities before changes in working capital		**49,927**	**37,035**
Cash flow from changes in working capital			
Increase/decrease in operating receivables		8,720	-2,644
Increase in operating payables		10,593	2,633
Cash flow from operating activities		**69,240**	**37,024**
Cash flow from investing activities			
Acquisitions of property, plant and equipment	14	-399	-1,117
Acquisitions of intangible assets	15	-10,492	-8,080
Acquisitions of subsidiaries	15	-3,579	-
Proceeds from sales of subsidiaries and intangible assets	15	2,861	11,150
Cash flow from investing activities		**-11,609**	**1,953**
Cash flow from financing activities			
Lending from credit institutions	22	-70,343	-30,000
Bond issue	22	48,298	-
Share repurchases	21	-4,891	-
Lease liabilities	7	-3,244	-3,175
Proceeds from share issue/other equity securities	21	416	186
Cash dividends paid out to shareholders	21	-14,213	-11,534
Cash flow from financing activities		**-43,977**	**-44,523**
Cash flow for the year		**13,654**	**-5,546**
Cash and cash equivalents at start of the year		50,738	56,738
Currency effects on cash and cash equivalents		-1,052	-454
Cash and cash equivalents at end of year	20	**63,340**	**50,738**
Of which, restricted cash (player funds)		15,801	13,352

PARENT COMPANY INCOME STATEMENT

Amounts in EUR 000s	Note	2020	2019
Net sales	5	669	555
Other operating expenses	7, 8	-1,601	-1,842
Personnel costs	6	-2,235	-2,743
EBITDA		**-3,167**	**-4,030**
Depreciation, amortisation and impairment losses		-1	-1
Operating profit (EBIT)		**-3,168**	**-4,031**
Result from participations in Group companies		20,000	31,986
Other interest income and similar income		1,245	537
Other interest expenses and similar expenses		-1,548	-448
Total financial items	10	**19,697**	**32,075**
Profit before tax		**16,529**	**28,044**
Appropriations		-	33
Tax on profit for the year	11	193	746
Net profit for the year[1)]		**16,722**	**28,823**

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

PARENT COMPANY BALANCE SHEET

Amounts in EUR 000s	Note	31/12/2020	31/12/2019
ASSETS			
Non-current assets			
Property, plant and equipment	14	2	3
Participations in Group companies	16	236	236
Receivables from Group companies (non-current)	17	48,810	14,938
Deferred tax assets	11	2,895	2,702
Total non-current assets		**51,944**	**17,879**
Current assets			
Receivables from Group companies	17	31,948	30,237
Other receivables	18	143	88
Prepaid expenses and accrued income	19	550	74
Cash and cash equivalents	20	1,419	372
Total current assets		**34,060**	**30,771**
TOTAL ASSETS		**86,004**	**48,650**
EQUITY			
Restricted equity			
Share capital	21	1,220	1,220
		1,220	**1,220**
Unrestricted equity			
Share repurchases		-4,891	
Share premium reserve		41,960	41,511
Retained earnings including profit for the year	31	-2,096	-5,194
		34,974	**36,317**
Total equity		**36,193**	**37,537**
LIABILITIES			
Non-current liabilities			
Bond issue	22	48,860	-
Non-current liabilities to credit institutions	22	-	10,000
Total non-current liabilities		**48,860**	**10,000**
Current liabilities			
Trade and other payables	23	200	283
Accrued expenses and deferred income	24	740	473
Liabilities to Group companies	23	11	357
Total current liabilities		**951**	**1,113**
Total liabilities		**49,811**	**11,113**
TOTAL EQUITY AND LIABILITIES		**86,004**	**48,650**

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**
Balance at 1 January 2019	**1,220**	**41,249**	**-22,483**	**19,986**
Profit for the year[1]	-	-	28,823	28,823
Total comprehensive income for the year	**-**	**-**	**28,823**	**28,823**
Transactions with shareholders in their capacity as owners				
Dividend incl. translation reserve, currency effect	-	-	-11,534	-11,534
Effects of warrant programme	-	262	-	262
		262	**-11,534**	**-11,272**
Balance at 31 December 2019	**1,220**	**41,511**	**-5,194**	**37,537**
Balance at 1 January 2020	**1,220**	**41,511**	**-5,194**	**37,537**
Profit for the year[1]	-	-	16,722	16,722
Total comprehensive income for the year	**-**	**-**	**16,722**	**16,722**
Transactions with shareholders in their capacity as owners				
Dividend incl. translation reserve, currency effect	-	-	-13,624	-13,624
Share repurchases	-	-4,891	-	-4,891
Effects of warrant programme	-	449	-	449
		-4,442	**-13,624**	**-18,066**
Balance at 31 December 2020	**1,220**	**37,069**	**-2,096**	**36,193**

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

The Board's proposed dividend and proposed distribution of profit are presented in Note 31 and in the Board of Directors' Report.

PARENT COMPANY STATEMENT OF CASH FLOWS

Amounts in EUR 000s	Note	2020	2019
Cash flow from operating activities			
Operating loss		-3,168	-4,031
Interest received		128	730
Interest paid		-438	-448
Net income taxes paid		-7	15
Adjustments for non-cash items:			
Unrealised exchange rate differences		236	7
Depreciation/amortisation		1	1
Cash flow from operating activities before changes in working capital		**-3,248**	**-3,726**
Cash flow from changes in working capital			
Increase/decrease in operating receivables		-472	-34
Increase/decrease in operating liabilities		39	124
Cash flow from operating activities		**-3,681**	**-3,636**
Cash flow from investing activities			
Acquisitions of property, plant and equipment		-	-
Cash flow from investing activities		**-**	**-**
Cash flow from financing activities			
Cash dividends paid out to shareholders	21	-13,624	-11,534
Dividends received from subsidiaries		18,887	14,340
Repayment of loans from subsidiaries		3,153	1,917
Loans from credit institutions	22	-10,000	-
Bond issue	22	48,298	-
Share repurchases	21	-4,891	-
Loans to subsidiaries		-37,025	-1,369
Cash flow from financing activities		**4,798**	**3,354**
Cash flow for the period		1,117	-282
Cash and cash equivalents at start of period		372	326
Currency effects on cash and cash equivalents		-70	329
Cash and cash equivalents at end of period	20	**-1,419**	**372**

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 head 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' vision and position is "King of Casino". The global LeoVegas Mobile Gaming Group offers casino, live casino, bingo and sports betting. The Parent Company LeoVegas AB (publ.) is domiciled in Sweden, and operations are based primarily in Malta. The company's shares are listed on Nasdaq Stockholm.

The consolidated financial statements were approved for issuance by the Board of Directors on 8 April 2021.

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.

New and amended standards and interpretations applied by the Group

During the financial year, no new or amended standards or interpretations were applied by the Group that entailed any material impact on the book-closing concluded in 2020. The accounting policies used in the published book-closing for the year ended 31 December 2020 have been applied in consistent manner, unless indicated otherwise. Where applicable, certain other information has been reported in accordance with requirements from Nasdaq Stockholm.

New standards and interpretations that have not yet been adopted by the Group

A number of new standards and interpretations took effect for financial years beginning on or after 1 January 2020. These new standards and interpretations are not expected to have any material effect on the consolidated financial statements for current or future periods, nor on future transactions.

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 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 Group's reporting currency. Amounts in functional currency are translated to the reporting currency.

(b) Transactions and balance sheet items

Transactions in foreign currency are translated 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 differences pertaining to operating receivables and operating liabilities are recognised in operating profit. 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 reporting currency 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, Group Management and the Board of Directors analyse and monitor operating profit based on the total operations. The Group offers online gaming, including the products Casino, Live Casino, Bingo and Sports Betting. No monitoring is conducted of operating profit per product or geographic area. The business is monitored at an overall level, of which no complete 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 revenue from affiliate activities (B2B). In 2019 the subsidiary Authentic Gaming was sold, which previously generated insignificant royalty revenue. 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. Provisions for bonuses reduced NGR during the period.

The Group's other revenue pertains to royalty revenues and revenue from affiliate activities (B2B), and is recognised when the customer gains control over the sold service and has the opportunity to use and benefit from the service. The Group's royalty revenue was derived from the subsidiary Authentic Gaming, which since 29 October 2019 is no longer part of the Group, as it was divested and control was transferred to the buyer.

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 that can be and have been carried as an asset on the balance sheet. Depreciation is begun in the period in which the asset is put in operation and is based on the expected useful life.

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.

Gaming taxes

Gambling taxes pertain to costs for gaming activities in a regulated market, such as Sweden, Denmark or the UK. In certain cases it also pertains to a cost for VAT on revenue generated in regulated markets.

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 fixed fee per new customer, or by a hybrid mix of these models.

Employee remuneration

Remuneration of senior executives in the Parent Company shall consist of a base salary, possible variable remuneration, and other customary benefits. The CEO and other employees are entitled to a defined contribution pension. The Company thereby 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. No provision for pensions is thus made on the consolidated balance sheet.

The Group has incentive plans that are settled with warrants that can be converted to shares upon exercise. A premium paid in connection with the grant of warrants corresponds to the fair value of the warrants on the grant date, and the paid-in premium is recognised as an increase in other contributed capital. For all warrants the payment made by employees is based on a market price that has been determined using the Black & Scholes valuation model. Thus 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. Upon the exercise of warrants, payments received are recognised after deducting any directly attributable transaction costs under share capital (share quota value) and other capital contributions.

Financial income and expenses

Financial income and financial expenses include interest expenses on loans raised, bond issues, bank charges and similar items. Exchange rate movements that have been hedged with a financial derivative (OTC derivative) and recognised at fair value through profit and loss are also reported under financial items in the consolidated income statement. This is when no hedge accounting is applied.

The Group also reports the earnings effect of fair value when measuring and discounting the remaining liability for payment of acquired businesses, under financial income and expenses.

Income tax

Expensed income tax consists of the sum of current tax and deferred tax. Current tax is based on taxable profit for the year. Taxable profit differs from the profit reported in the income statement, since it is 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 deferred tax 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.

Earnings per share

Earnings per share before dilution

Total comprehensive income for the period attributable to owners of the Parent Company divided by the weighted average number of shares outstanding during the period.

Earnings per share after dilution

Total comprehensive income for the period attributable to owners of the Parent Company divided by the weighted average number of shares outstanding during the period, adjusted for additional shares for options with a dilutive effect.

