ANNUAL REPORT 2022 LEOVEGAS AB (PUBL)

LeoVegas
MOBILE GAMING GROUP

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LEOVEGAS GROUP'S SUSTAINABILITY REPORT

LeoVegas Group's Sustainability Report pertains to the 2022 financial year. In accordance with Ch. 6 §10 of the Swedish Annual Accounts Act, the company 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 and was submitted to the company's auditor at the same time as the Annual Report. The report covers the Parent Company, LeoVegas AB (publ.) (corporate identity number 556830-4033) and its subsidiaries. In connection with its signing of the Annual Report, the Board of Directors of LeoVegas AB (publ.) also approved the Sustainability Report.

INTRODUCTION

Demand for digital games and entertainment from mobile devices has continued to grow substantially, with iGaming and betting representing global multi-billion dollar industries that continue to be on the rise. More countries are introducing national licenced markets, and existing licenced markets are continuing to implement new regulations to elevate consumer protection. In line with this rapid product development and growth, the industry must increasingly raise its standards to ensure a safe and secure customer experience and sustainable customer relations.

For LeoVegas Group, it has been crucial to focus on the company's sustainability efforts in the areas that affect operations and where LeoVegas Group has the greatest impact. In autumn 2022, LeoVegas Group was purchased by the US entertainment company MGM Resorts International (NYSE: MGM) and delisted from the Stockholm stock exchange. New efforts to incorporate LeoVegas AB's sustainability strategy with MGM Resorts International's global sustainability efforts and targets will be introduced. In 2022, sustainability efforts have been dominated by material and long-term research commitments.

STAKEHOLDER DIALOGUE AND MATERIALITY ANALYSIS

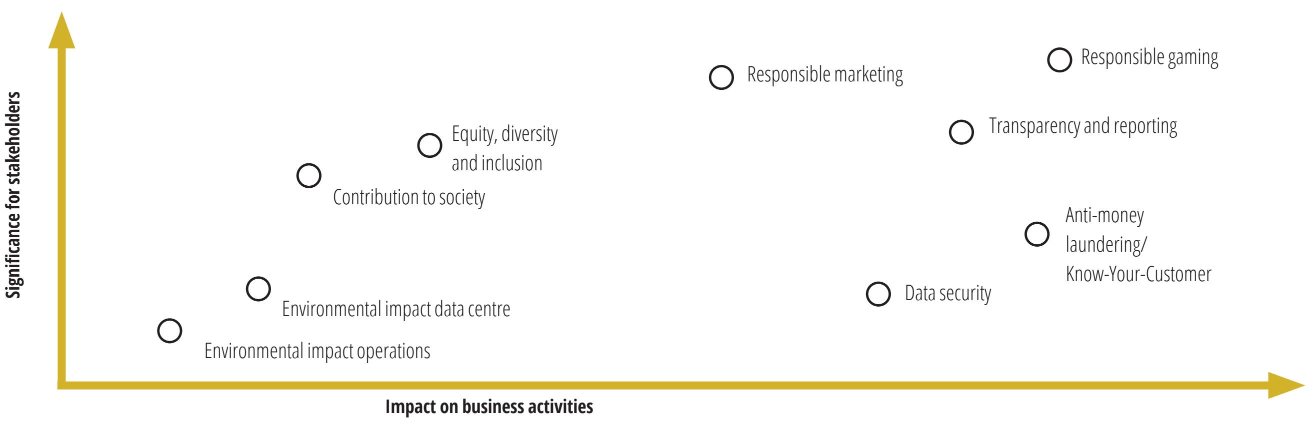
LeoVegas Group completed its first stakeholder dialogue in 2021 to understand the views of the company's different stakeholders with regards to sustainability. The results have been instrumental in 2022 for how the company has chosen to prioritise various sustainability issues and how it has structured sustainability efforts.

The stakeholder dialogue included:

- In-depth interviews conducted with external stakeholders – politicians, industry experts and business partners.
- In-depth interviews conducted with several owners, members of the company's Board of Directors and the company's management team.
- Internal workshops conducted with employees in senior positions.
- A comprehensive survey conducted of customers.

In conclusion, the dialogue demonstrates that the industry as a whole is not doing enough when it comes to responsible gaming, which, over time, has led to a decline in reputation for all gaming operators. Even if LeoVegas Group conducts comprehensive efforts to minimise unsound gaming, our activities are not always communicated as openly and transparently as they could be. Both the LeoVegas Group and the entire gaming industry would benefit from more collaboration as well as shared industry standards and key performance indicators to follow up on.

MATERIALITY MATRIX



THE DIFFERENT STAKEHOLDER GROUPS CHOOSE TO PRIORITISE VARIOUS SUSTAINABILITY TOPICS ACCORDING TO THE FOLLOWING:

Employees:
Responsible gaming
Anti-money laundering/ Know-Your-Customer
Social responsibility and duty of care

Shareholders and analysts:
Transparency
Compliance
Employee well-being

External stakeholders:
Responsible gaming
Transparency
Compliance

Customers:
Responsible gaming
Responsible marketing
Data integrity

Board Of Directors:
Responsible gaming
Responsible marketing
Transparency

IDENTIFIED ESG RISKS

Environmental aspects	Social aspects	Governance and control aspects
• Energy management	• Responsible gaming and player protection	• Regulatory stability
• Carbon footprint	• Responsible marketing	• Money laundering
• Business trips	• Match fixing	• Corruption
	• Diversity and equity	• Financial stability
	• Employee commitment	• Cybersecurity
		• Customer data protection
		• Sustainability and compliance efforts of subcontractors and partners

LeoVegas Group has identified and sorted a number of ESG risks that, to varying degrees, may impact operations.

As a global and digital entertainment company, LeoVegas Group's greatest environmental risks are in the areas of energy management, business trips and carbon footprint. The choice of cloud-service providers and a travel policy that bears the environment in mind have been the most important measures for managing the risks. Read more under the Environment section.

Among the social aspects, LeoVegas has identified risks in the areas of player protection and responsible marketing. These areas are decisive, partly from a compliance perspective, but also from a broader perspective in terms of industry reputation. Failure to succeed in these areas could impact the company's licences, but also the Group's brand and the industry's credibility. Work with responsible gaming is validated annually by a third party. Read more under the Compliance and Group framework for responsible gaming sections.

The mere suspicion of match fixing risks undermining the credibility of sports betting. LeoVegas Group is takes an active role in collaborating both in the industry and with sport to offset and prevent match fixing. We have direct partnerships in place with national sports federations as well as through international industry organisations in order to minimise the risks. Read more under Compliance and Match fixing.

In an industry rich with knowledge, employee engagement and diversity are important for companies' success. Deficiencies within the area risk undermining the ability to attract and retain competent personnel. LeoVegas Group works conscientiously to ensure high employee commitment and has developed an action plan to make improvements in the area of diversity and equity. Read more under Employees and Diversity.

Regulatory risks were identified regarding governance and control aspects and how a lack of stability could lead to arbitrary regulations that impact both licences and revenue. To manage risks in the area, LeoVegas Group is a present and active partner with authorities and politicians in order to be part of the process of new regulation being discussed. These efforts also take place through national industry organisations. During 2022, the company has been a member of industry organisations in Malta, Sweden, the UK, the Netherlands, Italy, Germany, Denmark, Norway and a newly started organisation in Finland.

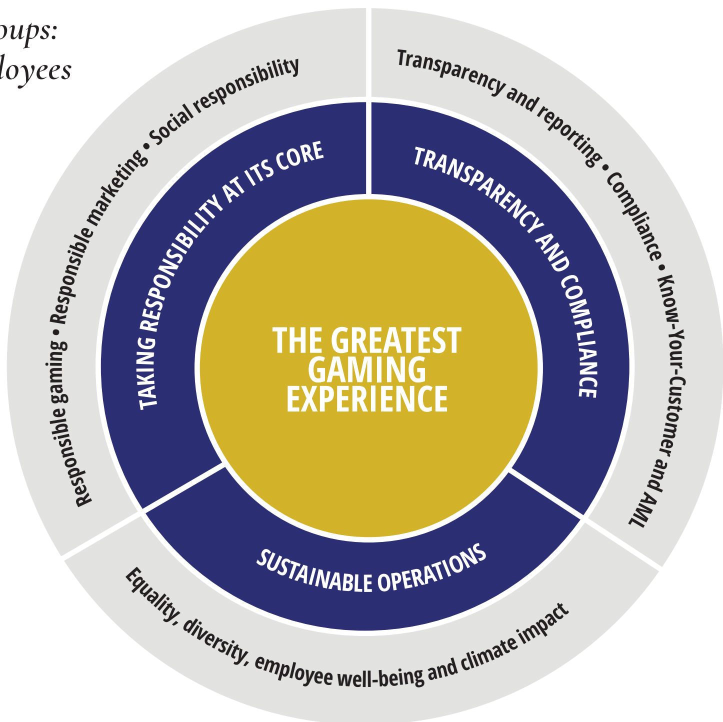
Issues such as customer data protection and general cybersecurity are critical for the company to be able to provide reliable gaming services in a safe and secure environment. Customers trust the company to be able to manage and protect customer data in a safe way. There is a risk that criminal or dishonest entities will try to access customer data or harm the company. As such, the company must remain in the forefront when it comes to issues such as cybersecurity or the processing of customer data. All employees must review the company's Information Security Policy.

HOW SUSTAINABILITY LINKS TO OUR OPERATIONS

LEOVEGAS' SUSTAINABILITY MODEL

LeoVegas Group's sustainability model focuses on responding to the expectations of three groups: the company's customers, the company's employees and external stakeholders.

- TAKING RESPONSIBILITY AT ITS CORE
- TRANSPARENCY AND COMPLIANCE
- SUSTAINABLE OPERATIONS



EMPLOYEES AND DIVERSITY

EMPLOYEES

LeoVegas Group's success and competitiveness is founded on its personnel. The company offers a dynamic and modern environment. As opposed to a hierarchical corporate culture, self-driven employees are encouraged to develop to make decisions for their own areas. 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." The company regularly sends surveys to employees to capture ideas, opinions and measure satisfaction in the organisation. Each month, an Employee Engagement Score is measured on a scale of 0–10. The target for 2022 is to be on par with an industry benchmark for companies within the technology sector with a score of 8.0. Pleasingly, we received an Employee Engagement Score of 8.3 in 2022, which is an improvement from 8.1 in 2021.

DIVERSITY, ANTI-DISCRIMINATION AND HUMAN RIGHTS

Diversity is an important part of the company's culture, and LeoVegas Group works actively to bring in new talents and to retain its existing employees. As a global company with people from many different countries, cultures and origins, internal collaboration is based on trust and respect. Some 60 nationalities are represented among the company's employees. This broad diversity has contributed to the company developing positively.

In the Swedish offices, there is an over representation of men. In the offices in Malta, the gender distribution is more even. LeoVegas Group's standpoint is to offer equal pay for equal work, and the company continues to work strategically to increase interest among women searching for positions in LeoVegas Group. The company's statutory Swedish compensation survey revealed an Equal Pay Index of 87.2, with a result of 100 indicating entirely equal wage distribution between men and women. This is a year-on-year decrease and the company intends to conduct extra mapping as early as spring 2023 to understand the reason for this decline and the measures needed to improve the index.

LeoVegas Group's position on diversity is specified 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 Group respects and values human rights by working against all forms of discrimination within the organisation. LeoVegas Group's Human Resources Policy is required reading for all employees and is accessible in the company's internal training system. In 2022, there were 0 cases of breaches of human rights reported or recognised.

In 2022, LeoVegas Group conducted a survey with its employees in the field of diversity and inclusion for the first time. The survey was conducted together with the Swedish Allbright foundation, which is a leading player in this field. Data collection is important for the company to be able to drive change, evaluate and prioritise work.

The results of the survey led to new prioritised areas in the field of diversity (DEI).

- Training/further training
- Focus on new recruitments
- Establish new forums for employees
- Onboarding initiatives
- Increase employee awareness of reporting processes

A new survey will be conducted in 2023 to evaluate these efforts.

BOARD OF DIRECTORS

At the start of the year, LeoVegas Group's Board was made up of two women and five men, which entailed a composition of 29% women. Following MGM Casino Next Lion, LLC's ("MGM") purchase, a new Board was appointed consisting of MGM and LeoVegas Group employees, all of whom in the Board of Directors are men.

MANAGEMENT

LeoVegas Group's management team was expanded in 2022 and consists of the CEO, CFO, CPTO CCO, CDO, COO, CCLO and CMO. At the end of the year, the management team consisted of 87.5% men and 12.5% women. Management below the management team is made up of employees with the titles of Director and Head of. The gender breakdown of this category is 15% (30) women and 85% (70) men.

SWEDEN		UK		MALTA			OTHER OFFICES	
28% Women	72% Men	39% Women	61% Men	48% Women	0.2% Non-binary	52% Men	27% Women	73% Men

COMPLIANCE

LeoVegas Group holds licences and is under local supervision in Denmark, Italy, Ireland, Malta, the UK, Sweden, Spain, and the province of Ontario in Canada. In the fourth quarter of 2022, 83% of LeoVegas Group's revenue was generated from markets with local licences or local taxation. The figure is expected to continue to rise in the coming years owing to an expressed strategy of growth in locally regulated markets.

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 with clear decisions from supervisory authorities and political decision-makers. LeoVegas Group has adapted its offering and services to meet the requirements and to future-proof operations for additional regulated markets. LeoVegas Group's compliance department reports on a regular basis to the management team and the Board of Directors. The Group's Chief Compliance Legal and Risk Officer (CCLO) has the ultimate operational responsibility for compliance. LeoVegas Group has completed follow-ups and control of compliance in all markets. Common to all markets are licence systems that are characterised by strong consumer protection. The company's existing experience of regulated markets has facilitated the expansion into new regulated markets. Operations are adapted to many of the requirements that are in place in other regulated markets.

CODE OF CONDUCT

LeoVegas Group's Code of Conduct is the foundation for providing employees with guidance on the company's ethical standards. It also lays out LeoVegas Group's responsibility to offer a safe and healthy workplace as well as to promote and respect human rights based on international generally accepted rules and norms. The Code of Conduct is compulsory for all employees to read.

WHISTLEBLOWER FUNCTION

To ensure that all employees and partners feel secure in reporting any departures from the company's policies, or other rules, an external whistleblower function has been established through which anybody can confidentially and effectively report potential problems. Information about the new whistleblower function can be found on LeoVegas Group's website and on the intranet. In 2022, 0 reports were submitted to the company's whistleblower function.

ANTI-MONEY LAUNDERING (AML)

Combating money-laundering is facilitated by the fact that the business is conducted digitally and all transactions are traceable. LeoVegas Group regularly evaluates the integrity of its existing business partnerships. The company's internal and external procedures and efforts to combat money laundering and the financing of terrorism are in line with the EU's fifth anti-money laundering directive as well as local regulations and licencing criteria. Company employees receive annual training on regulations and procedures.

BRIBERY, CORRUPTION AND FRAUD

LeoVegas Group has zero tolerance for bribery and corruption, and the company acts in accordance with relevant anti-corruption laws in the countries in which LeoVegas Group has a presence. The company performs controls on a regular basis of the marketing partners that LeoVegas Group works with. The company 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 on. In 2022, there were 0 cases of suspected bribes or corruption.

TAXES

LeoVegas Group works at a global level and is active in a number of regulated markets, which means that several different tax regulations apply for the company's operations. The Group shall adhere to all local tax laws in the countries in which LeoVegas Group 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 operations.

SUSTAINABLE MARKETING

LeoVegas Group applies its Code of Conduct as the core values for the company's relations and collaboration with marketing partners. Through regular controls, the company works actively to prevent partners from marketing themselves in a way that is contrary to applicable marketing and licencing requirements in respective markets.

POLICIES

Employees in LeoVegas Group are to undergo a training programme to review all of the obligatory policies. The policies that employees are required to review depends on the country in which they are working and the function they have in the company. 68% of employees have completed the training programme and 22% of employees are currently undergoing the programme. Other employees will also undergo the training program.