Options granted to employees are considered to be potential common shares. They are included in the calculation of earnings per share after dilution if the performance conditions tied to the options (total shareholder return) would have been achieved based on the Company's performance up until the balance sheet date, and to the extent they give rise to a dilutive effect. Options are not included in the calculation of earnings per share before dilution.

Earnings per share before and after dilution are adjusted for repurchases of common shares, since the number of shares outstanding changes after a repurchase.

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. 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 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 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.

Lease assets (right-of-use assets)

The Group reports leases in accordance with IFRS 16. Leasing consists essentially of rents for the Group's office premises. Assets and liabilities that arise out of leases are initially recognised at present value. Lease payments that will be made for reasonably certain extension options are also included in valuation of the liability. When a lease's duration is determined, management takes into account all available information that provides an economic incentive to exercise an extension option or to not exercise an option to cancel a lease. Opportunities to extend a lease are included in the lease's duration only if it is reasonably certain that the lease will be extended (or not cancelled). The lease payments are discounted using the lease's implicit rate. If this interest rate cannot be easily determined, the incremental borrowing rate shall be used, which is the interest rate that the individual lessee would pay to borrow the necessary funds to purchase an asset of similar value that the right of use in a similar economic environment with similar terms and security would entail. Lease payments are broken down into payments on principal and interest. The interest is recognised through profit or loss over the lease term in a way that entails a fixed interest rate for the recognised lease liability during the respective periods. An exception is made to the above for short-term leases and for leases with a low value. Short-term leases are leases with a term of 12 months or less. Leases with a low value (<USD 5,000) include IT equipment and kitchen equipment. These are expensed on a straight-line basis in the income statement.

Intangible non-current assets, excluding assets and goodwill from acquisitions

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 game 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 intangible asset is carried at cost only if the following criteria are met:

a. An identifiable asset is created (such as a database) and it is technical possible to complete it so that it can be used
b. Company management intends to complete the development for use or sale
c. Conditions are in place to use the asset or sell it
d. It is probable, and can be shown, that the created asset will generate future economic benefit
e. There are adequate technical, economic and other resources to complete the development
f. The development cost for the asset can be calculated in a reliable manner

Research and development costs that do not meet the criteria above are expensed as they arise. The Company's intangible assets have finite useful lives and are normally amortised over a period of five years on a straight-line basis. Costs to continuously maintain the assets are recognised as they are incurred. Development costs that have been expensed in previous periods are not reported as an asset in subsequent periods. Measurement of projects' revenue generation capacity is conducted continuously to identify any need to recognise impairment.

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 non-current assets when they meet the criteria for classification as an intangible asset above (a-f). 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.

Software

Software consists of capitalised development costs for acquired software coupled to the technical platform and business system if they meet the requirement for reporting of an intangible asset. Software is recognised at cost less accumulated amortisation and any impairment. The reported values are considered to have a finite useful life of five years and are amortised on a straight line basis.

Impairment of tangible and 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.

Intangible assets that are not ready for use (capitalised costs for development work) are not amortised, but are tested annually for impairment.

Intangible non-current assets and goodwill in connection with acquisitions

Intangible assets related to surplus values from acquisitions

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 in accordance with IAS 38. When an intangible asset arises in connection with an acquisition of a foreign company, it is treated as the acquired company's asset and is translated using the exchange rate in effect on the date of acquisition. Identified assets in connection with the acquisition are amortised over their finite useful life. In the event of an indefinite useful life, the identified values shall instead be tested yearly for impairment.

Goodwill

The difference between the cost of the shares and the fair value of the identifiable assets at the time of acquisition is reported as Group goodwill. Goodwill is considered to have indefinite useful life and is not subject to annual amortisation. 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 impairment losses. 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. Gains and losses on the sale of a unit include the carrying amount of goodwill associated with the sold unit.

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.

Impairment testing of goodwill

Each year, or more often if there is an indication of a decline in value, impairment testing is conducted 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 the 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. Any impairment of goodwill is not reversed. Information on calculations of the Group's impairment testing and additional disclosures about measurement are provided in Note 15.

Financial instruments

The Group applies IFRS 9 for reporting of financial assets and liabilities.

Initial reporting occasion, financial instruments

Financial instruments 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 net financial items.

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)

Financial assets

Classification

The Group classifies its financial assets according to the following categories:

- Fair value through profit or loss
- Amortised cost

The classification depends on the purpose for which the financial asset was acquired. The Group determines the classification of its financial assets at the initial reporting occasion.

Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss pertain to derivative instruments used for hedging purposes. The Group has a non-current asset in the form of a currency derivative (OTC derivative). The currency derivative, which is used for hedging purposes, is measured in accordance with Level 2 of the fair value hierarchy. The fair value of financial assets that are not traded on an active market is determined with the help of valuation techniques that as far as possible are based on market information, while company-specific information is used as little as possible. All significant input data needed for the fair value measurement of an instrument is observable. Financial assets recognised at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement under financial items. When only 12 months are remaining until the derivative's expiration, it is reported as a short-term instrument.

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 receivables and other receivables. For trade receivables and other receivables with a short due date, measurement is done at the nominal value less any amounts that are not expected to be received.

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 gaming authorities' regulations. Cash and cash equivalents are held in order to be able to be used to meet short-term obligations, they are readily available in known amounts, and they are subject to insignificant risk for value fluctuations. The Group has a bank guarantee that is defined as cash and cash equivalents since it can be converted to cash in a known amount within a short period of time without risk for value fluctuation. For more detailed information about this segregation, see Note 20.

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

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 revenues for gaming activities are paid in advance by customers.

Financial liabilities

Classification

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

- 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
- Financial liabilities at amortised cost are initially measured at fair value and are thereafter carried at amortised cost using the effective interest method

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 related to borrowing

Borrowing is initially recognised at fair value, net after transaction costs. Loans are initially recognised at fair value after deducting transaction costs. Borrowing is thereafter recognised at amortised cost, and any difference between the amount received (net after transaction costs) and the repayment amount is recognised in the income statement over the term of the loan using the effective interest method. Fees paid for credit facilities are reported as transaction costs for borrowing to the extent it is likely that part or all of the credit scope will be utilised. In such case, the fee is recognised when the credit scope is utilised. When there is no evidence that it is likely that part or all of the credit scope will be utilised, the fee is recognised as an advance payment for financial services and is allocated over the term of the loan commitment in question. Loans are classified at 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 financing activities since the main use of the loans that the interest pertains to involves financing the business's operations and continued growth.

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, is recognised in the income statement. When the terms of a financial liability are renegotiated and 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.

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.

Lease liabilities

The Group presents leases in accordance with IFRS 16. Excluded from IFRS 16 are leases with a term shorter than 12 months and leases with a low value (<USD 5,000). The portion of the lease liability recognised on the balance sheet as a current liability pertains to the liability that falls due within 12 months. The remaining portion of the lease liability is recognised as a non-current liability, i.e., when the term exceeds 12 months. Amortisation of the lease liability pertains to payment of rents, which essentially consists of rental contracts for the Group office premises.

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 (more likely than not) that an outflow of economic resources will be required to settle the obligation and when a reliable estimate of the amount can be made. If there are a number of similar obligations, the likelihood that an outflow will be required upon settlement is determined by considering the class of obligations as a whole. For provisions where the effect of when in time payment will be made is significant, the provision is taken into account 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 associated with 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.

Equity and other contributed capital

Premium for warrants

The premium paid in connection with purchases of warrants corresponds to the fair value on the grant date, and the paid-in premium is recognised as an increase in other contributed capital.

Share repurchases
When a repurchase is made of the Parent Company's own shares, the price paid, including an indirectly attributable transactions costs, reduces shareholders' equity until the shares are cancelled or sold. The Group recognises the repurchase as other contributed capital. If these common shares are subsequently sold, the amount received (net after any directly attributable transaction costs and tax effects) is included in shareholders' equity.

Dividends or transfers to shareholders
Dividends paid to shareholders are recognised on the consolidated balance sheet when the decision on the dividend has been made and it is probable that economic benefits will flow out and that the expense can be measured in a reliable manner. 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.

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 cash flows
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 lease liabilities, amortisation of interest-bearing liabilities, payment of dividends and share repurchases. 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 IFRS standards 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.

Parent Company's application of the exemption from IFRS 16 provided by RFR 2
The Parent Company applies RFR 2, for which the exemption from IFRS 16 has been applied. All leases are thereby reported as operating leases.

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.

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. See Note 15 for impairment tests performed of the Group's goodwill.

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 non-current 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 large number of regulated markets, and the Group's compliance is reviewed on a regular basis by the regulatory bodies. If it turns out that interpretations and measures that the company has taken to ensure compliance with the licencing authorities' requirements are insufficient, it could lead to costs for the Company in the form of fines or other sanctions. The regulations and requirements are changing continuously, which in turn puts higher demands on the Company's internal routines, processes and systems. The Group continuously makes assessments of any possible consequences of such risks. See further under "Legal risks" in the Board of Directors' report.

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 valuations deviate from the fair value at the time of final settlement, it could have a significant earnings effect for the Group.

Uncertainty about the impacts of the pandemic

The impacts of the pandemic are hard to overview, and the conditions are changing constantly and frequently. Among other things, sporting events have been cancelled or postponed, which is expected to result in a short-term decline in revenue for sports betting. For LeoVegas' casino operations, business is continuing without any noticeable disruptions. However, should the impacts on society and the global economy of the pandemic be enduring, there is a risk that LeoVegas would also be affected, both regarding demand and other dynamic effects such as lower efficiency and potential supply disruptions. LeoVegas cannot predict the effects related to the situation that has arisen, as it is highly unpredictable. There is an inherent uncertainty surrounding the continuation of the pandemic, and LeoVegas has not been able to quantify this at this time.

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. 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, and bingo. The products are provided in various geographic markets. No monitoring 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 monitors 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	2020	2019
Revenue per geographic area		
Nordic countries	143,140	148,469
Rest of Europe	184,141	160,130
Rest of world	60,171	47,210
Unallocated sales per country	12	230
Total	**387,464**	**356,039**

The table shows that 0.0% (0.1%) of revenue, corresponding to EUR 12 thousand (230), is not allocated to a geographic area. This revenue consists of items for which it is not practically possible to allocate to a specific geographic area. These items can consist 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 revenue from affiliate activities. In 2019 it also included royalty revenue from Authentic Gaming Ltd, such has subsequently been sold. 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. In cases where it pertains to a negative effect on revenue, it pertains primarily to bonus costs that cannot be allocated to a specific product.

EUR 000s	2020	2019
Revenue per product		
Casino games	357,426	320,175
Sports betting	24,851	33,085
Other products	5,727	2,662
Not allocated per product	-540	117
Total	**387,464**	**356,039**

Non-current assets consist of property, plant and equipment and intangible non-current assets.

EUR 000s	2020	2020	2020	2020	2020
Non-current assets in the Group 2020	Sweden	UK	Malta	Italy	Netherlands
Property, plant and equipment	571	454	1,148	102	118
Intangible non-current assets	21,378	19	117,222	4,206	21
Total per geographic area	**21,949**	**473**	**118,370**	**4,308**	**139**

EUR 000s	2019	2019	2019	2019	2019
Non-current assets in the Group 2019	Sweden	UK	Malta	Italy	Netherlands
Property, plant and equipment	1,087	553	1,430	126	151
Intangible non-current assets	12,899	30	138,627	4,660	402
Total per geographic area	**13,986**	**583**	**140,057**	**4,786**	**553**

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, which is generated by the subsidiaries. The Parent Company has no external revenue. Revenue from affiliate activities is attributable to the acquisition of CasinoGrounds. The Group reports the following revenue per service area. Royalty revenue in 2019 pertained to services related to Authentic Gaming Ltd, which was sold in 2019.

EUR 000s	2020	2019
Group		
Revenue from gaming operations	382,998	350,882
Royalty revenue	-	2,734
Affiliate revenue	4,466	2,423
Total revenue from continuing operations	**387,464**	**356,039**

EUR 000s	2020	2019
Parent Company		
Further invoicing to subsidiaries	-	79
Management fees	669	476
Total revenue from continuing operations	**669**	**555**

NOTE 6 Employee remuneration

Average number of employees	2020	Men	Women	2019	Men	Women
Parent Company						
Sweden	9	6	3	10	6	4
Subsidiaries						
Malta	459	251	208	454	257	197
Sweden	213	165	48	167	132	36
Other Group companies	156	98	58	211	136	75
Total, Group	**837**	**520**	**317**	**842**	**531**	**312**

Group Management Number of persons in executive positions	2020	Men	Women	2019	Men	Women
Parent Company						
Board of Directors	7	5	2	5	3	2
Senior executives[1)]	2	2	0	4	2	2
Subsidiaries						
Senior executives[1)]	3	3	0	3	3	0
Total, Group	**12**	**10**	**2**	**12**	**8**	**4**

1) At the end of the reporting period, senior executives in the Group were: the Group CEO, the Group CFO, the Group CPTO, the Group COO and the Group CMO.

Senior executives hold the following warrants:	2020-31/12/2020 12-31	31/12/2019
Management		
Gustaf Hagman, Group CEO	95,000	-
Stefan Nelson, Group CFO	255,000	160,000
Mattias Wedar, Group CPTO	175,000	80,000
Dersim Sylwan, Group CMO	155,000	60,000
Mårten Forste, Group COO	95,000	-

	2020		2019	
	Average exercise price (SEK)	Number of warrants (thousands)	Average exercise price (SEK)	Number of warrants (thousands)
Per 1 January	**82.89**	**300 000**	**115.77**	**60 000**
Granted	48.45	475 000	50.00	240 000
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Per 31 December	**65.67**	**775 000**	**82.89**	**300 000**

Further information on the Group's warrants is provided in Note 21.

Salaries, other remuneration and social security costs	2020		2019	
EUR 000s	Salaries and other remuneration	Social security costs	Salaries and other remuneration	Social security costs
Parent Company				
Salaries and other remuneration	1,299	478	1,547	628
Pension costs	133	32	121	30
Total, Parent Company	**1,432**	**510**	**1,668**	**658**
Subsidiaries				
Salaries and other remuneration	38,847	6,611	37,092	5,727
Pension costs	1,303	206	859	111
Total, subsidiaries	**40,150**	**6,817**	**37,950**	**5,838**
Total, Group	**41,582**	**7,327**	**39,618**	**6,496**

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

	2020			2019		
EUR 000s	Parent Company	Subsidiaries	Total	Parent Company	Subsidiaries	Total
Board of Directors	233	-	233	210	239	449
Other senior executives	760	924	1,684	1,168	669	1,837
Other employees	672	39,226	39,898	500	37,281	37,781
Total	**1,665**	**40,150**	**41,815**	**1,878**	**38,190**	**40,067**

Remuneration and other benefits for Board of Directors	2020			2019		
EUR 000s	Directors' fees	Base salary	Other benefits	Directors' fees	Base salary	Other benefits
Robin Ramm-Ericson, director (through May 2020)	12	-	-	5	205	34
Mårten Forste, director (employee)* (through May 2020)	6	252	-	63	-	-
Patrik Rosén, director (through May 2019)	-	-	-	16	-	-
Per Brillioth, director (through May 2019)	-	-	-	16	-	-
Anna Frick, director (from May 2015)	37	-	-	36	-	-
Barbara Canales, director (through May 2019)	-	-	-	16	-	-
Per Norman, Chairman of the Board (from May 2020)	41	-	-	-	-	-
Tuva Palm, director (through May 2020)	17	-	-	36	-	-
Hélène Westholm, director (from May 2020)	20	-	-	-	-	-
Mathias Hallberg, director (from May 2020)	20	-	-	-	-	-
Carl Larsson, director (from May 2020)	20	-	-	-	-	-
Torsten Söderberg, director (from May 2020)	20	-	-	-	-	-
Fredrik Rüden, director (from May 2019)	40	-	-	22	-	-
Total	**233**	**252**	**-**	**210**	**205**	**34**

*Mårten Forste became an employee of LeoVegas Gaming Plc as COO effective 1 February 2020.

Salaries and other remuneration for senior executives	2020			2019		
EUR 000s	Base salary	Pension cost	Other benefits	Base salary	Pension cost	Other benefits
Gustaf Hagman, Group CEO	364	17	10	312	-	9
Other senior executives (4)	1,226	41	26	1,367	121	45
Total	**1,590**	**58**	**36**	**1,679**	**121**	**54**

LeoVegas AB has a remuneration committee chaired by Per Norman and including Anna Frick and Torsten Söderberg 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 2020 certain senior executives were paid variable remuneration or bonuses, all in accordance with principles set by the Remuneration Committee.

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 Group CFO, the Group COO, and the Group CPTO. In 2020 a Group CMO also took office.

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 three and six months.

Bonuses

Senior executives in the LeoVegas Group may in certain cases be entitled to bonuses in accordance with the Remuneration Committee's principles.

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. Senior executives based in Sweden have the opportunity to exchange payments of salary for pension contributions 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 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

This note provides information about the Group's leases in its capacity as a lessee. The Group applies IFRS 16 along with the exemption for short-term leases (leases with a term shorter than 12 months) and the exemption for leases in which the underlying asset has a low value (<USD 5,000).

The Group's leases consist primarily rents for office premises, but also of IT and office equipment and kitchen equipment with a low value. The Group also has car leases. The Group's leases typically have a term of three to five years with an extension 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.

Present value discounting of future, contracted cash flows has been done using an incremental borrowing rate. This is because the implicit rate has not been available. The lease asset is depreciated on a straight-line basis over the term of the lease.

Amounts reported on the balance sheet

The following are reported on the balance sheet:

Right-of-use assets:

EUR 000s	2020	2019
Group		
Real estate	8,835	8,140
Vehicles	43	82
Other	-	-
Total	**8,878**	**8,222**

Additional right-of-use assets in 2020 amounted to EUR 0.7 m (net) (0.9).

Lease liabilities:

EUR 000s	2020	2019
Group		
Current	3,093	3,406
Non-current	5,300	4,169
Total	**8,393**	**7,575**

Amounts reported in the income statement:

The income statement includes depreciation attributable to right-of-use assets and interest expenses as follows:

EUR 000s	2020	2019
Group		
Depreciation of real estate	3,380	3,411
Depreciation of vehicles	39	19
Depreciation of other assets	-	1
Total	**3,419**	**3,431**

EUR 000s	2020	2019
Group		
Interest expenses, leases (financial expenses)	313	321
Total	**313**	**321**

Payments and expenses for short-term leases and leases with low value amounted to EUR 352 thousand (302) and are included in other operating expenses.

Reported cash flow:

The total cash flow for leases (including short-term leases and leases with a low value) amounted to:

EUR 000s	2020	2019
Group		
Cash flow for short-term leases and leases with low value, operating activities	352	306
Cash flow for leases reported on the balance sheet, operating activities	313	320
Cash flow for lease reported on the balance sheet, financing activities	3,244	3,175
Total	**3,909**	**3,801**

Parent Companys leases:

The Parent company applies RFR 2, for which the exemption for IFRS 16 is applied. All leases are thereby reported as operating leases. The leases consist of rents for leased cars.

EUR 000s	2020	2019
Parent Company		
Within one year	7	24
Between two and five years	-	6
Later than five years	-	-
Total	**7**	**29**

EUR 000s	2020	2019
Parent Company		
Lease payments	24	21
Total	**24**	**21**

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 auditors 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	2020	2019
Group		
PwC		
Audit assignment	380	342
Audit services in addition to the audit assignment	17	2
Tax consulting	43	278
Other services	1	53
Total	**441**	**675**

EUR 000s	2020	2019
Parent Company		
PwC		
Audit assignment	153	128
Audit services in addition to the audit assignment	17	2
Tax consulting	37	54
Other services	0	48
Total	**207**	**232**

Of the total fees of EUR 441 thousand (675) paid by the Group, EUR 153 thousand (128) pertains to amounts invoiced by the Parent Company's auditor for the statutory audit of the Parent Company. Of other fees, the Group's auditor invoiced a total of EUR 61 thousand (333), of which EUR 54 thousand (104) has been invoiced to the Parent Company. These fees pertain to tax consulting.

NOTE 9 Other income and expenses

EUR 000s	2020	2019
Group		
Withdrawal fees	2	6
Other items recognised as a profit or loss	-2,411	6,129
Total	**-2,409**	**6,135**

The item Other income and expenses includes EUR 3.5 m in items affecting comparability pertaining to a provision for gaming tax in Denmark. This entailed a self-correction, and EBITDA was charged with a one-off expense. In the preceding year, net items affecting comparability included income of EUR 5.3 m related to the sale of the subsidiary Authentic Gaming Ltd and restructuring costs. The items referred to above are reported as items affecting comparability under the adjusted earnings measure "Adjusted EBITDA". See also Note 12.