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

Impacting the outcome of sport, known as match fixing, is considered to be one of the greatest threats to the integrity of competitive sports. Preventing, detecting and prosecuting match fixing requires collaboration between sport, gaming companies and law enforcement authorities. The sports themselves educate their athletes while gaming companies have a responsibility to monitor all transactions surrounding the matches they offer gambling on in order to identify deviations or unexplainable outcomes. In the digital gaming industry, companies have the opportunity in real time to analyse wagers, player behaviour and odds movements. Suspicious matches and games are reported, depending on the jurisdiction, to the pertinent authorities and relevant sport bodies. Match fixing is combated successfully when gaming companies, authorities and sport associations collaborate.

In Sweden, LeoVegas Group and several other gaming companies have signed a memorandum of understanding with the Swedish Sports Confederation to collaborate and coordinate efforts to combat match fixing. Company employees have also represented the entire gaming industry in the Swedish Gambling Authority's match fixing council. Thankfully, there are indications that the number of suspected match fixing cases in Sweden reduced in 2022.

LeoVegas Group works closely with our suppliers to manage risks associated with betting. If our suppliers or LeoVegas Group detect inexplicable deviations, the company can remove the game offering in question and freeze disbursements pending further investigation. The suppliers analyse all transactions and odds movements in the international gaming market, while LeoVegas Group is responsible for Know-Your-Customer routines and handling wagers and payment of winnings.

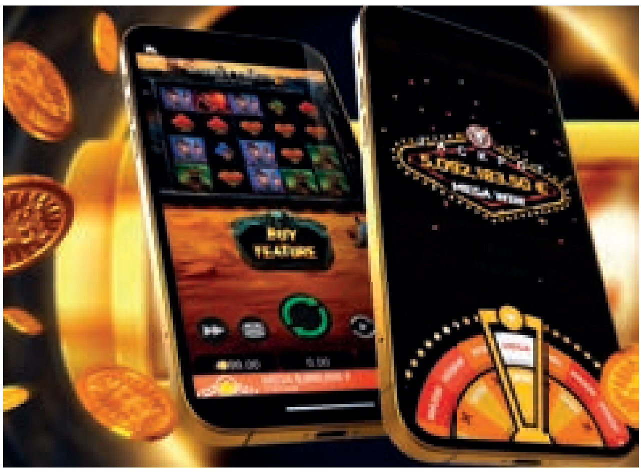
LeoVegas Group has been a member of the International Betting Integrity Association (IBIA, formerly ESSA) since 2019. The IBIA works with a monitoring and warning platform to, in real time, identify and report suspicious activity. In the event of suspicion, all connected gaming companies across the world are informed immediately. 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.

In 2022, the IBIA issued 268 (14%) suspicious warnings spread across 14 (13) sports and 16 (49) countries. The most exposed sports are tennis with 102 (80) warnings and football with 67 (66) warnings. The total number of warnings is in line with the IBIA's expectations.

international betting integrity association

LEOVEGAS GROUP'S FRAMEWORK FOR RESPONSIBLE GAMING REVIEWED AND ASSESSED BY A THIRD PARTY

As part of the efforts to evaluate and ensure a safe gaming experience, LeoVegas Group has taken the initiative to allow a third party to externally review the company's framework and procedures for ensuring responsible gaming. The first review was conducted in 2021 by the independent, industry-leading British agency eCOGRA, which specialises in testing, certifying and assessing the gaming sector. In June 2022, eCOGRA performed tests and conducted interviews to assess if LeoVegas Group's gaming services live up to the EU Commission's recommendations 2014/478/EU on principles for the protection of consumers and players of online gambling services and for the prevention of minors from gambling online. The review demonstrated once more that LeoVegas Group continues to conform with all relevant recommendations, and no other remarks were made.



RESPONSIBLE GAMING

For most people, gaming is a form of entertainment and relaxation. The vast majority keep their limits in mind and know how to stop playing in a controlled manner. They accept that they can lose money, and don't play to recoup their losses. But for certain individuals, gaming can lead to problems. These customers need help to control their gaming or to stop playing entirely. It is LeoVegas Group's obligation as an operator to give its customers tools and information to ensure that they do not adopt unsound gaming behaviour. LeoVegas Group directs its offering to people who view gaming as a form of entertainment and does its utmost to identify people with or who are at risk of developing a gambling problem at an early stage. If a customer shows tendencies toward unsound gaming, contact is made with the person in question. Customers identified as problem gamers have their accounts closed for an indefinite period of time. This is documented and reviewed so that LeoVegas Group can follow up its contact with customers and evaluate how the process can be further improved.

CONTRIBUTION TO RESEARCH

LeoVegas Group works continually to examine, but also to contribute to, new research. The company's employees in Data and Analytics have worked closely with several universities and research institutes, where companies are able to contribute with customer data that the researchers have been lacking.

In 2022, LeoVegas Group entered into a four-year research project with the Department of Clinical Neuroscience at Karolinska Institutet, one of the world's leading medical universities. The research aims to improve methods of identifying and preventing gambling problems. The company is financing the project and providing data. Gaming with money is controversial, and the hope is that the research will lead to more evidence-based discussions and documentation that could lead to minimising the damaging effects of unsound gaming.

The research is led by Karolinska Institutet's research group leader and associate professor Philip Lindner, who conducts clinical and other applied research in digital psychiatry with the aim of developing, evaluating and implementing new tools for the mapping and treatment of physical illnesses. The partnership guarantees the researchers academic freedom.

ENVIRONMENT

TRAVEL

In 2022, the effects of the global pandemic have had less of an effect on the company's operations, with travel in particular having risen year-on-year. The company's business travel has a major impact on the environment and LeoVegas Group's travel policy urges employees to book trips based on the most cost-effective and environment-friendly alternative. In 2020 and 2021, in the wake of the pandemic, travel was lower than in previous years. There was a return to a more normal level of travel in 2022. As a result, emissions from travel increased in 2022 compared with 2021 and 2020, but remain under the levels of 2019.

Carbon emissions from business trips in 2022 amounted to 1.1 m lbs. The corresponding figures were 305,300 lbs for 2021, 394,400 lbs for 2020 and 1.6 m lbs for 2019. [Coefficient year 2022]

Carbon emissions are calculated according to the conversion factor for air. Source: DEFRA, produced by AEA for the British Department of Energy and Climate Change (DECC) and Department for Environment, Food and Rural Affairs (Defra).

TECHNOLOGY

LeoVegas Group offers its customers a digital service with limited emissions and environmental impact. However, operations are dependent on datacentres. As early as in 2020, LeoVegas Group's technical platform was migrated to Google Cloud. By choosing Google, LeoVegas Group 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 Cloud notes that it is twice as energy-efficient as a traditional datacentre. 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.

LEOINITIATIVE

Since its launch in 2012, the company has borrowed both its name and its logo from the lion. At LeoVegas Group's five-year celebration in 2017, the Leoinitiative was founded, a charity project of the LeoVegas Group focused on making a difference for the threatened lion population.

To contribute to an increased lion population and to improve the situation for lions across the world, Leoinitiative is supporting Stichting Leeuw (The Lions Foundation). Stichting Leeuw operates a rescue centre in Landgoed Hoenderdaell in the Netherlands to help large cats. Many lions and tigers come from circuses or private homes where they have been kept as pets.

Collaboration between Leoinitiative and Stichting Leeuw have allowed two lions – Bruno and Omar – to be adopted from captivity in Europe and transported to The Lions Foundation in Schrikkloof Private Nature Reserve in South Africa, where they now live together with other lions. Their new home is more in line with their natural habitat and stretches across over 700 hectares in the Waterberg area. The area is home to buffalos, giraffes, zebras, antelopes, waterbucks and many more animals. Bruno and Omar were born in a circus in Slovakia. When the circus no longer had use for the animals, they were sold to different private individuals who kept them as pets. Finally, Bruno and Omar were reunited at The Lions Foundation and in 2017, they were able to be relocated to South Africa, where they are now living healthy lives.

Before the pandemic, LeoVegas Group employees were granted the opportunity of visiting Bruno and Omar in South Africa. This was not possible during the pandemic years of 2020–2022. Ahead of 2023, providing the company's personnel with the opportunity of visiting the animals and supporting the important work in South Africa is being re-evaluated.

Bruno

Omar

THE EU TAXONOMY REGULATION

OVERARCHING INFORMATION

The EU Taxonomy (the "EU Taxonomy Regulation") and its relevance for LeoVegas Group is based on Regulation 2020/852 and supplements delegated acts. The Taxonomy introduces a classification system that lists the environmentally sustainable economic activities that intend to scale up sustainable investments and redirect capital flows toward technologies and companies that are considered sustainable. From the 2022 financial year, the EU Taxonomy covers the sectors and economic activities with the greatest potential of avoiding and reducing emissions and thereby meeting the EU's SDGs with an overall plan to reduce net carbon emissions and achieve net zero emissions by 2050.

COMPLIANCE ASSESSMENT

TURNOVER KPI

For reporting of the 2022 financial year, the EU Taxonomy is limited to the first two environmental objectives, which pertain to climate change mitigation and climate change adaptation in Annex I and Annex II of the Climate Delegated Act. LeoVegas Group's overall assessment and analysis is that the Group's turnover from gaming operations is excluded from the current scope of financial operations described in Annex I and Annex II. As such, LeoVegas Group does not report any Taxonomy-aligned revenue.

CAPEX KPI

Since LeoVegas Group does not have any Taxonomy-aligned revenue, there is no Taxonomy-aligned CapEx related to investments in any turnover-eligible activities. As such, LeoVegas Group's assessment and screening is conducted for qualified economic activities from purchases from suppliers from Taxonomy-eligible activities carried out by our suppliers, which is described in Annex I that supplements regulation 2020/852.

Taxonomy-aligned CapEx related to the lease of premises (2%) has been allocated to activity 7.7 (Acquisition and ownership of buildings) and a lesser share that pertains to leasehold improvements has been allocated as Taxonomy-aligned CapEx (1%) under activity 7.2 (Renovation of existing buildings).

Taxonomy-aligned CapEx consists of other expenditure in accordance with category c of the delegated regulation, which pertains to investments and purchases from suppliers Taxonomy-aligned economic activities. However, LeoVegas Group has not been able to establish these investments as Taxonomy-aligned due to the difficulty of obtaining relevant information from suppliers.

OPEX KPI

LeoVegas Group does not view OpEx as material since LeoVegas Group is a gaming operator and does not have capital-intense operations. LeoVegas Group has a low degree of short-term leases and external costs considered to be OpEx costs. LeoVegas Group does not therefore report any Taxonomy-aligned OpEx. For complete tables on the Taxonomy for transition, CapEx KPIs and OpEx KPIs, see the tables below.

ACCOUNTING POLICIES

TURNOVER KPI

The included turnover follows the same accounting policies as presented in the Group's Annual Report and consists of external revenue in accordance with the applicable IAR standards presented in Note 2 in the Financial statements, which can be reconciled against the revenue row in the Group's profit or loss in LeoVegas Group's financial statements.

CAPEX KPI

Investments (CapEx) included in the denominator pertain to tangible and intangible assets, and right-of-use assets before any remeasurement, depreciation/amortisation or impairment and any changes in fair value in the 2022 financial year. Goodwill is excluded in CapEx since it is not defined as an intangible asset in accordance with IAS 38 Intangible assets. An example of capital expenditures in LeoVegas Group during the financial year is leasehold improvements. The year's OpEx does not include any expenditure as the result of company acquisitions, refer to the investments in notes 7, 13 and 14 in LeoVegas Group's financial statements.

OPEX KPI

Operating expenses (OpEx) do not correspond to total operating expenses in the Group's income statement. Under the Taxonomy Regulation, OpEx is included in other external costs in the income statement in accordance with the regulation. OpEx expenses included in the KPIs pertain to direct costs that are not capitalised assets and that are attributable to non-capitalised research and development, current leases and maintenance and reparation expenses related to the daily service of non-current assets performed by the company or a third party.

The proportion of turnover from products or services associated with Taxonomy-aligned economic activities

				Substantial contribution criteria						DNSH criteria (Do Not Significant Harm)										
Economic activities	Code	Absolute turnover	Proportion of turnover	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution prevention	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution prevention	Biodiversity and ecosystems	Minimum Safeguards	Taxonomy-aligned proportion of turnover year N	Taxonomy-aligned proportion of turnover year N-1	Category enabling activity	Category transitional activity
		Currency	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1 Taxonomy-aligned activities																				
Turnover of Taxonomy-aligned activities (A.1)																				
A.2 Taxonomy eligible but non-aligned activities																				
Turnover of non-aligned activities (A.2)																				
Total aligned + eligible but not aligned (A.1 + A.2)		0	0														0	0		
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																				
Turnover of non-eligible activities (B)		394,659	100%																	
Total eligible + non-eligible (A + B)		394,659	100%																	

The proportion of CapEx from products or services associated with Taxonomy-aligned economic activities

Economic activities	Code	Absolute CapEx	Proportion of CapEx	Substantial contribution criteria: Climate change mitigation	Substantial contribution criteria: Climate change adaptation	Substantial contribution criteria: Water and marine resources	Substantial contribution criteria: Circular economy	Substantial contribution criteria: Pollution prevention	Substantial contribution criteria: Biodiversity and ecosystems	DNSH criteria (Do Not Significant Harm): Climate change mitigation	DNSH criteria (Do Not Significant Harm): Climate change adaptation	DNSH criteria (Do Not Significant Harm): Water and marine resources	DNSH criteria (Do Not Significant Harm): Circular economy	DNSH criteria (Do Not Significant Harm): Pollution prevention	DNSH criteria (Do Not Significant Harm): Biodiversity and ecosystems	Minimum Safeguards	Taxonomy-aligned proportion of CapEx year, N	Taxonomy-aligned proportion of CapEx year, N-1	Category enabling activity	Category transitional activity
		Currency	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1 Taxonomy-aligned activities																				
CapEx of taxonomy-aligned activities (A.1)																				
A.2 Taxonomy eligible but non-aligned activities																				
Acquisition and ownership of buildings	7.7	520	2%																	
Renovation of existing buildings	7.2	227	1%																	
Data processing, hosting and related activities	8.2	19,078	91%																	
CapEx of non-aligned activities (A.2)																				
Total aligned + eligible but not aligned (A.1 + A.2)		**19,825**	**95%**														0	0		
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																				
CapEx of non-eligible activities (B)		1,078	5%																	
Total eligible + non-eligible (A + B)		**20,903**	**100%**																	

The proportion of OpEx from products or services associated with Taxonomy-aligned economic activities

Economic activities	Code	Absolute OpEx	Proportion of OpEx	Substantial contribution criteria: Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution prevention	Biodiversity and ecosystems	DNSH criteria (Do Not Significant Harm): Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution prevention	Biodiversity and ecosystems	Minimum Safeguards	Taxonomy-aligned proportion of OpEx year N	Taxonomy-aligned proportion of OpEx year N-1	Category enabling activity	Category transitional activity
		Currency	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1 Taxonomy-aligned activities																				
OpEx of Taxonomy-aligned activities (A.1)																				
A.2 Taxonomy eligible but non-aligned activities																				
OpEx of non-aligned activities (A.2)																				
Total aligned + eligible but not aligned (A.1 + A.2)		**0**	**0**														0	0		
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																				
OpEx of non-eligible activities (B)		5 348	100%																	
Total eligible + non-eligible (A + B)		**5 348**	**100%**																	

AUDITOR'S REPORT ON THE STATUTORY SUSTAINABILITY REPORT

To the general meeting of the shareholders in 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 2022 and that it has been prepared in accordance with the Annual Accounts Act.

THE SCOPE OF THE AUDIT

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report.

This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

OPINION

A statutory sustainability report has been prepared.

Stockholm, 27 April 2023
PricewaterhouseCoopers AB

Niklas Renström
Authorized Public Accountant

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE AT LEOVEGAS GROUP

This corporate governance report has been prepared in accordance with Ch. 6 § 6 of the Swedish Annual Accounts Act. LeoVegas AB (publ) de-listed all shares from Nasdaq Stockholm on 22 September 2022 and is since owned by MGM Casino Next Lion, LLC, an indirect wholly owned subsidiary of MGM Resorts International ("MGM"). LeoVegas AB (publ) has a corporate bond listed on Nasdaq Stockholm but is not covered by the Swedish Corporate Governance Code (the "Code") since only the company's bond is listed in a regulated market. Corporate governance aims to establish the prerequisites for long-term value creation for the owners through good internal control and corporate culture. Governance is grounded in the company's Articles of Association, the Swedish Companies Act, the Rulebook for Issuers, other applicable laws and regulations and the company's internal regulations and guidelines. These internal regulations and guidelines include primarily the Board's Rules of Procedure, the CEO's instructions, the instructions and manual for financial reporting as well as policies for internal control and risk management. In addition, LeoVegas has a number of policy documents that provide guidance in the company's operations and for its employees. These include the Code of Conduct, the Corporate Governance Policy, the Insider Policy, the Information and Communication Policy, the Sustainability Policy as well as other internal rules and recommendations. 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."