EUR 000s	2020	2019
Parent Company		
Other items recognised as a profit or loss	-	-
Total	**0**	**0**

NOTE 10 Financial items

Financial items include remeasurement effects, interest expenses, interest income and transaction and other related expenses related to financing. In December 2020 a bond of SEK 500 m was issued. Remeasurement of the bond is done at the exchange rate in effect on the balance sheet date and gave rise to financial income of EUR 0.5 m (0.0). A currency derivative ("OTC derivative") was contracted for the transaction. Market valuation of the derivative in accordance with IFRS 3 gave rise to financial income of EUR 0.3 m. Financial expenses associated with the new financing amounted to EUR 1.3 m (0.0) in total. During the year, previous credit facilities with credit institutions were paid off, entailing a lower interest expense in this respect. Remeasurement of earn-out payments in accordance with IFRS 3 is also included under financial items. During the year, the earn-out payment for Royal Panda was finalised, giving rise to a positive effect in the Group of EUR 0.7 m (0.0).

EUR 000s	2020	2019
Group		
Financial income	983	6
Financial income	**983**	**6**
Financial expenses, financing/loans	-2,598	-2,084
Financial expenses, interest expenses on lease liabilities	-313	-321
Financial expenses	**-2,911**	**-2,405**
Financial liability measurement profit/loss	700	-
Financial liability measurement profit/loss	**700**	**0**
Total financial items – net	**-1,228**	**-2,399**

Financial income in the Parent Company is related to dividends from subsidiaries and interest income from lending to subsidiaries. During the year, remeasurement effects arose for the bond that was issued in SEK, which affect financial income by EUR 0.5 m (0.0). The Parent Company applies the exemption rule according to RFR 2 from application of IFRS 9 Financial Instruments, whereby no positive earnings effect from remeasurement of currency derivatives to market value is recognised in profit or loss. Financial expenses include remeasurement effects, interest expenses, transaction and other related expenses associated with the new financing. The financial expenses associated with the new financing amounted to EUR 1.3 m (0.0) in total. Dividends from subsidiaries amounted to EUR 20.0 m (32.0).

EUR 000s	2020	2019
Parent Company		
Profit from participations in Group companies, dividends	20,000	31,986
Interest income	1,245	537
Financial income	**21,245**	**32,523**
Financial expenses, financing/loans	-1,548	-448
Financial expenses	**-1,548**	**-448**
Total financial items – net	**19,697**	**32,075**

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 profit 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	2020	2019
Group		
Current tax on profit for the year	-2,408	-1,421
Total current tax	**-2,408**	**-1,421**
Deferred tax		
Increase/decrease in deferred tax assets, loss-carryforward	193	691
Total deferred tax	**193**	**691**
Total reported income tax	**-2,215**	**-730**

The following is reported on the consolidated balance sheet

EUR 000s	2020	2019
Group, deferred tax assets		
Deferred tax asset (as per 1 January)	2,682	2,975
Increase through business combinations	-	-
Recognised through profit or loss (divestment of subsidiary)	-	-984
Recognised through profit or loss (deferred tax asset, loss-carryforward)	193	691
Recognised in Other comprehensive income	-	-
Exchange rate differences (upon translation to EUR)	-	-
Total deferred tax	**2,876**	**2,682**

As per 31 December 2020 the Group had loss-carryforwards amounting to EUR 2.9 m (1.6), which were not taken into account in calculating deferred tax assets. The loss-carryforwards have no expiration date.

As per the end of the balance sheet date the Group had deferred tax liabilities of EUR 1.4 m (2.1) related to consolidated surplus value from acquisitions. During the year, the Group dissolved EUR 665 thousand (695) in the income statement related to this. In addition to this, an increase of EUR 12 thousand (18) pertaining to deferred tax was recognised through profit or loss coupled to leasing. In total, a net effect of EUR -653 thousand (-677) was been recognised. See below for a presentation of opening and closing balances for the deferred tax liability.

EUR 000s	2020	2019
Group, deferred tax assets		
Deferred tax asset (as per 1 January)	2,088	2,765
Increase through business combinations	-	-
Recognised through profit or loss	-653	-677
Recognised in Other comprehensive income	-	-
Exchange rate differences (upon translation to EUR)	-	-
Total deferred tax liability	**1,435**	**2,088**

Tax expenses

EUR 000s	2020	2019
Parent Company		
Current tax on profit for the year	-	-
Total current tax	**-**	**-**
Deferred tax		
Increase/decrease in deferred tax assets	193	746
Total deferred tax	**193**	**746**
Total recognised income tax	**193**	**746**

The following is reported on the Parent Company balance sheet

EUR 000s	2020	2019
Parent Company		
Deferred tax assets, accumulated loss-carryforward (1 January)	2,702	1,956
Deferred tax assets, loss-carryforward in current year	193	746
Total deferred tax	**2,895**	**2,702**

The Parent Company has accumulated tax-loss carryforwards. It has been determined that these can be used within the foreseeable future against taxable surpluses that exist in the subsidiary Gears of Leo AB. Rights to Group contributions exist between the Swedish companies. A deferred tax asset of EUR 2,895 thousand (2,702) has been 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.

Note 11, cont.

EUR 000s	2020	2019
Group		
Profit before tax	21,548	10,273
Tax at Swedish tax rate (21.4%)	- 4,611	-2,198
Tax effect of:		
Difference in tax rates in foreign operations	- 7,504	-13,327
Non-taxable income	8,409	23,707
Non-deductible expenses	- 4,362	-6,755
Impairment of goodwill (non-deductible)	-	-2,191
Confirmed deduction from previous year	1,575	-
Other	4,283	293
Adjustment of taxes for previous years	629	-
Utilisation of previously unreported loss carryforwards	25	294
Loss carryforwards for which no deferred tax assets have been reported	-659	-554
Tax on profit for the year	**-2,215**	**-730**

EUR 000s	2020	2019
Parent Company		
Profit before tax	16,529	28,077
Tax at Swedish tax rate (21.4%)	-3,537	-6,008
Tax effect of:		
Non-taxable income	4,280	6,845
Non-deductible expenses	-12	-6
Other	14	-72
Adjustment of taxes for previous years	-	-
Utilisation of previously unreported loss carryforwards	-	-
Loss carryforwards for which no deferred tax assets have been reported	-552	-12
Tax on profit for the year	**193**	**746**

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 in 2020 include a one-off expense of EUR 3.5 m pertaining to a provision for gaming taxes in Denmark for previous periods, as the assessment of calculation of the gaming taxes in the country has changed. The preceding year included a total of EUR +5.3 m in items affecting comparability related to the sale of subsidiaries and restructuring costs.

Amortisation costs related to acquired intangible assets are also stripped away as an item affecting comparability and affect "adjusted EBIT". "Adjusted EBITDA" and "adjusted EBIT" for the Group are presented below.

EUR 000s	2020	2019
EBITDA	**51,865**	**49,531**
Profit on sales of subsidiaries and assets	-	-11,403
Restructuring costs	-	6,065
Other items affecting comparability	3,500	-
Adjusted EBITDA	**55,365**	**44,193**
Amortisation	- 10,789	- 10,152
Adjusted EBIT	**44,576**	**34,041**
Net financial items	-1,928	-2,399
Tax	-2,215	- 730
Adjusted profit	**40,433**	**30,912**
Adjusted EBITDA margin, %	14.3	12.4
Adjusted EBIT margin, %	11.5	9.6
Adjusted net margin, %	10.4	8.7

NOTE 13 Earnings per share

EUR	2020	2019
Pertaining to owners of common stock in the Parent Company:		
Profit for the year attributable to owners of the Parent Company	18,499,767	10,445,716
Number of shares at year-end, before dilution	100,181,626	101,652,970
Weighted average number of shares outstanding, before dilution	101,285,134	101,652,970
Effect of outstanding warrants, weighted average	-	-
Weighted average number of shares outstanding, after dilution	**101,285,134**	**101,652,970**
Earnings per share attributable to owners of common stock in the Parent Company		
- Before dilution	0.18	0.10
- After dilution	0.18	0.10

The number of shares after dilution has been calculated using the Treasury Stock method. At the end of the period, three warrant programmes were in effect, which expire in 2021, 2022 and 2023, respectively. These had no dilutive effect during the period, as the exercise price is higher than the price at which the shares were traded during the period.

The Board of Directors of LeoVegas decided during the year to exercise the authorisation granted to it at the company's Annual General Meeting on 8 May 2020 to repurchase shares in the company. In total the granted mandate allows LeoVegas to repurchase shares for an amount of up to EUR 10,000,000 on one or more occasions until the Annual General Meeting on 11 May 2021. The purpose of the repurchases is to optimise the company's capital structure and create shareholder value by reducing the number of shares outstanding. Repurchased shares may also be used as payment for potential future acquisitions. As per the balance sheet date, LeoVegas' share capital amounted to EUR 1,219,835.65. The number of shares outstanding before repurchases was 101,652,970. A total of 1,471,344 shares were repurchased at a cost of SEK 49,997,441, of which SEK 248,743 (0.5%) pertains to brokerage fees. The cost corresponds to EUR 4,891,042. The average price of the repurchased shares was SEK 33.8. A total of 1.4% of the shares outstanding have been repurchased, of which the number of shares outstanding on the balance sheet date was 100,181,626. The share quota price before the repurchases was EUR 0.012.

NOTE 14 Property, plant and equipment

EUR 000s	Leasehold improvements	Equipment, fixtures and fittings	Equipment	Total
Financial year 2019				
Opening carrying amount	836	513	2,792	4,141
Purchases	51	833	360	1,244
Disposals	-29	-14	-392	-435
Depreciation	-126	-335	-1,142	-1,603
Closing carrying amount	**732**	**997**	**1,618**	**3,347**
31 December 2019				
Cost (net)	1,050	1,868	5,067	7,985
Accumulated depreciation	-318	-871	-3,449	-4,638
Carrying amount	**732**	**997**	**1,618**	**3,347**
Financial year 2020				
Opening carrying amount	732	997	1,618	3,347
Purchases	96	136	256	488
Disposals	-	-22	-12	-34
Depreciation	-133	-426	-849	-1,408
Closing carrying amount	**695**	**685**	**1,013**	**2,393**
31 December 2020				
Cost (net)	1,146	1,982	5,311	8,439
Accumulated depreciation	-451	-1,297	-4,298	-6,046
Carrying amount	**695**	**685**	**1,013**	**2,393**

NOTE 15 Intangible non-current assets

EUR 000s	Goodwill	Acquired surplus value: trademarks and domain names/customer database/ licences/technical platform	Capitalised development costs for software	Capitalised development costs	Capitalised costs for domain names	Total
Financial year 2019						
Opening carrying amount	102,958	61,467	1,550	11,544	938	178,457
Acquisitions	-	-	-	-	-	-
Purchases/cost	2,992	-	219	8,077	23	11,311
Disposals	-1,057	-	-413	126	-	-1,344
Amortisation	-	-16,449	-913	-4,205	-3	-21,570
Impairment losses	-10,236	-	-	-	-	-10,236
Closing carrying amount	**94,657**	**45,018**	**443**	**15,542**	**958**	**156,618**
31 December 2019						
Cost (net)	104,893	82,201	2,716	25,507	961	216,278
Accumulated amortisation and impairment losses	-10,236	-37,183	-2,273	-9,965	-3	-59,660
Carrying amount	**94,657**	**45,018**	**443**	**15,542**	**958**	**156,618**
Financial year 2020						
Opening carrying amount	94,657	45,018	443	15,542	958	156,618
Acquisitions	-	-	622	652	-	1,274
Purchases/cost	-	-	9	9,813	-	9,822
Disposals	-	-	-	-579	-29	-608
Amortisation	-	-16,324	-328	-5,632	-	-22,285
Impairment losses	-	-	-604	-1,372	-	-1,976
Closing carrying amount	**94,657**	**28,694**	**142**	**18,423**	**929**	**142,845**
31 December 2020						
Cost (net)	104,893	82,201	3,347	35,393	932	226,766
Accumulated amortisation and impairment losses	-10,236	-53,507	-3,205	-16,970	-3	-83,921
Carrying amount	**94,657**	**28,694**	**142**	**18,423**	**929**	**142,845**

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. No goodwill arose as a result of acquisitions during the year.

Goodwill is allocated to cash-generating units to allow a review of any need to recognise impairment. 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 certain assumptions.

In total, the Group's goodwill at year-end amounted to EUR 94.7 m (94.7). No need to recognise impairment was identified during the year, see further under "Impairment testing of goodwill".

Cash-generating units

A cash-generating unit is the smallest group of assets that independently generates cash flows and whose cash flows are largely independent of the cash flows generated by other assets.

The table below shows the cash-generating units for which the Group conducts yearly impairment testing of goodwill. Starting in 2019 "Rocket X" is no longer regarded as a cash-generating unit, since it is part of the LeoVegas brand in the UK and is dependent on cash flows from LeoVegas. Rocket X was acquired in 2018 and is now a fully integrated service unit for customer and marketing services for LeoVegas.

Similarly, the company "Winga", which was acquired in 2017, is a fully integrated service unit primarily for marketing the LeoVegas brand in Italy.

As per the end of 2020, Royal Panda is a separate cash-generating unit that is largely independent of the cash flows from others. Starting in 2021, when the migration to the LeoVegas technical platform has been completed and after further integration with the organisation has been completed, Royal Panda will no longer be its own cash-generating unit, but a fully integrated unit within LeoVegas. However, at year-end Royal Panda was regarded as a separate cash-generating unit, and consequently an impairment test was performed.

Goodwill is broken down according to the following cash-generating units:

EUR 000s	2020	2019
LeoVegas	57,452	57,452
*- of which, goodwill from the acquisition of "Rocket X", LeoVegas UK**	*54,149*	*54,149*
*- of which, goodwill from the acquisition of "Winga", LeoVegas Italy**	*3,303*	*3,303*
Royal Panda	33,179	33,179
CasinoGrounds	2,907	2,907
Pixel.bet	1,118	1,118
Goodwill, Group	**94,657**	**94,657**

** Rocket X and Winga are not separate cash-generating units, but are regarded as part of the LeoVegas brand in the UK and Italy, respectively.*

Impairment testing of goodwill

Calculation of the recoverable amount of the Group's cash-generating units requires that certain assumptions are made. Calculation of the recoverable amount of the cash-generating units has been done based on an average growth rate over a five-year forecast, which 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 an average growth rate over a five-year forecast, based on historical outcomes and management's assessment the market's development
- *Pricing:* based on an average growth rate over a five-year forecast, current industry trends and management's other assumptions for the specific unit
- *Gross margin:* based on a weighted balance of historical outcomes, external analysis documentation for the relevant market, and management's experience and assessment
- *Other operating expenses:* it has been assumed that fixed costs normally do not vary significantly with sales volumes or prices. 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 outlays for investments have been identified as per the acquisition date, which is based on management's plans for the cash-generating unit. No future restructuring or cost-cutting measures are taken into account
- *Annual investments:* no annual outlays for investments have been identified as per the acquisition date, which is based on management's plans for the cash-generating unit. Annual outlays for investments pertain to improvement costs that can be assumed to arise, which are based on Group Management's previous experience and plans for improvements that are required to conduct operations
- Long-term growth rate: average rate of growth over a five-year forecast, which is based in part on historical outcomes and management's assessment the market's development. The long-term growth rate that is used to extrapolate forecast cash flow beyond the period covered by the most recently set budget is 2% (also for the preceding year's calculation)
- *Discount rate: reflects specific risks in the relevant segments and in the countries they are active in (see also below)*

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. During the year, the Group reviewed the WACC so that it corresponds to current risk assessments.

Discount rate (WACC), %	2020	2019
LeoVegas*	12	15
Royal Panda	12	12
CasinoGrounds	15	15
Pixel.bet	15	15

** The acquired companies "Rocket X" (LeoVegas UK) and "Winga" (LeoVegas Italy) are now part of the LeoVegas cash-generating unit.*

Impairment

At year-end no need to recognise impairment was identified. In the preceding year an impairment loss of EUR 10.2 m was recognised for Royal Panda. The impairment was the result of management's decision to close the UK market for the brand.

Sensitivity analysis

In a sensitivity analysis of all units, management has not identified any need to recognise impairment. For Royal Panda it was noted that the discount rate can be raised by 2.5% before any need to recognise impairment arises. An EBITDA margin of 19.4% has been used for Royal Panda starting in 2022. If the EBITDA margin is adjusted downward to 15%, break-even is achieved. The average, forecast revenue growth for the 5-year forecast is 14%. A sensitivity analysis shows that revenue growth for the forecast period can decrease to 8% before break-even is reached.

Company management has also conducted impairment testing for other cash-generating units and made the determination that a reasonable and possible change in the critical variables below would not have a material effect that they – each on their own or together – would decrease the recoverable amount to a value that is lower than the carrying amount for other cash-generating units.

Assumptions	2020
Sales volume (% yearly growth)	-1 %
EBITDA margin %	-4 %
Long-term growth rate, (%)	-1%
Risk premium after tax, WACC %	+2.5%

Acquired, identified surplus value

The Group did not acquire any surplus value during the year. Trademarks and domain names related to previous acquisitions have a carrying amount of EUR 16.3 m (20.5). In addition to this are customer databases with a carrying amount of EUR 8.3 m (20.4), licences with a carrying amount of EUR 3.9 m (3.9), and a technical platform with a carrying amount of EUR 0.2 m (0.3), for a combined carrying amount of EUR 28.7 m (45.0).

Amortisation rates

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 in Gears of Leo AB was identified during the year. In Royal Panda, however, a decision has been made to migrate the Royal Panda brand to the Group's proprietary technical platform, Rhino, giving rise to impairment of intangible assets in the amount of EUR 1.9 m (0.0).

NOTE 16 Participations in Group companies

The Parent Company's participations in Group companies are shown below.

EUR 000s	2020	2019
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	Number of shares	Carrying amount, EUR	Carrying amount, EUR
			2020	**2020**	**2020**	**2019**
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		
GameTech Marketing Limited	Gibraltar	GICO.119354-51	100	100		
Subsidiaries of 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		
Subsidiaries of LeoVentures Limited						
21 Heads UP Ltd	Malta	C 74428	100	1,200		
GameGrounds United AB	Sweden	559122-5460	51	6,342		
Pixel Holding Group Ltd	Malta	C 87545	85	2,084		
Subsidiaries of GameGrounds United AB						
Performance Pack Ltd	Malta	C83002	100	1,852,400		
Performance Media Ltd	Malta	C82999	100	1,851,200		
Game Grounds America LLC	USA	72856813	100	-		
Subsidiaries of Pixel Holding Group Ltd						
Pixel Digital Ltd	Malta	C87546	100	1,200		
Pixel Gaming Group B.V	Curacao	142249	100	347,463		

NOTE 17 Receivables from Group companies

EUR 000s	2020	2019
Current receivables		
Receivables falling due within one year	31,948	30,237
Non-current receivables		
Receivables falling due between two and five years	48,810	14,938
Total	**80,758**	**45,175**

EUR 000s	2020	2019
Receivables from Group companies		
LeoVegas International Limited	60,350	34,075
LeoVegas Gaming Limited	11,835	-
Winga S.r.l	-	33
LeoVentures Limited	935	902
Gears of Leo AB	7,639	10,165
Total	**80,758**	**45,175**

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	2020	2019
Group		
Receivables from payment service providers	16,155	24,769
Other receivables, incl. trade receivables	7,005	10,538
Total	**23,160**	**35,307**

EUR 000s	2020	2019
Parent Company		
Other receivables	143	88
Total	**143**	**88**

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. Any impairment losses are reported among operating expenses.

Total receivables from payment service providers amount to EUR 16.2 m (24.8), of which EUR 464 thousand pertained to cash-in-transit as per the end of the reporting period. This means that these are past-due receivables, but pertain to payments currently in process. The Group works with well-established payment service providers and conducts frequent settlement of these receivables. In cases where a payment service provider shows difficulties in making payments, the Group can shut down the provider and thereby mitigate future credit risk. Against the background of the above, the provision for expected credit losses is assessed to be near zero, as the credit risk is judged to be very limited for receivables from payment service providers. Other receivables including trade receivables amount to EUR 7.0 m (10.5) and consist primarily of VAT receivables, trade receivables (B2B) and other receivables.