SHAREHOLDERS

On 2 May 2022, MGM submitted a public offer to the shareholders of LeoVegas to transfer all shares in LeoVegas to MGM for a cash payment of SEK 61 per share. The total value of the offering amounted to approximately SEK 5,957 m.

On 31 August 2022, it was officially announced that MGM, as of 7 September 2022, would acquire approximately 96% of all shares in LeoVegas AB (publ). As of the balance sheet date, MGM owns 98% of the shares and, in addition, will begin a squeeze-out process for the remaining shares outstanding.

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 2022 was EUR 1,219,835, divided among 101,652,970 shares. In euros (EUR), the shares have a share quota value of EUR 0.012. Each share carries entitlement to 1 vote.

GENERAL MEETING – 2021 FINANCIAL YEAR

The Annual General Meeting (AGM) for the 2021 financial year was held on 19 May 2022.

The AGM resolved the following:

- *To adopt the income statement and balance sheet for LeoVegas AB (publ) and the consolidated income statement and consolidated balance sheet.*
- *It was noted that the Board of Directors resolved, prior to the AGM, to withdraw the proposal for dividends to the shareholders. It was resolved to appropriate profit in accordance with the Board of Directors' adjusted proposal, meaning that profit would be carried forward.*
- *To discharge the board members and the CEO from liability.*
- *That directors' fees shall be paid, in accordance with the Nomination Committee's recommendation, to the members of the Board of Directors and members of the Board's committees in the following amounts:*
- *SEK 325,000 for each of the non-executive directors and SEK 650,000 to the Chairman, provided that the Chairman is not an employee.*
- *SEK 50,000 for each of the non-executive members of the Remuneration Committee and SEK 100,000 to the Chairman of the committee, provided that the Chairman is not an employee.*
- *SEK 50,000 for each of the non-executive members of the Audit Committee and SEK 100,000 to the Chairman, provided that he or she is not an employee of the company.*
- *Remuneration to the Board is calculated based on the assumption that the directors' assignments continues for the entire period until the 2022 AGM.*
- *Payment of the auditor's fees in accordance with approved invoices.*
- *That Per Norman, Anna Frick, Fredrik Rüdén, Mathias Hallberg, Carl Larsson, Torsten Söderberg and Hélène Westholm be re-elected as board members. Per Norman was re-elected as Chairman of the Board.*
- *PricewaterhouseCoopers was re-elected as the company's auditor for the period until the end of the next Annual General Meeting, with Authorised Public Accountant Niklas Renström as auditor-in-charge.*
- *To adopt the principles for the appointment of a Nomination Committee in accordance with the Nomination Committee's proposal and to adopt the guidelines for remuneration of senior executives.*
- *To withdraw the proposal for an incentive programme.*
- *To authorise the Board to resolve on the repurchase and transfer of the company's own shares.*
- *To authorise the Board to resolve on the new issue of shares.*
- *To adopt the updated guidelines for remuneration of senior executives.*

EXTRAORDINARY GENERAL MEETING

An Extraordinary General Meeting was held on 27 September 2022 in conjunction with the acquisition of LeoVegas AB (publ) by MGM Casino Next Lion, LLC. The EGM resolved the following:

- *That the Board of Directors shall consist of three members and elected Gary Fritz, William Hornbuckle and Gustaf Hagman as new board members with Gary Fritz as the new Chairman of the Board of Directors until the end of the next Annual General Meeting.*
- *That no fees be paid to the Board of Directors.*

ANNUAL GENERAL MEETING – 2022 FINANCIAL YEAR

The 2022 Annual General Meeting will be held on 9 May 2023 in Stockholm, Sweden. More information is available on the company's website www.leovegasgroup.com.

BOARD COMPOSITION

According to the Articles of Association, the Board is to compose three to ten board members. In other respects, there are no rules in the Articles of Association regarding the appointment or dismissal of board members. The Board of Directors is currently composed of the three abovementioned members elected by the EGM.

RESPONSIBILITIES AND WORK OF THE BOARD

The Board's duties are regulated by the Swedish Companies Act, the Articles of Association and other laws and statutes. In addition, the Board's work is regulated by the Rules of Procedure adopted by the Board. The Rules of Procedure regulate, inter alia, 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. The Board follows an annually set schedule for its work, which is adopted at the statutory board meeting each year. The Board of Directors is responsible for the company's organisation and the administration of the company's affairs. The Board of Directors is to continually assess the company's and, if the company is the Parent Company in a Group, the Group's financial situation. If certain tasks are delegated to one or more of the Board's members or to other individuals, the Board is to act diligently and continually monitor whether the delegation can be maintained. The Board's work during the year was focused particularly on the company's strategy, business diversification, financing, and profitable expansion and growth. The focus of the technical platform as well as the development and impact of more stringent compliance requirements were also addressed.

Until MGM's public takeover was declared unconditional, LeoVegas AB (publ) had two established committees: an Audit Committee and a Remuneration Committee. The Remuneration Committee was disbanded thereafter since LeoVegas AB (publ) no longer applied the Code. The duties of the Audit Committee have and will be completed by the Board.

The Audit Committee is tasked with providing a special forum for the work with financial reporting, internal control, risk management and auditing. The duties of the Audit Committee have and will be completed by the Board. These duties include monitoring the Group's financial reporting and overseeing the effectiveness of the company's internal controls and risk management.

The Audit Committee maintains contact with LeoVegas Group's auditor in order to establish an ongoing exchange of information between the Board and the auditor on auditing issues.

SUSTAINABILITY

The Board has adopted guidelines for the Group's sustainability for the purpose of its long-term capacity to create value. The company's report and sustainability targets for 2023 are presented in the section "Sustainability Report."

INTERNAL CONTROL AND RISK MANAGEMENT

The following 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. Risk management and internal control are generally defined as a determined process, conducted by an organisation's board, management and other staff with the aim of providing shareholder value over time and 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*

LeoVegas Group works according to an established framework for internal control issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). COSO is a framework for evaluating a company's internal control over the financial reporting. This framework covers five main areas: control environment, risk assessment, control activities, monitoring activities, and information & communication.

LeoVegas Group works comprehensively with risk management and follows up according to three lines of defence:

- *First line of defence – Functions that own and manage risks.*
- *Second line of defence – Functions that monitor risks.*
- *Third line of defence – Independent functions that control and ensure compliance.*

A risk and control matrix is used to identify and document the risks that are noted and followed up on in operations. Risk identification and updating existing risks is conducting on an ongoing basis by every department manager (first line of defence) to ensure that procedures, risks and controls are relevant for operations. The Group also has a unit with special responsibility for compliance with industry-specific regulations issued by gaming authorities in each country.

The risk-management function (second line of defence) conducts additional risk assessments within a three-year cycle, which supplements the first line of defence in the following ways:

- *The design and implementation of checks to mitigate the risks identified by the first line of defence. The risk-management function (second line of defence) assists in designing checks, identifying deficiencies and controlling existing risks.*

Self-assessments of the efficiency of the checks are conducted by the first and second lines of defence. The internal audit (third line of defence) evaluates the work described above. From 2021, the internal audit is conducted in its entirety by the independent internal audit division. The work of the internal revision comprises the following:

- *Reporting of results of the abovementioned steps to the Audit Committee and the Board on two occasions per year.*
- *Reporting comprises follow ups to ensure that identified areas for improvement that have been reported to the Audit Committee and the Board are addressed.*

In addition to the above, the company's external auditor, in turn, regularly reviews selected control processes within the framework of the audit process.

Control environment

The control environment in LeoVegas Group is the foundation for other components for corporate governance and control. The Board has the overarching responsibility for determining a direction in the area, the company's risk appetite and to prepare and maintain an efficient system of internal control.

A good control environment entails orderly processes and structure, integrity, ethical values and the right competence in the company. Equally important components include the company's leadership and how management delegates responsibility and authority, and organises and develops the employees. The control environment is collectively built upon:

- *A strong company culture with values that permeate all of LeoVegas Group.*
- *Documented guidelines in ethics and morals.*
- *A clear organisation with defined roles and areas of responsibility.*
- *Governance documents.*
- *Identified and defined key processes.*

The control environment is maintained through LeoVegas Group's policies and processes, and with the help of the company's organisational structure, with a distinct division of responsibility and authority based on shared values and targets.

Risk assessment

Every year LeoVegas Group performs a structured risk assessment to identify risks affecting the company. 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.

The "Significant risks and uncertainties" section in the Board of Directors' Report specifies some of the most significant business and industry related risks that could impact the company's financial position and earnings.

Risk assessments include, but are not limited to, risks related to financial reporting, compliance with regulations, legal, IT, cybersecurity and fraud.

As mentioned above, every unit manager within the Group (first line of defence) is responsible for clearly defining and evaluating the specific risks that exist in their respective area of responsibility. Risks must be clearly defined together with a description of how each risk is controlled and the responsible party's opinion on how efficient the control activities are. In the event that no defined controls are in place for an identified risk, an action plan, that is also to be followed up on, ensures that relevant controls are implemented in operations. Follow-ups take place through self-assessments, which are in turn reviewed.

Control activities

LeoVegas Group's control systems have been designed to ensure that the company follows applicable laws and requirements, reporting standards and other requirements for issuers. The main responsibility for ensuring internal control rests with the Parent Company, which is where reporting to the company's board is also conducted.

Control activities are the guidelines and routines used in the entire company – at all levels and in all functions – that ensure that management's directives are carried out. They contribute to ensuring that necessary measures are taken to manage risks and achieve the company's targets.

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.

Control activities are documented and contain both overarching and more detailed controls designed to prevent, discover or correct errors and deviations. The controls consist of a number of 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.

The annual risk-assessment efforts evaluate all control activities to ensure that they are designed and conducted in the right manner. Measures are taken to ensure that control activities are designed to reduce or eliminate risks. The efficiency of the controls is tested consistently during the year according to a set yearly planning wheel.

Control activities for the financial reporting cover everything from review and follow-up of earnings to specific account reconciliations. Internal governance documents for financial reporting consist primarily of the Group's treasury policy, the financial manual and purchasing and authorisation policies.

General IT controls are established for the systems that support the processes that affect internal control. IT controls are designed in accordance with relevant standards and regulations issued by gaming authorities such as the Malta Gaming Authority (MGA), UK Gambling Commission (UKGC), the Swedish Gambling Authority (SGA) and by external reviews in connection with licensing and certifications of the company's operations and technology. Reviews in the IT area are in part conducted by independent parties for certification pursuant to requirements from the authorities, in part by the company's external auditors and in part by the company's internal audit.

In addition, the company has established policies and other governing documents that are to be applied and complied with.

LeoVegas Group works continuously with development and improvement of internal control, an aspect that has central significance for a rapidly growing Group like LeoVegas Group.

Monitoring activities

Internal governance and control systems need to be monitored, followed up and evaluated. Therefore, continuous monitoring activities and follow-ups are conducted. LeoVegas Group's most important financial information processes are reviewed at least once a year. These reviews can also take place ahead of and in connection with changes in rules and standards that could affect the company's financial information.

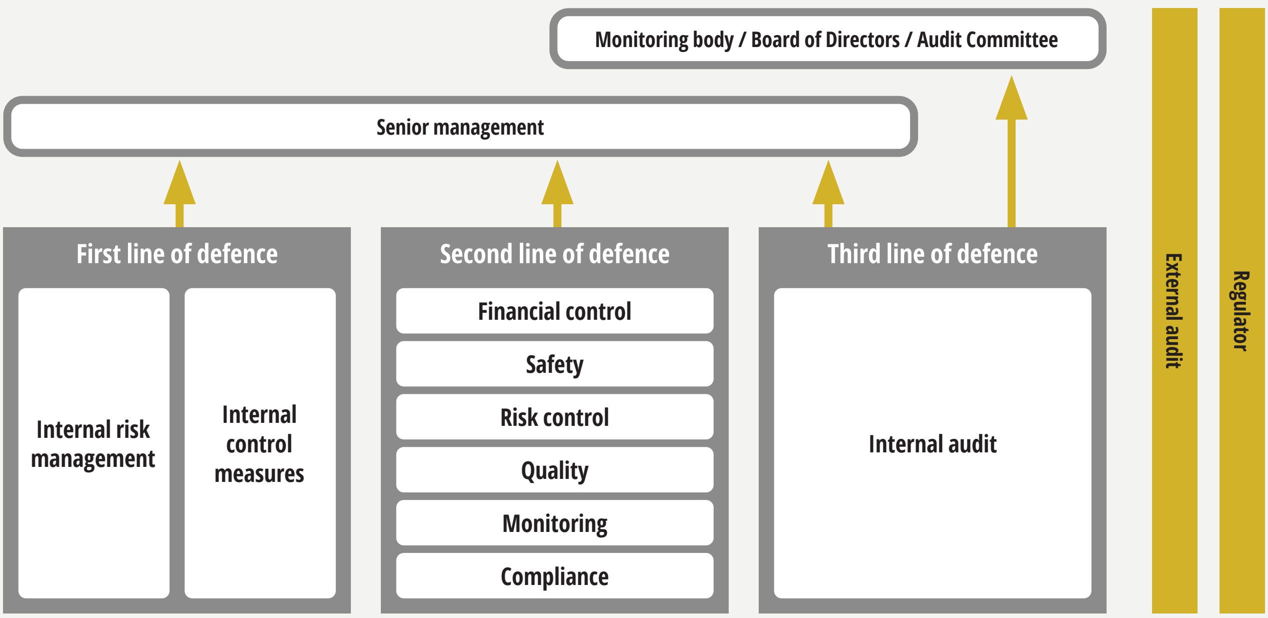
Monitoring of control activities is conducted continuously to ensure that risks have been taken into account and addressed in a satisfactory manner. Monitoring includes both formal and informal routines that are conducted within the company. These routines encompass a follow-up of earnings against the budget, analyses, and KPIs. 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 Group's work with internal governance and control is documented after reviewing the company's activities and processes for ensuring good internal control and monitoring. Compilations and the status of identified measures are reported to the Board of Directors.

Information & communication

Relevant information must be available and conveyed so that the company's employees can perform their duties under the right conditions. Business 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. The reports concern not only internally generated data, but also information about external events, activities and conditions that are necessary for

THREE LINES OF DEFENCE



Approved pursuant to ECCIA/FERMA guidance on the eighth EU Company Law Directive, article 41 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.

LeoVegas Group's communication and information channels enable information to be quickly and efficiently communicated internally to pertinent employees. The company's communication tools and information meetings are the primary channels. Major changes in the guidelines and processes are also updated in policies. In addition to the written communication that takes place, new developments, risks, outcomes of controls, etc., are communicated and discussed during regular meetings.

Significant guidelines and manuals for the financial reporting are updated and communicated to pertinent employees in connection with new employee orientation and to all pertinent, existing employees in the event of any changes. 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.

CEO AND SENIOR EXECUTIVES

The CEO is responsible for the day-to-day administration 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 Group 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 Group's 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 management team included seven senior executives as per 31 December 2022: The Chief Financial Officer, the Chief Operating Officer, the Chief Product & Technology Officer, the Chief Marketing Officer, the Chief Compliance Legal & Risk Officer, the Chief Commercial Officer and the Chief Data Officer.

Remuneration of the CEO and senior executives

Remuneration of the CEO and other senior executives may consist of a fixed salary, possible variable remuneration, other customary benefits and pension. The combined 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. Other senior executives refers to the seven persons who together with the CEO make up the Group Management. For paid remuneration in 2022, see Note 6 under Financial statements.

AUDITOR

According to the Articles of Association, LeoVegas AB (publ) shall have a maximum of two auditors with or without a maximum of two deputy auditors, or a chartered accounting firm.

The Annual General Meeting on 19 May 2022 resolved to elect the chartered accounting firm PricewaterhouseCoopers AB as auditor of the company for a term until the end of the next AGM on 9 May 2023. Authorised Public Accountant Niklas Renström was appointed as auditor-in-charge. Niklas Renström is a member of FAR.

EXTERNAL AUDIT

The external audit of the accounts of LeoVegas AB (publ) 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 auditors report on their observations from the audit and their opinion on internal control.

BOARD OF DIRECTORS

Name	Assignments and year elected	Director's fee (yearly)
Gary Fritz Chairman of the Board	Chairman of the Board since 2022	–
William Hornbuckle Director	Director since 2022	–
Gustaf Hagman Director	Director since 2022	–

GROUP MANAGEMENT – 2022

Gustaf Hagman, Group CEO

Background
Born 1974. Co-founder of LeoVegas in 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.

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.

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 tech-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.

Abby Cosgrave, CCLO

Background:
Born 1979. LeoVegas employee since 2022.

Education:
BA Hons (Law & Politics), LLM (International Legal Practice), E&W University of Law, UK.

Other current assignments
–

Professional experience and previous assignments:
Qualified lawyer in England and Wales with 13 years of experience following qualification and eight years working as a Tier 1 operator in the gaming industry.

Special areas of expertise
Commercial & contract law. Gambling specialist. Regulatory.

Niklas Lindahl, CMO

Background
Born 1981. LeoVegas employee since 2018.

Education
Studies in business economics and marketing, IHM Business School

Other current assignments
–

Professional experience and previous assignments
Over 15 years of experience in digital marketing. Managed successful consultancy bureaus in digital marketing that have assisted companies in southern Europe to transition from traditional to measurable performance marketing. Worked at LeoVegas since 2018, initially as Country Manager for Italy and then as Head of MGA.

Special areas of expertise
Gaming industry, digital marketing

Chris Welch, CCO

Background:
Born 1964. LeoVegas employee since 2022.

Education:
B.Sc. in Business Management from Aston University

Other current assignments
–

Professional experience and previous assignments:
Marketing Director Coral, CMO PokerStars, CMO Partygaming plc, Group Director Poker Bwin. Party plc, MD Europe Centrebet Pty, CEO PKR, Vice President International Catena Media

Special areas of expertise
International Digital Marketing, Marketing, Sports betting, Casino, Poker.

Robert Farrugia, CDO

Background
Born 1985. LeoVegas employee since 2016.

Education
Tertiary | Masters of Business Administration (MBA), University of Warwick

Other current assignments
–

Professional experience and previous assignments
Previous experience as a management consultant in industries such as iGaming, Financial Sector, Insurance, Public Sector, Manufacturing. Worked at IBM Rome.

Special areas of expertise
Data Management, Leadership, Strategy, Technology.

Noel Zammit, COO

Background
Born 1976. LeoVegas employee since 2016.

Education
B.Sc. Information Systems & Management from London School of Economics

Other current assignments
–

Professional experience and previous assignments
Experience in managing and leading teams for 25 years. Worked in various roles in CS, RG, RFP and AML at LeoVegas, Global Operations Manager of Besedo and various operational roles in the manufacturing industry.

Special areas of expertise
Operations, Management

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

To the general meeting of the shareholders in LeoVegas AB (Publ), corporate identity number 556830-4033

ENGAGEMENT AND RESPONSIBILITY

It is the board of directors who is responsible for the corporate governance statement for the year 2022 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 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 chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, 27 April 2023
PricewaterhouseCoopers AB

Niklas Renström
Authorized Public Accountant

BOARD OF DIRECTORS' REPORT

The Board of Directors and CEO of LeoVegas AB (publ), corporate identity number 556830-4033, with registered office in Stockholm, herewith submits the Annual Report and consolidated financial statements for the financial year 1 January–31 December 2022. 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, statements of cash flows, statements of changes in equity and notes, with accompanying comments. The Parent Company's and Group's reporting currency is euro (EUR).

OPERATIONS

LeoVegas Group is a leading global mobile casino gaming operator. LeoVegas Group's product portfolio includes primarily slots, jackpot games, roulette and other table games, live casino, bingo and sports betting. Since 2018, LeoVegas Group also offers esports betting, which was made possible through the acquisition of Pixel.bet, and live streaming of casino games, through the acquisition of CasinoGrounds.

LeoVegas Group's business concept is to create the world's greatest mobile device-based iGaming experience through innovation in products, technology and marketing. LeoVegas Group has a leading position in mobile casino games 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 Group 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 Group's products. The shift to online gaming during the past few years 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 Group, which focuses on mobile gaming, will benefit from this strong growth. LeoVegas Group's net sales are affected primarily by the following external market drivers:

- *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

In the first quarter of 2022, LeoVegas registered as a gaming operator in the Canadian province of Ontario, which is a first step in the licensing process to be able to conduct gaming in the regulated environment in Ontario. On 4 April, the gaming market was re-regulated and the LeoVegas and Royal Panda brands were relaunched on the same day that the market opened. LeoVegas was one of the first operators to relaunch its offer in the newly regulated market in Ontario, Canada.

In the first quarter, LeoVegas opened two new tech hubs: one in Warsaw, Poland; and one in Malaga, Spain. The plan is to recruit up to 100 developers to these offices in the coming two years.

In the second quarter on 2 May, the US company MGM Casino Next Lion, LLC ("MGM") announced a takeover bid for all of the shares of LeoVegas. The takeover bid proceeded and the acceptance period expired on 30 August. As a result of the takeover bid, LeoVegas AB (publ) chose to pause its expansion to New Jersey before finally stopping the launch in New Jersey due to the public offer.

In the second quarter, LeoVegas released its first proprietary game through the Blue Guru Games gaming studio that was founded in 2021.

In the third quarter, on 7 September, the public offer by MGM was accepted by the shareholders and 96% of the company's shares were acquired. An additional 2% of the company's shares were acquired during the extended tender period that concluded on 22 September. As a result of the acquisition, the company's share has been delisted from Nasdaq Stockholm, with effect from 22 September. The Extraordinary General Meeting on 27 September elected Gary Fritz, William Hornbuckle and Gustaf Hagman as new Board members. Gary Fritz takes over the role as Chairman of the Board until the end of the next annual general meeting. The change in ownership and delisting of the company's shares constituted a change of control event, which under the terms and conditions of the company's issued bond entailed a right (but no obligation) for the bondholders to request redemption within a period of 60 days. The buyback concluded during the fourth quarter.

In the third quarter, LeoVegas entered into a partnership with Premier League champions Manchester City F.C. The partnership strengthens the Group's offering and profile in sports betting at the same time as it provides LeoVegas' customers with unique experiences in terms of the club's matches. In the same quarter, LeoVegas also started a global partnership with Serie A club Inter Milan for the

2022/2023 season. The partnership represents an additional step in strengthening LeoVegas' global brand in sports betting.

In the fourth quarter, on 14 and 28 November, the repurchase offer for the company's bondholders resulting from the change in ownership to MGM and the delisting from Nasdaq Stockholm was concluded. In conjunction with the repurchase offer, the bondholders have accepted repurchases corresponding to a nominal amount totalling SEK 318.75 m. The price for repurchased bonds was 101,0% of the nominal amount and was paid together with accrued interest during the fourth quarter.

In the final quarter of the year, LeoVegas entered into a four-year research project with Karolinska Institutet, one of the world's most prominent medical universities, with the aim of improving methods of identifying and preventing gambling problems. LeoVegas will contribute by providing data and financing.

YEAR IN REVIEW

Consolidated revenue grew 1% in 2022. 2022 was a year largely dominated by adaptations to the ongoing regulatory changes and increased complexity in our regulated markets. Underlying customer activity remains healthy and focus will remain on expanding in locally regulated markets and markets with plans for or in the process of implementing local regulation. In 2022, LeoVegas Group ceased its expansion and entry into the US as a result of the acquisition by MGM. Additional focus has been on driving scalability for the continued growth journey. During the year, the Group increased its work force from 864 employees to 1,076 at year end. With focus on technology, product innovation and a more diversified offering, LeoVegas Group is poised for further expansion and the entry to new markets, and to solidifying its positions in existing markets.

GROUP REVENUE AND EARNINGS

LeoVegas Group's 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 Group also had revenue during the year related to affiliate business.

Since LeoVegas' launch in Sweden in January 2012, the Group has maintained a high growth rate whilst expanding internationaly. Revenue for the year grew 1% to EUR 394.7 m (391.2). LeoVegas Group's largest markets in terms of revenue are currently the Nordic countries and Rest of Europe. Since its start, LeoVegas Group has focused on the mobile gaming experience, which has benefited from the continued digitalisation of the market.

During the year, gross profit increased marginally to EUR 261.6 m (261.5). The gross margin for the year was 66.3% (66.8). Other operating expenses increased and amounted to 16.3% (9.4) of revenue. A major proportion of the increase was the result of provisions for player claims in two markets and items affecting comparability mainly due to transaction-related costs. Marketing costs as a share of revenue amounted to 33.8% (36.8), and remains at a high level compared with the industry average. During the year, LeoVegas Group continued to reinvest a large share of net sales in marketing to support revenue growth. EBITDA amounted to EUR 19.5 m (43.4), corresponding to an EBITDA margin of 5.0% (11.1). EBITDA includes items affecting comparability, which totalled EUR 14.5 m, primarily related to transaction-related costs. EBITDA in the preceding year included an effect of EUR 1.3 m in items affecting comparability pertaining to a provision for gaming tax and a sanction fee. Adjusted for items affecting comparability, EBITDA amounted to EUR 34.0 m (44.6), corresponding to an adjusted EBITDA margin of 8.6% (11.4).

Operating profit (EBIT) amounted to EUR -1.6 m (18.0), corresponding to an operating margin of -0.4% (4.6). EBIT adjusted for items affecting comparability amounted to EUR 19.5 m (32.9), corresponding to a margin of 4.9% (8.4).

The Group's depreciation and amortisation excluding acquisition-related depreciation and amortisation totalled EUR 14.5 m (11.7). Amortisation related to acquired intangible assets and the impairment of assets totalled EUR 6.6 m (13.6). During the year, Royal Panda's acquired customer database became fully amortised, which is the main reason for the year-on-year decline. In the preceding year, an impairment loss of EUR 1.9 m was also recognised related to the migration of Royal Panda to LeoVegas Group's technical platform Rhino.

Net financial items for the year totalled EUR -5.3 m (-4.0) and were mainly driven by the company's bonds. In the fourth quarter of the year, bonds were repurchased corresponding to a nominal amount totalling SEK 319 m. At the end of the year, the total bond issue outstanding amounted to SEK 381 m (700). At the end of the year, the bond was valued at EUR 34.1 m (67.8). During the year, LeoVegas Group also utilised a credit facility amounting to EUR 40 m, which was repaid in full and terminated in the fourth quarter. Remeasurement effects of the bond have been hedged with a currency derivative ("OTC derivative"). Net financial items include ongoing revaluation of the bond in SEK and the change in value of the currency derivative, which are reported net.

The company's tax on profit for the year was EUR -17.2 m (-2.3). During the year, income tax for previous years of EUR 14.9 m was recorded. The tax is attributable to one of the Group's acquisitions, Royal Panda, with accompanying subsidiaries, which was acquired at the end of 2017. The tax pertains to the years 2015–2018 and is a result of the previously announced tax audit. During the fourth quarter, the deferred tax assets in the Parent Company, related to loss-carryforwards for probable future gains, were remeasured, which entailed a tax expense totalling EUR 2.1 m.

Net profit for the year amounted to EUR -25.8 m (11.8). Net profit for the year adjusted for items affecting comparability amounted to EUR 10.5 m (26.6).

FINANCIAL POSITION, CASH FLOW, INVESTMENTS AND ACQUISITIONS

Balance sheet and financing

The Group's shareholders' equity amounted to EUR 52.1 m (84.2) on the balance sheet date. Cash and cash equivalents amounted to EUR 70.1 m (75.2). 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 22.6 m (19.9). Cash and cash equivalents, excluding player funds, amounted to EUR 47.5 m (55.2). During the year, LeoVegas Group utilised a credit facility amounting to EUR 40 m, which was subsequently repaid in full and terminated in the fourth quarter. The Group has one bond issued of SEK 381 m, which has been valued at EUR 34.1 m. During the fourth quarter, the company received financing through a shareholder loan of EUR 66.0 m (0.0). Total assets amounted to EUR 284.4 m (257.3). Total liabilities increased year-on-year, mainly as the result of an increase of the company's total financing structure. Accrued expenses, primarily driven by continued provisions for the company's gaming taxes in Austria, as well as a higher share of trade payables, were other reasons for the increase. In addition, the company's net position, as a result of the market value of the company's currency derivative (OTC derivative), increased year-on-year. The equity/assets ratio was 18% (33).

Cash flow

Cash flow from operating activities totalled EUR -6.2 m (45.9). The difference was primarily attributable to the change in working capital. Working capital includes deferred payment of gaming taxes in Austria, amounting to EUR 20.8 m (16.1) and provisions for the company's exclusive jackpots. Paid income tax also affected cash flow by EUR -26.8 m (-4.9).

Cash flow from investing activities amounted to EUR -26.1 m (28.2) and was affected by non-current assets in an amount of EUR 1.3 m (0.9). Investments in intangible assets totalled EUR 19.2 m (15.8) and consisted mainly of capitalised development costs. During the year, cash flow from investing activities was impacted by increased ownership of CasinoGrounds and Pixel.bet totalling EUR 5.4m (10.4). The amount for the preceding year pertains to a paid purchase price for Expekt and final earnouts for previous acquisitions. There was no sales of subsidiaries or intangible assets during the year. Equity accounted investments in associates amounted to EUR 0.3 m (1.1) and pertain to the associate BeyondPlay.

Cash flow from financing activities totalled EUR 28.7 m (-5.2). Positive cash flow during the period was mainly the result of the company's shareholder loan corresponding to EUR 66.0 m (0.0). Cash flow was negatively impacted by EUR -29.2 m (19.9) as the result of the

SEVERAL-YEAR OVERVIEW

EUR 000s	2022	2021	2020	2019	2018
Condensed consolidated income statement					
Revenue	394,659	391,171	387,464	356,039	327,817
Gross profit	261,571	261,451	262,311	237,114	235,543
Operating profit before depreciation, amortisation and impairment (EBITDA)	19,548	43,351	51,865	49,531	41,605
Operating profit after depreciation, amortisation and impairment (EBIT)	-1,612	18,043	22,776	12,672	19,175
Profit/loss before tax	-8,603	14,123	21,548	10,273	44,461
Net profit/loss for the year	-25,810	11,813	19,333	9,543	43,240
Consolidated balance sheet, condensed					
Assets					
Intangible assets	146,296	143,676	142,845	156,618	178,457
Lease assets (right of use assets)	7,183	5,836	8,878	8,222	–
Other non-current assets	13,236	5,487	5,583	6,029	7,116
Trade and other receivables	38,396	21,824	23,160	35,307	29,268
Prepaid expenses and accrued income	9,229	5,311	5,480	5,329	7,768
Cash and cash equivalents	70,075	75,161	63,340	50,738	56,738
Total assets	**284,415**	**257,295**	**249,287**	**262,243**	**279,347**
Shareholders' equity and liabilities, condensed					
Shareholders' equity	52,106	84,151	98,181	98,152	99,930
Non-current liabilities	71,730	72,783	55,595	46,181	73,368
Current liabilities	160,579	100,361	95,511	117,910	106,049
Total shareholders' equity and liabilities	**284,415**	**257,295**	**249,287**	**262,243**	**279,347**
Group cash flow, condensed					
Cash flow from operating activities	-6,199	45,856	69,240	37,024	36,494
Cash flow from investing activities	-26,055	-28,244	-11,609	1,953	-103,293
Cash flow from financing activities	28,739	-5,173	-43,977	-44,523	71,638
Cash flow for the year	**-3,515**	**12,439**	**13,654**	**-5,546**	**4,839**

buyback of issued bonds. A dividend of EUR 4.8 m (12.7) was paid to shareholders. In the preceding year, the company repurchased shares of EUR 9.5 m. Amortisation of the lease liability, i.e., rent paid for the Group's right of use assets, affected cash flow by EUR 3.3 m (3.0).