In total, as per the end of the reporting period the Group has EUR 607 thousand in receivables that are past-due, including cash-in-transit, of which EUR 529 thousand pertains to payments under collection and EUR 78 thousand pertains to trade receivables in the Group's B2B (affiliate activities). The Group has established a credit reserve of EUR 43 thousand in accordance with IFRS 9 and the Expected Credit Loss model related to these B2B receivables. The Group has not pledged any assets as security for these receivables.

EUR 000s	2020	2019
Group		
<30 days	464	2,720
30-60 days	42	-
61-90 days	23	125
>90 days	78	-
Total	**607**	**2,845**

Further information about the Group's financial risks is provided in Note 30.

NOTE 19 Prepaid expenses and accrued income

EUR 000s	2020	2019
Group		
Prepaid expenses	3,103	2,514
Prepaid marketing costs	1,986	2,784
Accrued income	391	31
Total	**5,480**	**5,329**

EUR 000s	2020	2019
Parent Company		
Prepaid expenses	550	74
Total	**550**	**74**

NOTE 20 Cash and cash equivalents

EUR 000s	2020	2019
Group		
Cash and cash equivalents	63,340	50,738
Less: bank guarantee	-4,000	-4,000
Less: restricted funds (customer balances)	-15,801	-13,352
Cash and cash equivalents, net after restricted funds	**43,539**	**33,386**

EUR 000s	2020	2019
Parent Company		
Cash and cash equivalents	1,419	372
Cash and cash equivalents	**1,419**	**372**

The Group's cash and cash equivalents include a bank guarantee of EUR 4,000 thousand (4,000) for the Spanish gaming licence and restricted customer balances of EUR 15,801 thousand (13,352). In its capacity as a manager of customer balances, the Group holds restricted liquid funds that belong to players. The corresponding amount for customer balances is thereby also classified as a current liability, see Note 23.

NOTE 21 Share capital and warrants

	2020	2019
Shares		
Number of common shares		
Fully paid	*101,652,970	101,652,970
Unregistered	-	-
Total	**101,652,970**	**101,652,970**

EUR	2020	2019
Fully paid	1,219,836	1,219,836
Share quota value	0.0120	0.0120

**During the fourth quarter of 2020 LeoVegas carried out a share repurchase, which affected the number of shares outstanding. The number of shares outstanding after the repurchase is 100,181,626. For more information about this see the section "Shares and shareholders".*

Ongoing incentive programmes

In 2018, 2019 and 2020 new incentive programmes for the Company's employees were created and approved by the respective years' AGMs. Under these incentive programmes, there are an additional 2,353,816 outstanding warrants that carry entitlement to subscribe for shares and which expire in June 2021, September 2022 and June 2023, respectively.

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 2018/2021
At an Extraordinary General Meeting on 29 May 2018 it was resolved to issue a maximum of 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 115.77 per share. A total of 633,766 warrants have been transferred from Gears of Leo AB to the persons entitled to subscribe, including members of Group Management, which also corresponds 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) was held by the wholly owned subsidiary Gears of Leo AB.

Incentive programme 2019/2022
At an Extraordinary General Meeting on 28 August 2019 it was resolved to issue a maximum of 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 September 2022 at a subscription price of SEK 50.00 per share. A total of 788,150 warrants have been transferred from Gears of Leo AB to the persons entitled to subscribe, including persons in Group Management, which also corresponds to fair market value according to the Black & Scholes valuation model. Total other capital contributions in the Group increased by EUR 206 thousand through premiums for the warrants. As per the balance sheet date, the remaining portion (211,850 warrants) was held by the wholly owned subsidiary Gears of Leo AB.

Incentive programme 2020/2023
At the Annual General Meeting on 8 May 2020 it was resolved to issue a maximum of 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–20 June 2023 at a subscription price of SEK 48.45 per share. A total of 931.900 warrants have been transferred from Gears of Leo AB to the persons entitled to subscribe, including persons in Group Management, which also corresponds to fair market value according to the Black & Scholes valuation model. Total other capital contributions in the Group increased by EUR 419 thousand, net after completed repurchases of EUR 319 thousand, through premiums for the warrants. As per the balance sheet date, the remaining portion (68,100 warrants) was held by the wholly owned subsidiary Gears of Leo AB.

Warrants held by the Company
A total of 2,353,816 warrants were held by the Company at the end of the reporting period.

Dividend
The Board of Directors proposes a dividend of SEK 1.60 (1.40) per share, corresponding to EUR 0.16 (0.13) per share. The total proposed dividend to the Parent Company's shareholders for the full year 2020 is SEK 160,290,602 (142,314,158), corresponding to EUR 15,943,602 (13,588,895). The dividend in euros for the full year 2020 has been calculated based on the exchange rate on 31 December 2020 (see also Note 31).

NOTE 22 Non-current liabilities

EUR 000s	2020	2019
Group		
Bond issue	48,860	-
Non-current liabilities to credit institutions	-	39,924
Lease liabilities	5,300	4,169
Deferred tax liabilities	1,435	2,088
Total	**55,595**	**46,181**

EUR 000s	2020	2019
Parent Company		
Non-current liabilities to credit institutions	-	10,000
Bond issue	48,860	-
Total	**48,860**	**10,000**

Borrowing and interest
In December 2020 LeoVegas AB (publ) issued a senior unsecured bond of SEK 500 m under a framework of SEK 800 m. The bond is valued at EUR 48.9 m (0.0). The bond has a tenor of three years and a floating interest rate of STIBOR three months plus 550 basis points and matures on 10 December 2023. In addition to this, LeoVegas also secured a new three-year revolving credit facility (RCF) of EUR 40 m, which carries interest of EURIBOR three months plus 250 basis points. The new bank credit facility was unutilised as per the balance sheet date. The bond and RCF replace the company's previous credit facilities. The previous bank credit facility was settled in connection with the new financing. In the preceding year, total borrowing amounted to EUR 69.9 m, of which EUR 30.0 m was classified as a current liability.

The fair value of the Group's 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 reported amounts of the Group's loans are issued in the original currencies shown below. The bond issued in SEK has been valued at the exchange rate in effect on the balance sheet date. The original currency of the bank credit facilities is EUR.

EUR 000s	2020	2019
Total loan liabilities		
Original currency, EUR	-	69,924
Original currency, SEK	48,860	-
Total	**48,860**	**69,924**

In addition to the non-current liabilities reported above, the Group reports a lease liability of EUR 5.3 m (4.2). The deferred tax liability of EUR 1.4 m (2.1) is related to Group surplus value from acquisitions, see also Note 11 for deferred tax liabilities.

Conditions and covenants for borrowing
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. The loan agreement includes certain financial covenants, mainly related to the leverage ratio and other customary conventions. The Group was in compliance with these covenants as per 31 December 2020. The Group expects to continue to be in full compliance and that the credit facility will be repaid in accordance with the contractual terms at such point. Following is a presentation of the Group's reconciliation of liabilities attributable to the financing activities.

Market value of the bond
The bond, which was issued in the amount of SEK 500,000,000, had a market value of SEK 501,875,000 on the balance sheet date.

Changes in liabilities attributable to the financing activities

				Non-cash items			
	1/1/2019	Cash inflow (loans raised)	Cash outflow (payment of credit/debt)	Transaction and borrowing costs	Plus contract/ periods	Exchange rate differences	**31/12/2019**
Non-current liabilities to credit institutions	69,642	-	-30,000	282	-	-	39,924
Current liabilities to credit institutions	30,000	-	-	-	-	-	30,000
Lease liabilities (transition from 1 January 2019)	9,936	-	-3,175	-	814	-	7,575
Total	**109,578**	**-**	**-33,175**	**282**	**814**	**-**	**77,499**

				Non-cash items			
	1/1/2020	Cash inflow (loans raised)	Cash outflow (payment of credit/debt)	Transaction and borrowing costs	Plus contract/ periods	Exchange rate differences	**31/12/2020**
Non-current liabilities to credit institutions	39,924	-	-39,924	-	-	-	-
Current liabilities to credit institutions	30,000	-	-30,419	419	-	-	-
Non-current bond issue		48,298	-	120	-	443	48,860
Lease liabilities	7,575	-	-3,244	-	4,062	-	8,393
Total	**77,499**	**48,298**	**-73,587**	**539**	**4,062**	**443**	**57,253**

NOTE 23 Trade and other payables

EUR 000s	2020	2019
Group		
Trade payables	7,402	5,548
Payroll tax and other statutory liabilities	1,416	1,687
Other payables	11,469	14,109
Payable to players	15,801	13,352
Total	**36,088**	**34,696**

EUR 000s	2020	2019
Parent Company		
Payable to Group companies	11	357
Trade payables	91	156
Other payables	10	11
Payroll tax and other statutory liabilities	99	116
Total	**211**	**640**

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	2020	2019
Group		
Accrued gaming expenses	4,249	7,251
Accrued marketing costs	11,962	7,463
Accrued payroll and remuneration costs	2,058	1,391
Auditors' fees	216	261
Consulting and legal fees	1,580	849
Other accrued expenses	24,711	18,371
Deferred income	306	225
Total	**45,082**	**35,811**

EUR 000s	2020	2019
Parent Company		
Accrued payroll and remuneration costs	258	143
Auditors' fees	57	53
Consulting and legal fees	82	67
Other accrued expenses	343	210
Total	**740**	**473**

NOTE 25 Liability for earn-out payment for acquisition

In connection with the acquisition of Royal Panda the Group has an outstanding liability as per the close of the balance sheet date for a contingent earn-out payment. As per the balance sheet date the liability was EUR 5.3 m (9.0). The matter was settled in the beginning of the financial year, entailing a positive earnings effect of EUR 0.7 m in net financial items. The Company made an initial partial payment of EUR 3.0 m towards the earn-out during the year. The remainder will be settled in its entirety by the third quarter of 2021 at the latest.

In preceding years, measurement of the purchase price, before the amount of the liability was determined, was done according to Level 3 of the fair value hierarchy. No transfers were made between the fair value levels during the year.