FACTORS THAT AFFECT LEOVEGAS' EARNINGS

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

- *Capacity to continue to attract new and retain existing customers*
- *Product and technological innovation*
- *The level of marketing investments*
- *Operational efficiency*
- *Market growth*
- *Regulation of new and existing markets*

FOUR CENTRAL KPIS

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

- *Number of new customers*
- *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 Group has had a strong increase in the number of 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.

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 during the year. LeoVegas Group's growth is a function of the number of new customers and the number of returning customers. LeoVegas Group's high customer loyalty can be credited primarily to effective customer management and an attractive gaming experience. 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 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. Deposits made in 2022 amounted to EUR 1,300 m (1,221).

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 2022 amounted to 30% (31) of total deposits. The relationship between NGR and total deposits is called "hold". Hold is closely correlated to the game margin. For LeoVegas Group, NGR differs marginally from net sales. The gaming surplus for the year was EUR 386,6 m (379.1).

SEASONAL EFFECTS

LeoVegas Group 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 Group's largest markets are the Nordic countries and the UK. The Group's earnings are thus affected by currency translation effects of our Nordic currencies and the British pound against the euro. See also Note 28 for a description of the Group's exposure to currency effects.

ANTICIPATED FUTURE DEVELOPMENT

LeoVegas Group believes that the online gaming market will continue to develop strongly. The number of internet users is increasing steadily, which is a primary driver of growth in the industry. In regions with internet access, confidence is increasing in the internet as a trading place, and larger numbers of people are using the internet for banking, equity trading, insurance and other commerce. This behaviour and the confidence in e-commerce are important for the market's development. Demand for mobile consumer solutions is contributing to sharp growth in games played on mobile devices and tablets. LeoVegas Group 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 increased share of consumer-oriented services being provided online – points to favourable growth going forward. The trend of more markets becoming locally regulated is raising the entry barriers and favoring companies such as LeoVegas Group that have a scalable organisation, strong brands and an attractive customer offering.

RESEARCH AND DEVELOPMENT

Costs for development of gaming platforms, development of LeoVegas Group's 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 non-current assets, excluding goodwill".

ENVIRONMENT AND SUSTAINABILITY

LeoVegas Group does not conduct any operations that are subject to a permit or notification requirement pursuant to the Environmental Code. LeoVegas Group 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 Group's goal in this respect is to avoid wasting resources, with special focus on limiting climate-affecting emissions. Starting with the 2017 financial year, LeoVegas Group 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 Group Sustainability Report.

EMPLOYEES

The number of employees at year end (full-time equivalents) was 1,036 (864). LeoVegas Group was using the services of 65 (52) 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 Group's operations are subject to numerous risks that could affect the Group's financial position and results of operations. Some of the business and industry-related risks that may be of significance for LeoVegas Group's future development are outlined below. LeoVegas Group can affect or mitigate certain risks in its operating activities, 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 Group faces is the general legal status of online gaming. Rulings and changes in laws and regulations could affect LeoVegas Group's 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 AB's (publ) subsidiary LeoVegas Gaming Plc is based in Malta and is licenced and regulated by the Malta Gaming Authority. In addition to its licence in Malta, LeoVegas Gaming Plc has gaming licences in Sweden, Spain, the UK, Denmark, Italy and the Canadian province of Ontario, as well as a sports betting licence in Ireland. In addition, LeoVegas Group has a sports betting licence and a casino licence in the German federal state of Schleswig-Holstein. For the Swedish market, LeoVegas Group also has licences through its subsidiaries Expekt Nordics Ltd and Pixel Digital Ltd. At present, largely under its Maltese licence, LeoVegas Group 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 licencing authorities requires that LeoVegas Group 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 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. 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 Group, and the company cooperates with the authorities in licenced markets. If a gaming authority that issues licences were to find that LeoVegas Group no longer meets the licencing 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 Group's strategy is to continue to establish operations in additional, locally regulated markets by obtaining local licences. Should LeoVegas Group not be able to maintain its licences, the Group's earnings and financial position would be significantly negatively affected. LeoVegas Group believes that regulated markets help mitigate risk as a result of greater predictability and greater opportunities for targeted marketing, and benefit companies such as LeoVegas Group that have a strong brand and extensive experience in regulated markets.

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

LeoVegas Group is dependent on the legal status of the gaming industry, especially in the EU, where the majority of the company's customers are located. The legal situation for online gaming is changing continuously within the EU, but also in individual geographic markets outside of the EU. LeoVegas Group's 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 and Sweden. This trend is also spreading outside of the EU, and discussions are taking place about the regulation of several markets in, for example, Latin America. The authorities in the UK are currently conducting a review of existing gaming laws. The results of this analysis have not yet been compiled, but it may lead to more stringent regulation for the licenced operators, such as for greater consumer protection and stricter requirements concerning customers' financial positions.

In the Netherlands, a local licencing system was introduced on 1 October 2021 shortly following the introduction of new policies that led to LeoVegas Group temporarily exiting the market while waiting for a gaming licence to be approved. LeoVegas Group applied for a new licence in the first quarter of 2022 and expects to be able to re-enter the market in the first half of 2023.

The Canadian province of Ontario introduced regulation on 4 April 2022. Following a successful licence process, LeoVegas Group entered into an operating agreement, which corresponds to a gaming licence, with the Canadian iGaming Ontario (iGO). The agreement enables LeoVegas Group to continue to offer casino, live casino and betting in Ontario under the LeoVegas and Royal Panda brands.

In Germany, the states have agreed on a new licencing system for casino games, which was implemented in July 2021 as a complement to the previous sports betting licences. The new licencing system includes a number of limitations such as a ban on live casino online (Blackjack, Baccarat and Roulette), deposit limits for casino and poker are limited to EUR 1,000 per month and a compulsory maximum limit of EUR 1 per spin. Moreover, the tax on online poker and casino products is 5.3% of turnover, which represents the highest tax in Europe on gaming. In January 2023, a new shared regulatory framework is expected to replace the existing regulations, and LeoVegas Group has applied for and adapted to the new licence process, and will return to the market in the first half of 2023.

At the end of 2022, the Swedish Parliament (Riksdag) adopted a number of changes to the Gambling Act. The changes aim to secure strong consumer protection and a long-term sustainable gaming market. The new requirements include the necessity of a licence for gaming software, which will enter force on 1 July 2023. The licence requirement applies to B2B players that manufacture, provide, install or change gaming software used in online gaming.

The Rest of World region includes markets with unclear gaming and tax laws, which over time could affect LeoVegas Group's 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 Group's 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 Group's operations, financial position and earnings. However, regulated markets such as Sweden and the UK have many positive aspects, such as opportunities to grow in a market with high transparency and security, which LeoVegas Group looks very favourably upon. Developments in the legal area are monitored and assessed on a continuous basis within LeoVegas Group.

Problem gaming

LeoVegas Group's aim is to offer customers entertainment in a safe and wise way. LeoVegas Group 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 manner. However, some people are at risk of developing problems with their gaming. LeoVegas Group takes this with utmost seriousness, and responsible gaming is a fundamental principle in the design of its offerings and customer contacts. LeoVegas Group has employees whose dedicated role is to promote responsible gaming and who work solely with responsible gaming issues. LeoVegas Group has implemented a number of functions and tools to help customers and works continuously using its 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 Group is at the forefront of 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 behaviour. LeoVegas Group 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.

During the year, LeoVegas Group's frameworks and procedures for ensuring responsible gaming were assessed by eCOGRA. The independent, industry-leading British agency eCOGRA, which specialises in testing, certifying and assessing the gaming sector, conducted tests and interviews to assess LeoVegas Group's product during the year. This external review demonstrated that LeoVegas Group conformed with all relevant requirements and recommendations for responsible gaming. 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 diminished trust in LeoVegas Group, which by extension could lead to lower revenues and thereby affect the Group's financial results and position.

LeoVegas Group entered into a four-year research project with Karolinska Institutet, one of the world's most prominent medical universities, with the aim of improving methods of identifying and preventing gambling problems. LeoVegas Group will contribute by providing data and financing.

Affiliate partnerships

One part of LeoVegas Group's marketing involves collaboration 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 LeoVegas Group's brand is exposed in contexts that are not desirable. Due to the complexity and volume of traffic sources, it is not possible for LeoVegas Group to verify each and every one of these traffic sources. However, in the event of violations of the company's partnership terms, LeoVegas Group has the opportunity to withhold payment and terminate the collaboration with the source in question. If an affiliate that LeoVegas Group works with were to contribute to LeoVegas Group's brand being exposed in a manner that is unfavourable for the company, it could adversely 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 Group works together with local trade associations to promote sustainability and responsibility in the 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, LeoVegas Group 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 personal data legislation. 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 compatible with the purpose for which the personal data was obtained. In the event LeoVegas Group is deficient in its processing of personal data or if LeoVegas Group were to be exposed to a data breach or cyberattack, or in some other way involuntarily breaches the law, LeoVegas Group would be at risk of enforcement actions from the data protection authorities and claims for damages for the harm and breach 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 Group's work and processing of personal data. The GDPR applies throughout the EU and thus supersedes national personal data laws. The GDPR is also supplemented by a number of national laws, which require or allow national implementation of the GDPR. The GDPR covers principles that already existed in the scope of legislation of the EU and its member states, but the GDPR entails more stringent regulations and sanctions for parties who do not comply with regulation. In this respect the supervisory authorities have the right, if certain rules are not followed, to issue administrative fines of up to the higher of EUR 20 m or 4% of a company's or Group's annual global sales. In the course of its operations, LeoVegas Group 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 Group has taken to ensure and maintain confidentiality and integrity with respect to personal data prove to be insufficient in the interpretation of the directive or in some other respect are not in compliance with applicable laws in the jurisdictions in which LeoVegas Group conducts its operations. If it turns out that interpretations and measures that LeoVegas Group 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 Group 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 Group 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 Group 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 Group 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 Group may also in the future become party to legal action due to customers' problem gaming. If LeoVegas Group were to be unsuccessful in such legal processes and investigations, the company could incur costs for damages and compensation.

Income tax

LeoVegas Group conducts operations across borders and complies with regulations such as corporation tax and indirect taxes in a number of jurisdictions. The tax environment is complex and LeoVegas Group evaluates and makes continual assessments concerning the company's tax positions. LeoVegas Group could be negatively affected by judicial rulings, settlements and costs associated with legal processes and investigations, and disputes, and could be the subject of legal action in the future. If LeoVegas Group were to be unsuccessful in such legal processes and investigations, the company could incur costs as a result. A determination of potential provisions for corporation tax and indirect taxes is subject to complexity and uncertainty, requiring extensive estimations and assessments.

During the year, an expense for income tax for previous years of EUR 14.9 m was charged to profit or loss. The tax is attributable to the Group's subsidiary Royal Panda during the years 2015–2018 and is a result of the tax audit that was previously announced.

INDUSTRY AND MARKET-RELATED RISKS

Greater competition in markets undergoing regulation

LeoVegas Group's growth rate, strategy and future revenue may be affected by market regulation. LeoVegas Group 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 Group.

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

LeoVegas Group's competitors can be divided into two categories: national monopolies and international gaming companies that operate in the same markets as LeoVegas Group. 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 high pace of innovation are growing. The requirements are rising since LeoVegas Group must be able to continue to attract customers through its offering and retain its existing customers. If the company fails to hold its own against the competition, it could have a negative impact on the Group's operations, financial position and earnings. In addition, the Group 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 Group is dependent on suppliers of technical solutions, game developers and game providers, 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 Group 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 Group's online operations or its mobile gaming platforms could be impacted, which could harm LeoVegas Group's 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 Group, 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 Group's brands

LeoVegas Group's success is partly dependent on upholding the strength of its brands. The company has established, reliable and well-known brands (such as LeoVegas and Expekt), 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 Group's ability to uphold and further build its brands. There is a risk that the company's efforts, or any other measures that LeoVegas Group has taken to uphold and strengthen the brands, are unsuccessful or that the brands are harmed by a third party acting in a way that impacts negatively upon LeoVegas Group. 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 Group's operations is that the company is able to provide external payment solutions that meet customers' preferences for security and method. In order for the Group's service to work smoothly for the user, speed of registration, deposits and withdrawals are central factors that contribute to customers' sense of security and user experience. Payment solutions and customer preferences differ between markets, which requires that LeoVegas

Group's IT platform is adapted to various technical solutions. If LeoVegas Group 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 Group is exposed to certain risks associated with the company's IT systems and technical platform. The company's proprietary technical platform is made up of a number of advanced subsystems which together handle the operation 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 innovation 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 users, which would have a negative impact on 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 technical platform and regularly releases new, innovative functions for the service. LeoVegas Group's 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 Group and its subsidiaries are dependent on certain key persons at the management level. LeoVegas Group works actively to bring in and retain engaged and loyal employees through training, bonus programmes and by providing opportunities for advancement within the organisation. If LeoVegas Group were to lose key persons in the organisation, it could have a negative impact on the Group's operations, earnings and financial position. The Group 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 rating 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 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, LeoVegas had a revolving credit facility (RCF) amounting to EUR 40 m that was paid back in the fourth quarter. The company has one bond issue, which initially amounted to SEK 700 m, of which repurchase have been made during the year. The liability outstanding for the bond amounted to SEK 381 m on the balance sheet date. The bond carries a floating interest rate of STIBOR three months plus 5.5%. STIBOR and EURIBOR increased during the year but had no material impact on LeoVegas Group's financial position or performance. Most of the Group's liquid assets are held in transaction accounts to provide the liquidity required to finance the Group's operations. LeoVegas Group is eligible to receive a shareholder loan from MGM, the Group's new owner, enabling continual financing and more major investments when necessary.

Currency risk

LeoVegas Group's multinational operations entail that the company is exposed to currency risks, particularly related to EUR, SEK and GBP, which are all part of daily operations.

In conjunction with the bond being issued in SEK, an OTC derivative was signed to mitigate currency risk and the fluctuations this presents. In other respects, LeoVegas Group 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 Group's customers and counterparties being unable to pay their debts and thereby causing loss to LeoVegas Group. LeoVegas Group has very limited credit risk, since the Group's external customers for casino and sports betting are private persons, and payment for LeoVegas Group's 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 Group 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 Group's 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 Group uses the bank Barclays, which has a credit rating of A+ (FITCH).

Management of capital structure

The goal of LeoVegas 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 stakeholders. The goal is also to maintain an optimal capital structure that both reduces the cost of capital and provides sufficient financing for expansion. In previous years, the capital structure has been modified by adapting the amount of dividends paid to shareholders, returning capital to the shareholders, issuing new shares or selling assets. In conjunction with LeoVegas Group receiving new owners, future financing is secured through shareholder loans.

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 the Board of Directors of LeoVegas AB (publ).

LeoVegas Group sells BeyondPlay

LeoVegas has, through LeoVentures, sold its shares of a total of 25% of the associate BeyondPlay. The total purchase price for the sale amounted to EUR 1.9 m.

Nationwide gaming licence in Germany

LeoVegas Group has been granted a nationwide gaming licence by the German Federal States' Joint Gambling Authority (GGL). Germany is one of Europe's largest igaming markets, and under the new licence, LeoVegas will be able to offer and market virtual slots in all 16 federal states.

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 0.8 m (0.8), and net profit for the year was EUR -14.8 m (23.9). In previous years, the Parent Company's earnings have been strengthened through dividends from subsidiaries. Since the Parent Company will not be paying any dividend to shareholders this year, no dividend from subsidiaries has been proposed. 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 1.3 m (7.1).

SHARE CAPITAL AND OWNERS

As the result of MGM Casino Next Lion, LLC ("MGM") controlling more than 90% of the shares in LeoVegas AB (publ) following the public offer of LeoVegas, a squeeze-out was invoked regarding the rest of the shares in the company. The application for the de-listing of the company's shares from Nasdaq Stockholm was filed thereafter. LeoVegas AB (publ) application for de-listing was approved by Nasdaq Stockholm. The last date of trading in LeoVegas Group's shares on Nasdaq Stockholm was 22 September 2022. LeoVegas AB (publ) is, as per the balance sheet date, 98% owned by MGM Casino Next Lion, LLC. The squeeze-out for the remaining shares was completed in the second quarter of 2023, subsequent to which MGM Casino Next Lion, LLC owned 100% of LeoVegas AB (publ).

The change of ownership also provides each bondholder with a right (but no obligation) to, within 60 calendar days, request that LeoVegas repurchase bonds outstanding at a price equal to 101.00% of the nominal amount together with accrued interest.