EUR 000s	2020	2019
Group		
Contingent consideration (earn-out) for acquisition	5,300	9,000
Total	**5,300**	**9,000**
Of which, to be settled within 12 months	5,300	9,000
Of which, to be settled after more than 12 months	-	-

NOTE 26 Pledged assets

The Group has no pledged assets borrowings. The Parent Company LeoVegas AB has a loan agreement for a revolving credit facility (RCF) that was unutilised as per the end of the balance sheet date. Under the terms of this loan agreement, LeoVegas AB shall guarantee all Group companies' loan obligations to the bank that may arise when the credit is used. LeoVegas AB has issued a debt coverage guarantee to all Group companies for its intra-Group receivables (see Note 17).

NOTE 27 Contingent liabilities

The Group does not have any guarantee obligations, financial obligations or contingent liabilities that are not carried 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 priced 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 their 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 34 thousand (52). The balance at year-end was EUR 0.0 thousand (1.0) and is reported as a trade payable.

EUR 000s	2020	2019
Parent Company		
Sales of services to Group companies	669	555
Result of participations in Group companies	20,000	31,986
Interest income from Group companies	580	537
Interest expenses to Group companies	-	-
Total	**21,249**	**33,078**
Receivables from Group companies	80,758	45,175
Accumulated impairment losses, receivables from Group companies	-	-
Carrying amount of receivables from Group companies	**80,758**	**45,175**
Liabilities to Group companies	11	357
Accumulated impairment losses, liabilities to Group companies	-	-
Carrying amount of liabilities to Group companies	**11**	**357**

The Annual General Meeting on 8 May 2020 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

The Group classifies and measures its financial assets in the category "Financial assets measured at amortised cost" and "Financial assets at fair value through profit or loss".

Financial assets measured at amortised cost are included in a business model where the goal is to collect contractual cash flows ("Hold to collect"), and at specific points in time the contractual terms give rise to cash flows that only consist of payments on principal and interest on the outstanding principal. For the Group this pertains to "Trade and other receivables" and "Cash and cash equivalents". For trade receivables and for other receivables with a short term, subsequent measurement is done at the nominal amount less amounts that are not expected to be received.

Financial assets measured at fair value through profit or loss pertain to currency derivatives (OTC derivative) and are remeasured to fair value with any gains or losses recognised in the consolidated income statement. Financial assets and liabilities in the form of derivatives are recognised at fair value through profit or loss in cases where hedge accounting is not applied. Hedge accounting has not been applied for this currency derivative. Financial assets recognised at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. See Note 30 for further information on fair value measurement.

Financial assets	Classification/measurement
Trade and other receivables	Financial assets measured at amortised cost
Cash and cash equivalents	Financial assets measured at amortised cost
Financial assets	Financial assets measured at fair value through profit or loss

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 financial liabilities that are to be measured at amortised cost, measurement is done initially at fair value and thereafter at amortised cost using the effective interest method.

Financial liabilities	Classification/measurement
Liabilities to credit institutions	Financial liabilities measured at amortised cost
Bond issue	Financial liabilities measured at amortised cost
Trade and other payables	Financial liabilities measured at amortised cost
Payable to players	Financial liabilities measured at amortised cost
Provision for contingent consideration for acquisition	Financial liabilities measured at fair value through profit or loss

In addition to the financial instruments shown in the tables above, the Group has financial liabilities in the form of lease liabilities, which are reported in accordance with IFRS 16.

The Group's exposure to various risks associated with the financial instruments are described in Note 30. The maximum exposure for credit risk as per the balance sheet date corresponds to the reported amount for each category of financial assets and liabilities mentioned.

EUR 000s	Note	2020	2019
Group			
Financial assets			
Trade and other receivables	18	23,160	35,307
Cash and cash equivalents	20	63,340	50,738
Financial assets		314	-
Total		**86,814**	**86,045**
Financial liabilities			
Trade and other payables	23	20,287	21,344
Payable to players	23	15,801	13,352
Non-current liability to credit institutions	22	-	39,924
Bond issue	22	48,860	-
Current liability to credit institutions	22	-	30,000
Liability for earn-out payment for acquisition	25	5,300	9,000
Total		**90,248**	**113,620**

EUR 000s	Note	2020	2019
Parent Company			
Financial assets			
Receivables from Group companies	17	80,759	45,175
Other receivables	18	143	87
Cash and cash equivalents	20	1,419	372
Total		**82,321**	**45,634**
Financial liabilities			
Non-current liability to credit institutions	22	-	10,000
Bond issue	22	48,860	-
Trade and other payables	23	200	283
Total		**49,060**	**10,283**

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 financing 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 pertaining to transactions in Swedish kronor (SEK) and British pounds (GBP).

Currency risks arise primarily in the Group when transactions are translated from foreign currency to the respective subsidiary's functional currency (which in all essential aspects is euro (EUR). These transaction risks arise between the exchange rate on the transaction date and the exchange rate on the payment date, or balance sheet date, and the difference is recognised in the income statement as income or an expense. The Group strives to minimise the effects in the income statement, and as far as possible, every operating subsidiary in the Group shall strive to match incoming and outgoing payment flows in the same currency.

There is also a translation risk that arises when subsidiaries are translated from their functional currency to the Group's reporting currency. This risk is very limited in the Group, since it is only operational subsidiaries that have another functional currency (GBP) than the Group's reporting 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 2020	**Net exposure**
SEK	10,097
GBP	11,015
Other currencies	7,721
31 December 2019	**Net exposure**
SEK	10,340
GBP	12,398
Other currencies	16,237

The following significant exchange rates were applied during the year:

	2020		2019	
	Average rate	Spot rate	Average rate	Spot rate
SEK	10.48	10.03	10.59	10.49
GBP	0.89	0.90	0.88	0.85

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 income 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 4.5 m (4.4). In this calculation, the average exchange rate for the year has been applied as the starting point for translation of income 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 8.8 m (8.6) 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 (0.5) for SEK and by EUR 0.6 m (0.6) for GBP.

Interest rate risk

The Group's revenue and cash flows from operations are affected by changes in interest rates in the market. In December 2020 LeoVegas AB (publ) issued a senior unsecured bond of SEK 500 m under a framework of SEK 800 m. The debt is valued at EUR 48.9 m (0.0). The bond has a tenor of three years and a floating interest rate of STIBOR three months plus 550 basis points and matures on 10 December 2023. In addition to this, LeoVegas also secured a new three-year revolving credit facility (RCF) of EUR 40 m, which carries interest of EURIBOR three months plus 250 basis points. The new bank credit facility was unutilised as per the balance sheet date. 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 to provide the liquidity required to finance the Group's operations.

Credit risk

Credit risk in the Group arises from liquid assets and trade receivables. LeoVegas' credit risk is limited since the Group's external customers in the gaming activities are private persons, and payments for online gaming services are made in advance through customer 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). LeoVegas also has the opportunity to quickly discontinue cooperation with payment service providers that do not settle their receivables on time and thereby significantly reduce this credit exposure.

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. Losses arising from these transactions are called chargebacks. Costs for all types of chargebacks amount to approximately 1% of total revenue, of which fraudulent transactions are a sub-component of this cost. 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 AA- (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	2020	2019
Group			
Receivables from payment service providers	18	16,155	24,769
Other receivables	18	7,005	10,538
Cash and cash equivalents	20	63,340	50,738
Total loans and cash and cash equivalents		**86,500**	**86,045**

EUR 000s	Note	2020	2019
Parent Company			
Other receivables	18	143	88
Cash and cash equivalents	20	1,419	372
Total loans and cash and cash equivalents		**1,562**	**460**

Liquidity risk

Prudent liquidity risk management entails that the Company 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.

In addition, the Group has a liability for restricted funds (customer balances) of EUR 15,801 thousand (13,352). 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 2020

EUR 000s	Carrying amount 2020	Less than 1 year
Trade and other payables	20,287	20,287
Payable to players	15,801	15,801
Current lease liability	3,093	3,093
Liability for earn-out payment for acquisition	5,300	5,300
Total	**44,480**	**44,480**

EUR 000s	Carrying amount 2020	Due within 2-5 years	Due later than 5 years
Non-current liabilities to credit institutions	-	-	-
Bond issue	48,860	48,860	-
Non-current lease liabilities	5,300	5,300	-
Total	**54,160**	**54,160**	**-**

Contractual maturities of financial liabilities at 31 December 2019

EUR 000s	Carrying amount 2019	Less than 1 year
Trade and other payables	21,344	21,344
Payable to players	13,352	13,352
Current liabilities to credit institutions	30,000	30,000
Current lease liabilities	3,406	3,406
Provision for contingent consideration for acquisition	9,000	9,000
Total	**77,102**	**77,102**

EUR 000s	Carrying amount 2019	Due within 2-5 years	Due later than 5 years
Non-current liabilities to credit institutions	39,924	39,924	-
Non-current lease liabilities	4,169	4,088	81
Total	**44,093**	**44,012**	**81**

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. A long-term financial target for LeoVegas is that the leverage ratio (net debt in relation to adjusted EBITDA) shall not exceed 1.0x. 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. According to IFRS 13, management must identify a hierarchy with three levels for measurement of financial assets and liabilities at fair value.

The following table shows the Group's financial instruments measured at fair value as per 31 December 2020.

2020	Level 1	Level 2	Level 3
Financial instruments measured at fair value through profit or loss:			
Financial assets	-	314	-
Total financial assets (CB)	**-**	**314**	**-**

The Group has reported an OTC derivative (a financial asset) at fair value through profit or loss. The fair value of financial assets that are not traded on an active market is determined with the help of valuation techniques that as far as possible are based on market information, while company-specific information is used as little as possible. All significant input data needed for the fair value measurement of an instrument is observable. No transfers were made between different levels of the fair value hierarchy during the year.

Previously, in connection with the acquisition of Royal Panda, the Group measured a contingent earn-out payment at fair value in accordance "Level 3" of the fair value hierarchy. As per the balance sheet date in 2019 this amounted to EUR 9.0 m. In 2020 the liability was finalised, and the remaining amount to be paid is EUR 5.3 m. A positive earnings effect of EUR 0.7 m arose during the year, as the finalised liability was lower than the estimated provision. Valuation of the purchase price, before the liability was finalised, was measured in accordance with IFRS 13 according to Level 3 of the fair value hierarchy. The provision was thereby measured using input values based on non-observable market data. Fair value was determined based on present value discounting and discounting interest rates to reflect the market risk.

2019	Level 1	Level 2	Level 3
Financial instruments measured at fair value through profit or loss:			
Provision for contingent consideration for acquisition	-	-	9,000
Total financial liabilities (CB)	**-**	**-**	**9,000**

NOTE 31 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 2020.