In conjunction with the purchase, all of LeoVegas' previously issued warrants to key individuals in the company were settled. On the balance sheet date of 31 December 2022, there were no warrants outstanding.

PROPOSED APPROPRIATION OF PROFITS

The Board of Directors proposes the following appropriation of profits:

PROPOSED APPROPRIATION OF PROFITS

The following unrestricted shareholders' equity in the Parent Company is at the disposal of the Annual General Meeting (EUR)	
Share premium reserve	27,840,547
Profit brought forward	6,510,806
Net loss for the year	-14,782,141
Total	**19,569,212**
Profit brought forward	**19,569,212**

The Board proposes that retained earnings of EUR 19,569,212 be carried forward.

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CONSOLIDATED INCOME STATEMENT

Amounts in EUR 000s	Note	2022	2021
Revenue	4, 5	394,659	391,171
Cost of sales		-61,332	-65,719
Gaming taxes		-71,757	-64,001
Gross profit		**261,571**	**261,451**
Personnel costs	6	-63,690	-53,184
Capitalised work performed by the company for its own use		17,807	15,269
Other operating expenses	7, 8, 12	-64,215	-36,739
Marketing expenses		-133,361	-143,763
Other income and expenses	9	1,436	318
EBITDA		**19,548**	**43,351**
Depreciation and amortisation	7, 13, 14	-14,515	-11,746
Amortisation of acquired surplus value and impairment of assets incl. goodwill	14	-6,645	-13,562
Operating profit (EBIT)		**-1,612**	**18,043**
Financial income		–	–
Financial expenses		-5,270	-3,968
Foreign exchange gains/losses		-1,449	–
Share of profit after tax from associates reported using the equity method		-272	47
Financial items – net	10	**-6,991**	**-3,921**
Profit before tax		**-8,603**	**14,123**
Income tax	11	-17,206	-2,310
Net profit for the year		**-25,810**	**11,813**
Net profit for year attributable to owners of the Parent Company		-26,064	10,999
Net profit for the year attributable to non-controlling interests		254	814
Other comprehensive income			
Items that may be transferred to profit for the year:			
Exchange differences on translation of foreign operations		-135	-13
Other comprehensive income for the year, after tax		**-135**	**-13**
Total comprehensive income for the year		**-25,945**	**11,800**
Comprehensive income for the year attributable to owners of the Parent Company		-26,199	10,986
Comprehensive income for the year attributable to non-controlling interests		254	814

CONSOLIDATED BALANCE SHEET

Amounts in EUR 000s	Note	31 Dec 2022	31 Dec 2021
ASSETS			
Non-current assets			
Property, plant and equipment	13	2,229	2,157
Lease assets (right of use assets)	7	7,183	5,836
Intangible non-current assets	14	36,025	28,449
Intangible assets related to surplus value from acquisitions	14	14,537	19,493
Goodwill	14	95,734	95,734
Financial fixed assets	27	–	–
Deferred tax assets	11	627	2,162
Other non-current assets		9,234	–
Investments in associates accounted for using the equity method		1,146	1,168
Total non-current assets		**166,715**	**154,999**
Current assets			
Trade and other receivables	17	38,396	21,824
Prepaid expenses and accrued income	18	9,229	5,311
Cash and cash equivalents	19	70,075	75,161
of which, restricted cash (player funds)		22,551	19,945
Total current assets		**117,700**	**102,296**
TOTAL ASSETS		**284,415**	**257,295**
EQUITY AND LIABILITIES			
Share capital	20	1,220	1,220
Additional paid-in capital		26,774	26,776
Translation reserve		-1,337	623
Retained earnings including profit for the year		22,573	49,368
Equity attributable to owners of the Parent Company		**49,230**	**77,987**
Non-controlling interests		2,876	6,164
Total equity		**52,106**	**84,151**
LIABILITIES			
Shareholder loans		66,000	–
Bond issue	21	–	67,815
Lease liabilities	7	4,172	3,029
Financial liabilities	27	–	848
Provision for management incentive programme		672	–
Deferred tax liability	11	886	1,091
Total non-current liabilities		**71,730**	**72,783**
Current liabilities			
Trade and other payables	22	12,998	7,997
Player liabilities	22	22,551	19,945
Tax liability		2,178	4,334
Accrued expenses and deferred income	23	80,753	65,136
Short-term bond issue		34,069	–
Short-term lease liabilities	7	3,239	2,949
Current financial liabilities	27	4,791	–
Total current liabilities		**160,579**	**100,361**
Total liabilities		**232,309**	**173,144**
TOTAL EQUITY AND LIABILITIES		**284,415**	**257,295**

* A reclassification has been made in 2022 that impacts Trade and other payables together with Accrued expenses and deferred income for historical periods.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in EUR 000s	Share capital	Additional paid-in share capital	Other reserves	Retained earnings, incl. profit for the year	Equity attributable to owners of the Parent Company	Non-controlling interests	Total equity
Balance on 1 January 2021	**1,220**	**36,115**	**421**	**55,075**	**92,831**	**5,350**	**98,181**
Profit for the year	–	–	–	10,999	10,999	814	11,813
Other comprehensive income (Exchange differences on translation of foreign operations)	–	–	-13	–	-13	–	-13
Total comprehensive income for the year	**–**	**–**	**-13**	**10,999**	**10,986**	**814**	**11,800**
Transactions with shareholders in their capacity as owners:							
Dividends	–	–	215	-16,706	-16,491	–	-16,491
Warrant premiums	–	199	–	–	199	–	199
Share repurchases	–	-9,538	–	–	-9,538	–	-9,538
Transactions with non-controlling interests:							
Acquisitions of non-controlling interests	–	–	–	–	–	–	–
Balance on 31 December 2021	**1,220**	**26,776**	**623**	**49,368**	**77,987**	**6,164**	**84,151**
Balance on 1 January 2022	**1,220**	**26,776**	**623**	**49,368**	**77,987**	**6,164**	**84,151**
Profit for the year	–	–	–	-26,064	-26,064	254	-25,810
Other comprehensive income (Exchange differences on translation of foreign operations)	–	–	-135	–	-135	–	-135
Total comprehensive income for the year	**–**	**–**	**-135**	**-26,064**	**-26,199**	**254**	**-25,945**
Transactions with shareholders in their capacity as owners:							
Dividends	–	–	-10	-980	-990	–	-990
Warrant premiums	–	-2	–	–	-2	–	-2
Share repurchases	–	–	–	–	–	–	–
Management incentive program	–	–	–	249	249	–	249
Transactions with non-controlling interests:							
Acquisitions of non-controlling interests	–	–	-1,815	–	-1,815	-3,542	-5,357
Balance on 31 December 2022	**1,220**	**26,774**	**-1,337**	**22,573**	**49,230**	**2,876**	**52,106**

The Board's proposed dividend and proposed distribution of profit are presented in Note 29 and in the Board of Directors' Report.

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in EUR 000s	Note	2022	2021
Cash flow from operating activities			
Operating profit/loss		-1,612	18,043
Adjustments for non-cash items:			
Depreciation, amortisation and impairment losses	7, 13, 14	21,161	24,689
Other non-cash items		2,503	2,492
Income taxes paid		-26,765	-4,916
Interest received		–	1
Interest paid		-5,258	-3,399
Cash flow from operating activities before changes in working capital		**-9,971**	**36,910**
Cash flow from changes in working capital			
Increase/decrease in operating receivables		-23,257	4,188
Increase in operating payables		27,029	4,758
Cash flow from operating activities		**-6,199**	**45,856**
Cash flow from investing activities			
Acquisitions of property, plant and equipment	13	-1,256	-901
Acquisitions of intangible assets	14	-19,193	-15,831
Acquisitions of subsidiaries	14	-5,356	-10,391
Equity accounted investments in associates		-250	-1,121
Proceeds from sales of subsidiaries and intangible assets	14	–	–
Cash flow from investing activities		**-26,055**	**-28,244**
Cash flow from financing activities			
Shareholder loans	21	66,000	–
Bond issue	21	–	19,897
Bond repurchases	21	-29,181	–
Share repurchases	20	–	-9,538
Lending from credit institutions	21	40,000	–
Repayment of loans from credit institutions	21	-40,000	–
Lease liabilities	7	-3,293	-3,037
Proceeds from issue of equity instruments	20	-2	200
Cash dividends paid out to shareholders	20	-4,785	-12,695
Cash flow from financing activities		**28,739**	**-5,173**
Cash flow for the year		-3,515	**12,439**
Cash and cash equivalents at start of the year		75,161	63,340
Currency effects on cash and cash equivalents		-1,571	-618
Cash and cash equivalents at end of the year	19	**70,075**	**75,161**
Of which, restricted cash (player funds)		22,551	19,945

PARENT COMPANY INCOME STATEMENT

Amounts in EUR 000s	Note	2022	2021
Net sales	5	840	849
Other operating expenses	7, 8	-7,385	-1,698
Personnel costs	6	-4,799	-3,168
Other revenue		23	–
EBITDA		**-11,321**	**-4,017**
Depreciation, amortisation and impairment losses		-1	-619
Operating profit (EBIT)		**-11,322**	**-4,636**
Result from participations in Group companies		–	30,000
Other interest income and similar income		3,003	2,577
Other interest expenses and similar expenses		-4,402	-3,230
Total financial items	10	**-1,399**	**29,347**
Profit before tax		**-12,721**	**24,711**
Appropriations		–	–
Tax on profit for the year	11	-2,061	-834
Net profit for the year[1)]		**-14,782**	**23,877**

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

PARENT COMPANY BALANCE SHEET

Amounts in EUR 000s	Note	31 Dec 2022	31 Dec 2021
ASSETS			
Non-current assets			
Property, plant and equipment	13	–	1
Participations in Group companies	15	240	236
Receivables from Group companies (non-current)	16	13,837	43,732
Deferred tax assets	11	–	2,061
Total non-current assets		**14,077**	**46,031**
Current assets			
Receivables from Group companies	16	52,855	54,899
Other receivables	17	95	54
Prepaid expenses and accrued income	18	607	528
Cash and cash equivalents	19	1,331	7,122
Total current assets		**54,888**	**62,603**
TOTAL ASSETS		**68,965**	**108,634**
EQUITY			
Restricted equity			
Share capital	20	1,220	1,220
		1,220	**1,220**
Unrestricted equity			
Share premium reserve		27,841	27,841
Retained earnings including profit for the year	29	-8,271	6,271
		19,569	**34,112**
Total equity		**20,789**	**35,332**
LIABILITIES			
Non-current liabilities			
Bond issue	21	–	67,815
Financial liabilities	27	–	848
Non-current liabilities Group companies		6,708	–
Provision for management incentive programme		302	–
Total non-current liabilities		**7,010**	**68,663**
Current liabilities			
Trade and other payables	22	284	3,953
Liabilities to Group companies		655	–
Accrued expenses and deferred income	23	1,367	686
Short-term bond issue		34,069	–
Current financial liabilities		4,791	–
Total current liabilities		**41,166**	**4,639**
Total liabilities		**48,176**	**73,302**
TOTAL EQUITY AND LIABILITIES		**68,965**	**108,634**

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 on 1 January 2021	**1,220**	**37,069**	**-2,096**	**36,193**
Net profit for the year[1]	–	–	23,877	23,877
Total comprehensive income for the year	**–**	**–**	**23,877**	**23,877**
Transactions with shareholders in their capacity as owners				
Dividend incl. translation reserve, currency effect	–	–	-15,509	-15,509
Share repurchases	–	-9,538	–	-9,538
Effects of warrant programme	–	309	–	309
	–	**-9,229**	**-15,509**	**-24,738**
Balance on 31 December 2021	**1,220**	**27,841**	**6,271**	**35,332**
Balance on 1 January 2022	**1,220**	**27,841**	**6,271**	**35,332**
Net profit for the year[1]	–	–	-14,782	-14,782
Total comprehensive income for the year	**–**	**–**	**-14,782**	**-14,782**
Transactions with shareholders in their capacity as owners				
Dividend incl. translation reserve, currency effect	–	–	-10	-10
Share repurchases	–	–	–	–
Effects of warrant programme	–	–	–	–
Management incentive program	**–**	**–**	249	249
	–	**–**	**239**	**239**
Balance on 31 December 2022	**1,220**	**27,841**	**-8,272**	**20,789**

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 29 and in the Board of Directors' Report.

PARENT COMPANY STATEMENT OF CASH FLOWS

Amounts in EUR 000s	Note	2022	2021
Cash flow from operating activities			
Operating loss		-11,322	-4,636
Interest received		5,105	1,353
Interest paid		-4,751	-3,399
Net income taxes paid		23	-9
Adjustments for non-cash items:			
Unrealised exchange rate differences		-12	-71
Depreciation and amortisation		1	1
Other non-cash items		556	–
Cash flow from operating activities before changes in working capital		**-10,400**	**-6,762**
Cash flow from changes in working capital			
Increase/decrease in operating receivables		-194	-197
Increase/decrease in operating liabilities		1,114	-90
Cash flow from operating activities		**-9,480**	**-7,048**
Cash flow from investing activities			
Investments in subsidiaries		-4	–
Cash flow from investing activities		**-4**	**–**
Cash flow from financing activities			
Cash dividends paid out to shareholders	20	-3,805	-11,715
Share repurchases	20	–	-9,538
Lending from credit institutions	21	40,000	–
Repayment of loans from credit institutions	21	-40,000	–
Dividends received from subsidiaries		–	7,436
Repayment of loans from subsidiaries		74,336	14,350
Loans from subsidiaries		6,708	–
Bond issue	21	–	19,897
Bond repurchases	21	-29,181	–
Loans to subsidiaries		-44,406	-7,972
Cash flow from financing activities		**3,652**	**12,459**
Cash flow for the period		-5,832	5,411
Cash and cash equivalents at start of the year		7,122	1,419
Currency effects on cash and cash equivalents		41	292
Cash and cash equivalents at end of the year	19	**1,331**	**7,122**

NOTE 1 Reporting entity

LeoVegas AB (publ) (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. LeoVegas Group's financial statements pertain to the Company and its subsidiaries (together referred to as the "Group").

About the LeoVegas Group

The global LeoVegas 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. LeoVegas AB (publ) de-listed all shares from Nasdaq Stockholm on 22 September 2022 and is sinced owned by MGM Casino Next Lion, LLC, an indirect wholly owned subsidiary of MGM Resorts International ("MGM"). LeoVegas AB (publ) has a listed corporate bond and therefore prepares and publishes the consolidated financial statements for LeoVegas Group.

LeoVegas Group's financial statements were approved for issuance by the Board of Directors on 27 April 2023.

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 estimates 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 metrics that the company and other stakeholders use to assess the Group's performance, which are not expressly defined in IFRS. All key metrics that are not defined in IFRS (i.e., key metrics 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 2022. The accounting policies used in the published book-closing for the year ended 31 December 2022 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 2022. These 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 considerations are included in the cost and are stated at fair value at the time of acquisition. Subsequent effects of remeasurements of contingent considerations 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.

Associated companies

An associated company is defined as a company with a participating interest in a legal entity. The participating interest refers to shareholdings in another company that are intended to promote operations in the owner company by creating an enduring link with the other company. Shareholdings of not less than 20% and not more than 50% in the other company are considered as a participating interest unless circumstances dictate otherwise. Associated companies are consolidated in the financial statements using the equity method in accordance with IAS 28. Holdings in accordance with this method are recognised initially at cost. The recognised value increases or decreases during the financial year following the acquisition of the owner company's share of the associated company's earnings.

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. Revenue 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. Exceptions for foreign exchange gains or losses that are directly attributable to dividends to the Parent Company's shareholders are recognised directly in equity in accordance with IFRIC 17. Foreign exchange gains and losses attributable to loans and liquid assets are recognised in profit or loss together with exchange rate differences attributable to operating receivables and operating payables.

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 done 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 activities. In addition to this, the Group has insignificant revenue from affiliate activities and other B2B activities. The Parent Company receives revenue primarily from consulting and management fees. For more information, refer to 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 as well as 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.

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 personnel-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

Gaming 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 Group 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 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. Accordingly, the Company has no legal or formal obligation once the premiums have been paid. Payments to defined contribution pension plans are expensed during the period that the employee provides the services that the premiums pertain to. Accordingly, no provision for pensions is made in the consolidated balance sheet.

The Group has had incentive programmes that have been settled with warrants that otherwise could have been converted to shares upon exercise. A premium was paid in connection with the grant of warrants corresponding to the fair value of the warrants on the grant date, and the paid-in premium was recognised as an increase in additional paid-in capital. For all warrants, the payment made by employees was based on a market price that had 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 additional paid-in capital.

In conjunction with MGM's acquisition of LeoVegas Group, all warrants have been settled and a new remuneration programme was issued in the fourth quarter of 2022. The programme is directed at senior executives and recognised in accordance with IFRS 2, which involves a continual personnel cost and a corresponding increase in equity if the remuneration is settled with equity instruments or as a liability if the remuneration is settled with cash.

Financial income and expenses

Financial income and 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 or loss are also reported under financial items in the consolidated income statement. This is when no hedge accounting is applied. The Group 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 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 associates that are not expected to be taxed in the foreseeable future. Deferred tax assets pertaining to deductible temporary differences and 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 its assessments for 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.

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 realisable 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 the valuation. 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 collateral 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 its proprietary technical platform that enables technical innovation and high flexibility for continued expansion in new markets. With a proprietary gaming platform and 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 estimated to be lower than the asset's 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 making certain assumptions. Internal and external factors are taken into account in the calculations. The calculations are based on cash flow projections in budgets approved 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 14.

Financial instruments

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

Initial recognition, 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 initial recognition 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 on initial recognition.

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 currency derivative (OTC derivative), which is used for hedging purposes, is measured according to Level 2 of the fair value hierarchy. The fair value of financial instruments that are not traded in an active market is determined with the help of valuation techniques that maximise the use of observable market data and rely as little as possible on entity-specific estimates. All significant input data needed for the fair value measurement of an instrument is observable. Financial instruments 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 collection of contractual cash flows (Hold to collect) and where these cash flows consist solely of payments of principal 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 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 (player funds) 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. When the Group has a bank guarantee, it 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.

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

Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss pertain to derivative instruments used for hedging purposes. The currency derivative (OTC derivative), which is used for hedging purposes, is measured according to Level 2 of the fair value hierarchy. For more information, refer to the section "Financial assets measured at fair value through profit or loss" for accounting policies.

Non-current liabilities related to borrowing

Borrowing is initially recognised at fair value, net after transaction costs. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid for credit facilities are recognised as transaction costs for borrowing to the extent it is likely that part or all of the credit facility will be drawn down. In such case, the fee is recognised when the drawn down occurs. When there is no evidence that it is likely that part or all of the credit facility will be drawn down, 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.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been received in operating activities 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.

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 financial 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.

Within net financial items, remeasurement of the bond in SEK and the change in fair value of the currency derivative, including its interest flows, are reported net. The items have an equalising effect and are of the same character. Net recognition creates a clearer picture for readers of the cost of the financing.

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 in 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.

cont. Note 2

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 additional paid-in capital

Premium for warrants

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 additional paid-in capital.

Share repurchases

Treasury shares are carried at cost in unrestricted equity. When a repurchase is made of the Parent Company's own shares, the price paid, including an indirectly attributable transactions costs, reduces shareholders' equity. The Group recognises the repurchase as additional paid-in capital. Treasury shares are initially and subsequently measured and carried at cost in unrestricted equity. If these common shares are subsequently sold, the amount received (net after any directly attributable transaction costs and tax effects) is included in 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. As of the balance sheet date, the Parent Company has issued to Group companies a debt coverage guarantee for its intra-Group receivables. For more information, refer to Note 24.

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 balances 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 considerations are reported as the portion of the acquisition cost that will likely be paid.

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 realisable 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 realisable 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. A financial fixed asset 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 for IFRS 16 is applied. All leases are thereby reported as operating leases.

NOTE 3 Significant estimates 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.

Income taxes

The Group conducts operations across borders and complies with regulations such as corporation tax and indirect taxes in a number of jurisdictions. The tax environment is complex and the Group evaluates and makes continual assessments concerning the company's tax positions. LeoVegas could be negatively affected by judicial rulings, settlements and costs associated with legal processes and investigations, and disputes, and could be the subject of legal action in the future. If LeoVegas Group were to be unsuccessful in such legal processes and investigations, the company could incur costs as a result. A determination of potential provisions for corporation tax and indirect taxes is subject to complexity and uncertainty, requiring extensive estimations and assessments. During the year, the income statement was charged with income tax for previous years of EUR 14.9 m. The tax is attributable to the Group's subsidiary Royal Panda during the years 2015–2018 and is a result of the tax audit that was previously announced.

Impairment testing of goodwill

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

Valuation of intangible assets in connection with acquisitions

The Group estimates the fair value of acquired intangible assets from business combinations based on best 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 lives

In cases where the recoverable amount is less than the carrying amount, a need for impairment arises. On every reporting occasion a number of factors are analysed to determine if there is any indication of a need for 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 loss-carryforwards. Deferred tax assets are reported only for deductible temporary differences and 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 previous assessments, partly 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.

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 Group 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. The table below presents how revenue is distributed between various geographical markets.

EUR 000s	2022	2021
Revenue per geographic area		
Nordic countries	205,871	168,739
Rest of Europe	106,386	145,705
Rest of World	82,402	76,727
Total	**394,659**	**391,171**

A breakdown of revenue per product is presented in the table below. Other products include revenue from affiliate activities and other B2B activities. Revenue that is not allocated per product consists of revenue from casino games or sports betting where it is not practically possible to fully allocate it per product.

EUR 000s	2022	2021
Revenue per product		
Casino games	338,755	346,565
Sports betting	50,117	38,441
Other products	5,787	4,657
Not allocated per product	–	1,508
Total	**394,659**	**391,171**

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

EUR 000s	2022	2022	2022	2022	2022	2022	2022
Non-current assets in the Group 2022	SE	UK	MT	IT	NL	US	ES
Property, plant and equipment	162	292	1,467	75	92	132	9
Intangible non-current assets	31,670	20	18,869	2	1	0	0
Total per geographic area	**31,832**	**312**	**20,336**	**77**	**93**	**132**	**9**

EUR 000s	2021	2021	2021	2021	2021
Non-current assets in the Group 2021	SE	UK	MT	IT	NL
Property, plant and equipment	322	417	1,245	90	83
Intangible non-current assets	28,676	21	112,671	2,306	2
Total per geographic area	**28,998**	**438**	**113,916**	**2,396**	**85**

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.

EUR 000s	2022	2021
Group		
Revenue from gaming operations	390,306	386,501
Affiliate revenue	3,533	4,304
Other revenue	820	367
Total revenue from continuing operations	**394,659**	**391,171**

EUR 000s	2022	2021
Parent Company		
Further invoicing to subsidiaries	–	–
Management fees	840	849
Total revenue from continuing operations	**840**	**849**

NOTE 6 Employee remuneration

Average number of employees	2022	Men	Women	2021	Men	Women
Parent Company						
Sweden	12	8	4	11	7	4
Subsidiaries						
Malta	548	285	263	453	258	195
Sweden	222	161	61	211	156	55
Other Group companies	174	117	57	166	96	70
Total, Group	**956**	**571**	**385**	**841**	**517**	**324**

Number of persons in executive positions	2022	Men	Women	2021	Men	Women
Parent Company						
Board of Directors	6	4	2	7	5	2
Senior executives[1]	2	2	0	2	2	–
Subsidiaries						
Senior executives[1]	6	5	1	3	3	–
Total, Group	**14**	**11**	**3**	**12**	**10**	**2**

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, the Group CMO, the Group CCLO, the Group CCO and the Group CDO.

Senior executives hold the following warrants:

	31 Dec 2022	31 Dec 2021
Management		
Gustaf Hagman, Group CEO	–	220,000
Stefan Nelson, Group CFO	–	320,000
Mattias Wedar, Group CPTO	–	300,000
Dersim Sylwan, Group CMO*	–	–
Mårten Forste, Group COO*	–	185,000
Niklas Lindahl, interim CMO*	–	24,000
Hanna Lerenius, interim COO*	–	55,000

*Dersim Sylwan left LeoVegas Group on 30 June 2021. Niklas Lindahl took on the role of interim CMO as per 15 July 2021.
*Mårten Forste stepped down from his position as COO on 13 December 2021. Hanna Lerenius took on the role as interim COO on 13 December 2021 and stepped down from the role in April 2022.

	2022		2021	
	Average exercise price (SEK)	Number of warrants (thousands)	Average exercise price (SEK)	Number of warrants (thousands)
Per 1 January*	50.80	1,104,000	54.56	849,000
Granted	–	–	53.09	480,000
Forfeited*	61.00	-1,104,000	49.05	-155,000
Exercised	–	–	–	–
Expired	–	–	115.77	-70,000
Per 31 December	**–**	**–**	**50.80**	**1,104,000**

In conjunction with MGM's purchase, all of LeoVegas Group's issued warrants directed at senior executives and employees were settled. On the balance sheet date, there were no warrants outstanding.

Salaries, other remuneration and social security costs	2022		2021	
EUR 000s	Salaries and other remuneration	Social security costs	Salaries and other remuneration	Social security costs
Parent Company				
Salaries and other remuneration	2,741	937	1,886	671
Pension costs	274	66	266	65
Total, Parent Company	**3,015**	**1,003**	**2,152**	**736**
Subsidiaries				
Salaries and other remuneration	48,525	5,115	41,139	6,642
Pension costs	1,937	352	1,648	317
Total, subsidiaries	**50,462**	**5,466**	**42,787**	**6,959**
Total, Group	**53,477**	**6,469**	**44,939**	**7,695**

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

	2022			2021		
EUR 000s	Parent Company	Subsidiaries	Total	Parent Company	Subsidiaries	Total
Board of Directors	213	–	213	286	–	286
Other senior executives	1,230	1,322	2,552	829	1,110	1,939
Other employees	1,784	49,140	50,924	1,322	41,677	42,999
Total	**3,228**	**50,462**	**53,690**	**2,437**	**42,787**	**45,224**

Remuneration and other benefits for the Board of Directors	2022			2021		
EUR 000s	Directors' fees	Base salary	Other benefits	Directors' fees	Base salary	Other benefits
Gary Fritz, Chairman of the Board (as of Sep 2022)	–	–	–	–	–	–
Bill Hornbuckle, Director (as of Sep 2022)	–	–	–	–	–	–
Gustaf Hagman, Director (as of Sep 2022)	–	600	–	–	–	–
Anna Frick, Director (until Sep 2022)	26	–	–	35	–	–
Per Norman, Chairman of the Board (until Sep 2022)	53	–	–	71	–	–
Hélène Westholm, Director (until Sep 2022)	26	–	–	35	–	–
Mathias Hallberg, Director (until Sep 2022)	26	–	–	35	–	–
Carl Larsson, Director (until Sep 2022)	26	–	–	35	–	–
Torsten Söderberg, Director (until Sep 2022)	26	–	–	35	–	–
Fredrik Rüden, Director (until Sep 2022)	30	–	–	40	–	–
Total	**213**	**600**	**–**	**286**	**–**	**–**

Salaries and other remuneration for senior executives	2022			2021		
EUR 000s	Base salary	Pension costs	Other benefits	Base salary	Pension costs	Other benefits
Gustaf Hagman, Group CEO	600	24	2	420	21	10
Other senior executives (4)	2,207	97	19	1,423	31	34
Total	**2,807**	**122**	**21**	**1,843**	**52**	**44**

Until September 2022, LeoVegas AB (publ) had a Remuneration Committee chaired by Per Norman and including Anna Frick and Torsten Söderberg as the other members. The Remuneration Committee drafted recommendations to the Board of Directors regarding principles for remuneration for the CEO and other executives in the Group Management and included 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

In 2022, certain senior executives were paid variable remuneration or bonuses, all in accordance with principles set by the Remuneration Committee. Following MGM's official public offer being declared unconditional, LeoVegas AB's (publ) Remuneration Committee was disbanded since it was no longer a requirement for the company following the delisting of its shares from Nasdaq Stockholm,.

Decision-making and drafting process

Until the Extraordinary General Meeting held on 27 September 2022, the Chairman and directors were paid fees in accordance with a previous resolution by the Annual General Meeting, except for those directors employed by the company. The Extraordinary General Meeting held on 27 September 2022 resolved that no fees be paid to the Board of Directors.

Guidelines for remuneration of senior executives

Senior executives in the Group include the Group CEO, the Group CFO, the Group COO, the Group CMO, the Group CPTO, the Group CCLO, the Group CCO and the Group CDO.

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. 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 negligence, 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.

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

The Group's leases consist primarily of rents for office premises, but also of IT and office equipment and kitchen equipment with a low value. The Group also has a small number of car leases. The Group's office 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 right of use asset is depreciated on a straight-line basis over the term of the lease.

Amounts recognised in the balance sheet

The following are reported on the balance sheet:

Right-of-use assets:

EUR 000s	2022	2021
Group		
Real estate	5,815	5,815
Vehicles	21	21
Other	–	–
Total	**5,836**	**5,836**

Additional right-of-use assets in 2022 amounted to EUR 520 thousand (397).

Lease liabilities:

EUR 000s	2022	2021
Group		
Current	3,240	2,949
Non-current	4,172	3,029
Total	**7,412**	**5,978**

Amounts recognised in profit or loss:

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

EUR 000s	2022	2021
Group		
Depreciation of real estate	3,358	3,658
Depreciation of vehicles	22	33
Depreciation of other assets	–	–
Total	**3,380**	**3,691**

EUR 000s	2022	2021
Group		
Interest expenses, leases (financial expenses)	339	318
Total	**339**	**318**

Payments and expenses for short-term leases and leases with low value amounted to EUR 186 thousand (354) 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	2022	2021
Group		
Cash flow for short-term leases and leases with low value, operating activities	486	354
Cash flow for leases recognised in the balance sheet, operating activities	340	318
Cash flow for leases recognised in the balance sheet, financing activities	3,293	3,037
Total	**4,119**	**3,709**

Parent Company 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	2022	2021
Parent Company		
Within one year	10	14
Between two and five years	–	19
Later than five years	–	–
Total	**10**	**33**

EUR 000s	2022	2021
Parent Company		
Lease payments	15	22
Total	**15**	**22**

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	2022	2021
Group		
PwC		
Audit assignment	423	389
Audit services in addition to the audit assignment	–	5
Tax consulting	27	78
Other services	18	4
Total	**468**	**476**

EUR 000s	2022	2021
Parent Company		
PwC		
Audit assignment	129	150
Audit services in addition to the audit assignment	–	5
Tax consulting	–	13
Other services	8	4
Total	**137**	**172**

NOTE 9 Other income and expenses

EUR 000s	2022	2021
Group		
Withdrawal fees	–	–
Other items recognised as a profit or loss	1,436	318
Total	**1,436**	**318**

The item Other income and expenses mainly consists of revenue related to second-hand leases of premises of EUR 480 thousand (261) and revenue from the sale of one platform.

EUR 000s	2022	2021
Parent Company		
Other items recognised as a profit or loss	23	–
Total	**23**	**–**

The item Other income and expenses in the Parent Company consist of the sales of one leased car.

NOTE 10 Financial items

Financial items include remeasurement effects, income from associates, interest expenses, interest income and transaction and other related expenses linked to financing.

As the result of a change in ownership with MGM Casino Next Lion, LLC and the delisting from Nasdaq Stockholm, a right arose (but no obligation) for the company's bondholders to redeem the company's outstanding bonds. The repurchase offers expired on 14 November and 28 November respectively, and have thus concluded. In conjunction with the repurchase offer, bondholders have accepted repurchases corresponding to a nominal amount totalling SEK 318.8 m. The price for repurchased bonds was 101.00% of the nominal amount and was paid together with accrued interest. The total remaining bond issue therefore amounted to SEK 381 m (700) as of the balance sheet date. The bond issue is valued at EUR 34.1 m (67.8). No bank loans remained as per the end of the balance sheet date. Changes in exchange rates for the bond in SEK have been hedged with a financial instrument (OTC derivative). Within financial expenses, remeasurement of the bond in SEK and the change in fair value of the currency derivative, including its interest flows, are reported net. Financial expenses amounted to EUR 5.3 m (4.0), and are mainly related to the company's bond.

Foreign exchange gains/losses are recognised separately under financial items in their entirety as financial items in 2022.