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

Share premium reserve	37,069,511
Profit brought forward	-18,818,314
Net profit for the year	16,722,373
Total	**34,973,570**
Payment of dividend to the shareholders (100,181,626 shares x EUR 0.16)	-15,943,602
Profit brought forward	**19,029,968**

The Board of Directors proposes a dividend of SEK 1.60 per share (1.40), corresponding to EUR 0.16 (0.13) per share. The total proposed dividend to the Parent Company's shareholders for the full year 2020 amounts to SEK 160,290,602 (142,314,158), corresponding to EUR 15,943,602 (13,558,895). The dividend in EUR for the full year 2020 has been calculated at the exchange rate in effect on 31 December 2020. 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 34,973,570 are at the disposal of the Annual General Meeting. If the Annual General Meeting resolves in favour of the proposal, EUR 19,029,968 will be carried forward. Dividends will be paid out on four occasions during the year.

NOTE 32 Significant events after the end of the financial year

Events after the balance sheet date refer to significant events that have occurred between the balance sheet date and the date on which the financial statements were signed by LeoVegas' board of directors.

LeoVegas acquires Expekt

On 14 March 2021 LeoVegas entered into an agreement to acquire all of the shares in the Maltese company Expekt Nordics Ltd ("Expekt"). Expekt holds a Swedish gaming licence and conducts operations with Swedish customers under the Expekt brand. At the same time, LeoVegas has entered into an agreement to acquire assets related to Expekt from the company Mangas Gaming Ltd, including all rights to the Expekt brand and access to the existing customer database. The total purchase price is EUR 5 m for all assets.

Net Gaming Revenue (NGR) for the acquired business amounted to EUR 6.9 m in 2020, and the business is profitable. During the fourth quarter of 2020 Expekt generated EUR 1.6 m in NGR, of which 91% is attributable to the Swedish market. The purchase price represents a revenue multiple (based on NGR) of 0.7x for 2020.

LeoVegas is not acquiring any technology, and technical migration to LeoVegas' proprietary technical platform has been started. The acquisition strengthens LeoVegas' brand portfolio with an established position in sports betting and strengthens the Company's strategic growth opportunities in the segment. Payment is being made in cash and will be financed with existing funds. Ownership and control (the point of acquisition) is expected to be transferred in May/June 2021, which will take place in connection with completion of the technical migration.

LeoVegas invests in casino start-up

After the balance sheet date, LeoVegas, through LeoVentures Ltd, invested EUR 1.1 m for 25% of the shares in the company SharedPlay, with an option to increase its ownership in the future in accordance with predefined conditions. SharedPlay is a new company that enables players to share their gaming experiences with each other, among other things through the industry's first solution for playing casino games in multiplayer mode. LeoVegas has the opportunity to increase its share of ownership over time.

LeoVegas shares taken up for trading on the US OTCQX market

Starting on 25 March, LeoVegas' shares are available for trading on OTCQX Markets in the US as an F share under the ticker symbol LEOVF. Accessibility on OTCQX will make it easier to meet the growing interest in LeoVegas from American investors and is thereby expected to bolster global trading in the company's shares. Trading on OTCQX will complement LeoVegas' current listing on Nasdaq Stockholm.

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 8 April 2021. 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 11 May 2021.

Stockholm, 8 April 2021

Per Norman
Chairman of the Board

Hélène Westholm
Director

Carl Larsson
Director

Fredrik Rüden
Director

Anna Frick
Director

Mathias Hallberg
Director

Torsten Söderberg
Director

Gustaf Hagman
President and CEO

Our audit report was submitted on 8 April 2021
PricewaterhouseCoopers AB

Aleksander Lyckow
Authorised Public Accountant

AUDITOR'S REPORT

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 2020.

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 and the group as of 31 December 2020 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 2020 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

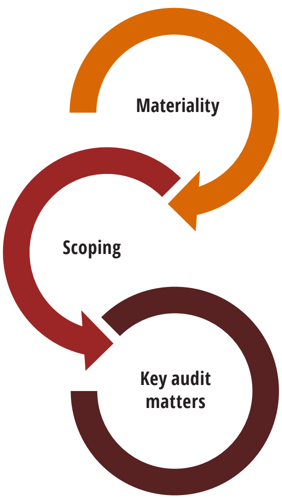
We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions 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, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.



OUR AUDIT APPROACH

Overview

- Overall materiality: 3,8 million euro, which is equivalent to 1 % of the group's revenue.

- Our group audit of 2020 has included units that represent approximately 95 % of the group's revenue.
- Compliance of laws and regulations in the market of online casinos.
- Valuation of goodwill.

OVERALL GROUP MATERIALITY
3,8 million euro (3,5 million euro)

HOW DID WE DETERMINED
1 % of group revenue

MOTIVATION OF THE GROUP MATERIALITY
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 380 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 101-113.* 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 business processes and controls regarding compliance with laws and regulations in the various national markets in which LeoVegas operates. • We have obtained statements from LeoVegas' external legal advisors in order to ensure that no unknown significant regulatory audits/requirements exist. • We have reviewed the company's accounting assessments in this area.
VALUATION OF GOODWILL *LeoVegas's description and information regarding goodwill can be found in note 15.* In LeoVegas's balance sheet 95 MEUR is reported as goodwill associated to acquisitions. This amount corresponds to 38 % 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 refer to revenue and operating margin's development, investment needs and applied discount rate. If the future development differs 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.

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 1-100 and 149-150. 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 Director's 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 Director's and the Managing Director of LeoVegas AB (publ) for the year 2020 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 Director's 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 Director's 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 May 8, 2020 and has been the company's auditor since May 28, 2015.

Stockholm, 8 April 2021
PricewaterhouseCoopers AB

Aleksander Lyckow
Authorised Public Accountant

KEY RATIOS

EUR 000s (unless specified otherwise)	2020	2019	2018	2017	2016
Revenue	387,464	356,039	327,817	217,014	141,398
Revenue growth (%)	*8.8*	*8.6*	*51.1*	*53.5*	*70.3*
Organic growth (%)	*11*	*7*	*20*	*46*	*70*
Gross profit	262,311	237,114	235,543	162,675	109,206
Gross profit margin (%)	*67.7*	*66.6*	*71.9*	*75.0*	*77.2*
EBITDA	51,865	49,531	41,605	25,947	16,001
EBITDA margin (%)	*13.4*	*13.9*	*12.7*	*12.0*	*11.3*
Adjusted EBITDA	55,365	44,193	41,086	27,894	21,284
Adjusted EBITDA margin (%)	*14.3*	*12.4*	*12.5*	*12.9*	*15.1*
EBIT	22,776	12,672	19,175	19,914	14,602
EBIT margin (%)	*5.9*	*3.6*	*5.8*	*9.2*	*10.3*
Working capital*	-74,410	-65,558	-18,091	-22,900	-12,283
Working capital as % of net sales	*-11.8*	*-7.0*	*-5.5*	*-10.6*	*-8.7*
Capital expenditures	-14,470	-9,197	-103,293	-50,102	-3,887
Capital expenditures as % of net sales	*-3.7*	*-2.6*	*-31.5*	*-23.1*	*-2.7*
Operating cash flow	69,240	37,024	36,494	34,075	27,151
Return on equity (%)	*19.7*	*9.6*	*54.4*	*33.0*	*42.8*
Equity/assets ratio (%)	*39.4*	*37.4*	*35.8*	*31.8*	*65.2*
Number of shares outstanding at end of period	101,652,970	101,652,970	101,652,970	99,695,470	99,695,470
Earnings per share (EUR)	0.18	0.09	0.43	0.18	0.14

**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	2020	2019	2018	2017	2016
EBITDA	**51,865**	**49,531**	**41,605**	**25,947**	**16,001**
Costs attributable to listing	-	-	62	594	5,283
Costs attributable to consulting for acquisitions	-	-	466	1,353	-
Provision for fine in the UK from UKGC	-	-	453	-	-
Profit on sale of asset	-	-11,403	-1,500	-	-
Restructuring costs and other items affecting comparability	3,500	6,065	-	-	-
Adjusted EBITDA	**55,365**	**44,193**	**41,086**	**27,894**	**21,284**

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 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 more than once, such as a customer who has made a deposit with Royal Panda and LeoVegas during the period.

Deposits
Includes all cash deposited for gaming by customers during a given period.

Dividend per share
The proposed or paid dividend divided by the number of shares outstanding.

Earnings per share
Total comprehensive income attributable to owners of the Parent Company, divided by a weighted average number of shares outstanding during the period.

Earnings per share after dilution
Total comprehensive income attributable to owners of the Parent Company divided by a weighted average number of shares outstanding during the period, adjusted for additional shares for warrants with a dilutive effect.

EBIT
Operating profit.

EBIT margin, %
EBIT in relation to revenue.

EBITDA
Operating profit before depreciation, amortisation and impairment losses.

EBITDA margin, %
EBITDA in relation to revenue.

Equity/assets ratio, %
Shareholders' equity at the end of the period in relation to total assets at the end of the period.

Gaming tax
A tax that is calculated on a measure of revenue that gaming operators pay in a regulated market, such as Denmark, Italy, the UK, Spain or Sweden. In certain cases it also refers to a cost for VAT on revenue (e.g., 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 gaming vendors, fees paid to payment service providers, and gaming taxes.

Hold
Net Gaming Revenue (NGR) divided by the sum of deposits.

Items affecting comparability
Pertains to amortisation of acquired intangible assets and remeasurement of earn-out payments for acquisitions. Sales of subsidiaries and assets that affect earnings are also eliminated. Costs related to restructuring of the existing organisation are also defined as items affecting comparability. Gaming taxes that have arisen for historical periods following a new assessment are also included as an item affecting comparability.

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.

Net liability excluding player liabilities
The Company's interest-bearing liabilities less cash and cash equivalents excluding player funds.

New depositing customer (NDC)
A customer who has made his or her first cash deposit during the period.

Operating profit (EBIT)
Profit before financial items and tax.

Organic growth
Growth excluding acquisitions, adjusted for currency effects.

Platform
The LeoVegas Group has two technical platforms for its wholly owned brands, and both are owned, controlled and further developed by the Group.

Profit margin
Profit after financial items in relation to revenue for the period.

Regulated revenue
Revenue from locally regulated markets.

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.

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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MOBILE GAMING GROUP