EUR 000S	2022	2021
Group		
Financial income	–	–
Share of profit after tax from associates reported using the equity method	-272	47
Financial income	**-272**	**47**
Financial expenses, financing/loans	-4,931	-3,650
Financial expenses, interest expenses on lease liabilities	-339	-318
Financial expenses	**-5,270**	**-3,968**
Foreign exchange gains/losses	-1,449	–
Foreign exchange gains/losses	**-1,449**	**–**
Total financial items – net	**-6,991**	**-3,921**

Financial items in the Parent Company are steered by dividends from subsidiaries, interest income from lending to subsidiaries, interest expenses for credit facilities and transaction costs and other costs related to the company's financing.

Financial income in the form of dividends from subsidiaries amounted to EUR 0.0 m (30.0). It was resolved that no dividend be paid to the Parent Company in 2022. Interest income from lending to subsidiaries amounted to EUR 3.0 m (2.6). Financial expenses amounted to EUR 4.4 m (3.2) and are mainly coupled to the company's bond issues.

EUR 000s	2022	2021
Parent Company		
Profit from participations in Group companies, dividends	–	30,000
Interest income	3,003	2,577
Financial income	**3,003**	**32,577**
Financial expenses, financing/loans	-4,402	-3,230
Financial expenses	**-4,402**	**-3,230**
Total financial items – net	**-1,399**	**29,347**

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 assets linked to unutilised loss-carryforwards are recognised only if it is probable that future taxable surpluses will be available, against which deductible temporary differences can be utilised in the foreseeable future.

Tax expense

EUR 000S	2022	2021
Group		
Current tax on profit for the year	-15,671	- 1,596
Total current tax	**- 15,671**	**- 1,596**
Deferred tax		
Increase/decrease in deferred tax assets, loss-carryforwards	-1,535	-714
Total deferred tax	**- 1,535**	**-714**
Total reported income tax	**-17,206**	**-2,310**

The company's tax on profit for the year was EUR -17.2 m (-2.3). During the year, income tax for previous years of EUR 14.9 m was recorded. The tax is attributable to one of the Group's acquisitions, Royal Panda, with accompanying subsidiaries, which was acquired at the end of 2017. The tax pertains to the years 2015–2018 and is a result of the previously announced tax audit.

The following is recognised in the consolidated balance sheet

EUR 000S	2022	2021
Group, deferred tax assets		
Deferred tax asset (as per 1 January)	2,162	2,876
Increase through business combinations	–	505
Recognised through profit or loss (divestment of subsidiary)	–	–
Recognised through profit or loss (deferred tax asset, loss-carryforward)	- 1,535	-1,220
Recognised in Other comprehensive income	–	–
Exchange rate differences (upon translation to EUR)	–	–
Total deferred tax	**627**	**2,162**

As per 31 December 2022, the Group had total loss-carryforwards amounting to EUR 29.7 m (9.2), which were not taken into account in calculating deferred tax assets. The loss-carryforwards have no expiration date.

	2022	2021
Group, deferred tax liabilities		
Deferred tax liability (as per 1 January)	1,091	1,435
Increase through business combinations	–	118
Recognised through profit or loss	-205	-462
Recognised in Other comprehensive income	–	–
Exchange rate differences (upon translation to EUR)	–	–
Total deferred tax liability	**886**	**1,091**

As of the balance sheet date, the Group had deferred tax liabilities of EUR 0.9 m (1.1) related to consolidated surplus value from acquisitions. During the year, the Group dissolved EUR 163 thousand (444) in the income statement related to consolidated surplus value. In addition to this, an increase of EUR 42 thousand (18) pertaining to deferred tax was recognised through profit or loss coupled to leasing. In total, a net effect of EUR 205 thousand (-462) was recognised.

cont. Note 11

Tax expense

EUR 000s	2022	2021
Parent Company		
Current tax on profit for the year	–	–
Total current tax	**–**	**–**
Deferred tax		
Increase/decrease in deferred tax assets	-2,061	-834
Total deferred tax	**-2,061**	**-834**
Total reported income tax	**-2,061**	**-834**

The following is reported on the Parent Company balance sheet

EUR 000S	2022	2021
Parent Company		
Deferred tax assets, accumulated loss-carryforwards (1 January)	2,061	2,895
Deferred tax assets, loss-carryforwards in current year	-2,061	-834
Total deferred tax:	**–**	**2,061**

The Parent Company has accumulated loss-carryforwards. It has been determined in previous years that these can be used within the foreseeable future against taxable surpluses in the subsidiary Gears of Leo AB. Rights to Group contributions exist between the Swedish companies. During the year, the deferred tax assets in the Parent Company related to these loss-carryforwards for probable future gains were remeasured. This resulted in a tax expense totalling EUR -2.1 m (-0.8). 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. Taxable profit differs from the profit reported in the income statement, since it is adjusted for non-taxable revenue and non-deductible expenses. The tax expense for the year can be reconciled against profit according to the income statement below.

EUR 000S	2022	2021
Group		
Profit before tax	-8,603	14,123
Tax at Swedish tax rate, 20.6%	1,772	-2,909
Tax effect of:		
Difference in tax rates in foreign operations	-849	-14,077
Non-taxable income	2,929	20,801
Non-deductible expenses	-1,998	-3,579
Impairment of goodwill (non-deductible)	–	–
Confirmed deduction from previous year	–	–
Other	-1,589	1,063
Adjustment of taxes for previous years	-14,907	-2,083
Utilisation of previously unreported loss-carryforwards	294	360
Loss-carryforwards for which no deferred tax assets have been reported	-2,859	-1,886
Tax on profit for the year	**-17,206**	**-2,310**

EUR 000S	2022	2021
Parent Company		
Profit before tax	-12,721	24,711
Tax at Swedish tax rate, 20.6%	2,620	-5,090
Tax effect of:		
Non-taxable income	–	6,180
Non-deductible expenses	-1,115	-15
Other	-2,061	-30
Adjustment of taxes for previous years	–	–
Utilisation of previously unreported loss-carryforwards	–	–
Loss-carryforwards for which no deferred tax assets have been reported	-1,505	-1,879
Tax on profit for the year	**-2,061**	**-834**

NOTE 12 Items affecting comparability

LeoVegas Group presents adjusted profit measures to provide a more fundamental picture to readers of reports by showing earnings that more closely reflect the Group's underlying earnings capacity. Items affecting comparability for 2022 were primarily attributable to transaction-related costs of EUR 11.0 m (0.0). These costs resulted from MGM's public offer for the company's shares and other transaction-driven costs in the company.

In addition, other items affecting comparability totalling EUR 2.5 m (1.3) were recognised, which primarily pertained to a fine from the UK Gambling Commission and a provision for gaming tax in Austria totalling EUR 1.3 m. The provision for the incentive programme for management arose during the year and totalled EUR 0.9 m (0.0). Adjusted items in 2021 include expenses pertaining to provisions of EUR 1.3 m for gaming taxes in Denmark.

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	2022	2021
EBITDA	**19,548**	**43,351**
Incentive programme for management	930	–
Transaction-related expenses	11,013	–
Other items affecting comparability	2,521	1,263
Adjusted EBITDA	**34,012**	**44,614**
Depreciation and amortisation	-14,515	-11,746
Adjusted EBIT	**19,497**	**32,868**
Net financial items	-4,978	-3,968
Foreign exchange gains/losses	-1,449	–
Share of profit after tax from associates reported using the equity method	-272	47
Tax	-2,306	-2,310
Adjusted profit	**10,492**	**26,637**
Adjusted EBITDA margin, %	8.6	11.4
Adjusted EBIT margin, %	4.9	8.4
Adjusted net margin, %	2.7	6.8

NOTE 13 Property, plant and equipment

EUR 000S	Leasehold improvements	Equipment, fixtures and fittings	Equipment	Total
Financial year 2021				
Opening carrying amount	695	685	1,013	2,393
Purchases	130	98	790	1,018
Disposals	-7	-43	-69	-119
Depreciation	-166	-386	-584	-1,136
Closing carrying amount	**652**	**354**	**1,149**	**2,157**
31 December 2021				
Cost (net)	1,269	2,037	6,032	9,338
Accumulated depreciation	-617	-1,683	-4,882	-7,182
Carrying amount	**652**	**354**	**1,150**	**2,157**
Financial year 2022				
Opening carrying amount	652	354	1,150	2,157
Reclassification*	102	274	-375	–
Purchases	227	130	948	1,305
Disposals	-23	-37	-75	-135
Depreciation	-227	-367	-478	-1,072
Currency remeasurement	-14	-1	-11	-26
Closing carrying amount	**717**	**353**	**1,159**	**2,229**
31 December 2022				
Cost (net)	1,829	3,406	4,310	9,545
Accumulated depreciation	-1,112	-3,053	-3,151	-7,316
Carrying amount	**717**	**353**	**1,159**	**2,229**

*The change of accounting system that took force from 1 January 2022 resulted in some reclassification within the various categories of tangible assets.

NOTE 14 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 2021						
Opening carrying amount	94,657	28,694	142	18,423	929	142,845
Acquisitions	1,077	3,742	30	952	–	6,613
Purchases/cost	–	–	1,008	14,522	1	14,719
Disposals	–	–	-6	–	–	-6
Amortisation	–	-12,943	-169	-6,764	–	-19,876
Impairment losses	–	–	-619	–	–	-619
Closing carrying amount	**95,734**	**19,493**	**386**	**27,133**	**930**	**143,676**
31 December 2021						
Cost (net)	105,971	85,943	4,379	50,867	933	248,093
Accumulated amortisation and impairment losses	-10,236	-66,450	-3,993	-23,734	-3	-104,417
Carrying amount	**95,734**	**19,493**	**386**	**27,133**	**930**	**143,676**
Financial year 2022						
Opening carrying amount	95,734	19,493	386	27,133	930	143,676
Acquisitions	–	–	–	–	–	–
Purchases/cost	–	–	126	18,229	723	19,078
Disposals	–	–	–	-1,543	–	- 1,543
Amortisation	–	-4,956	-242	-9,694	-23	-14,915
Impairment losses	–	–	–	–	–	–
Closing carrying amount	**95,734**	**14,537**	**270**	**34,125**	**1,630**	**146,296**
31 December 2022						
Cost (net)	105,971	85,943	4,505	67,553	1,656	265,628
Accumulated amortisation and impairment losses	-10,236	-71,406	-4,235	-33,428	-26	-119,332
Carrying amount	**95,734**	**14,537**	**270**	**34,125**	**1,630**	**146,296**

cont. Note 14

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. Goodwill of EUR 1,077 thousand arose in 2021 related to the acquisition of Expekt. No new goodwill items arose due to acquisitions in 2022.

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 95.7 m (95.7), in accordance with the table below. 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 has conducted 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 Group brand in the UK and is dependent on cash flows from LeoVegas Group. Rocket X is now a fully integrated service unit for customer and marketing services for LeoVegas Group. Similarly, the company "Winga", which was acquired in 2017, is a fully integrated service unit primarily for marketing the LeoVegas brand in Italy. As of 31 December 2021, "Royal Panda" is no longer a cash-generating unit. Royal Panda was acquired in November 2017, and in 2021, Royal Panda was fully migrated to LeoVegas Group's technical platform and organisation. Following the integration, Royal Panda was no longer identified as a cash-generating unit, but rather a part of LeoVegas Group's cash-generating unit. Starting in 2022, the acquired entity Expekt is no longer regarded as a cash-generating unit, since it is now a fully integrated part of LeoVegas Group and is dependent on cash flows from the Group.

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

EUR 000S	2022	2021
LeoVegas	91,708	91,708
- 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
- of which, goodwill from the acquisition of "Royal Panda"*	33,179	33,179
- of which, goodwill from the acquisition of "Expekt"*	1,077	1,077
CasinoGrounds	2,907	2,907
Pixel.bet	1,118	1,118
Goodwill, Group	95,734	95,734

*Rocket X, Winga, Royal Panda and Expekt make up part of LeoVegas Group's cash-generating units.

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. The average growth rate for each cash-generating unit is constructed based on a forecasting model. The forecasting model includes a detailed plan and forecast for the driving forces that govern development in the form of revenue, expenses and expected cash flow based
on the most important key factors in operations:

- *Sales volume:* based on an average growth rate over a five-year forecast, based on historical outcomes and management's assessment of 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.
- *Marketing costs:* a budget is allocated for each country, which is based on historical data and each country manager's assessment in conjunction with the assessment of management. The share of investment in marketing is an important driving force for the expected growth of each country and is a major factor for the growth that is ultimately quantified.
- *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. Annual outlays for investments that pertain to improvement costs that can be assumed to arise. These costs are based on management's previous experience and plans for improvements that are required to conduct operations.
- *Long-term growth rate:* The long-term growth rate that is used to extrapolate forecast cash flow beyond the period covered by the most recently set projection 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 units, 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), %	2022	2021
LeoVegas*	12	12
CasinoGrounds	15	15
Pixel.bet	15	15

* Rocket X, Winga, Royal Panda and Expekt make up part of LeoVegas Group's cash-generating units.

Impairment

At year end, no need to recognise impairment was identified.

Sensitivity analysis

In a sensitivity analysis of all units, management has not identified any need to recognise impairment. Company management has conducted impairment testing for the 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 – separately or on aggregate – would decrease the recoverable amount to a value that is lower than the carrying amount for other cash-generating units.

Assumptions	2022
Sales volume (% annual growth rate)	-1.0%
EBITDA margin %	-5.0%
Long-term growth rate, (%)	-1.0%
Raised risk premium after tax, WACC %	+3.0%

Acquired, identified surplus value

No new surplus value from acquisitions was identified during the year. In the preceding year, surplus value of EUR 3.7 m was identified from the acquisition of Expekt. Trademarks and domain names related to all acquisitions have a carrying amount of EUR 9.9 m (14.5). In addition to this are customer databases with a carrying amount of EUR 0.7 m (1.0), licences with a carrying amount of EUR 3.9 m (3.9), and a technical platform with a carrying amount of EUR 0.0 m (0.1), for a total carrying amount of EUR 14.5 m (19.5).

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. 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. Total impairment in the Group for the year was EUR 1.7 m (1.9). Impairment for the year is related to the company's technical platform – Rhino – following the decision not to launch in New Jersey in the US.

NOTE 15 Participations in Group companies

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

EUR 000S	2022	2021
As per 31 December		
Opening carrying amount	236	236
Acquisitions		–
Shareholder contributions	4	–
Closing carrying amount	**240**	**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
			2022	2022	2022	2021
Subsidiaries of LeoVegas AB (publ)						
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
LeoVegas Holding AB	Sweden	559367-8336	100	250	2,389	2,389
HippoGo Holding Limited	Malta	C102898	100	1,165	1,165	1,165
Subsidiaries of LeoVegas International Limited						
LeoVegas Gaming Plc	Malta	C 59314	100	240,000		
Gears of Leo AB	Sweden	556939-6459	100	50,000		
Expekt Nordics Limited	Malta	C 86968	100	1,200		
Gaming Momentum Ltd	Malta	C 77934	100	1,200		
LVSports Limited	Malta	C 94854	100	1,200		
Winga S.r.l	Italy	MI-1951718	100	10,000		
LeoVegas UK Ltd	UK	11035852	100	112		
World of Sportsbetting Ltd	Malta	C 55188	100	100,000		
LeoVegas US Inc.	USA	4873676	100	1,000		
Web Investments Ltd	Malta	C 58145	100	1,200		
GameTech Marketing Limited	Gibraltar	GICO.119354-51	100	100		
Gazelle Co. Ltd	Malta	C 101959	100	1,200		
Green Backyard Limited	Malta	C 103736	100	1,165		
Cloudy Hills Limited	Malta	C 103737	100	1,165		
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	The Netherlands	820721384	100	18,000		
Royal Panda Marketing Services Ltd	British Virgin Islands	1778553	100	383		
Subsidiaries of LeoVentures Limited						
21 Heads UP Ltd	Malta	C 74428	100	1,200		
GameGrounds United AB	Sweden	559122-5460	78.4	7,840		
Pixel Holding Group Ltd	Malta	C 87545	51	1,200		
BeyondPlay Limited	UK	12909248	25	250,000		
LeoStudios Limited	Malta	C 98918	100	1,200		
Humbl Solutions OU	Estonia	16522858	25	333,400		
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		
Subsidiaries of LeoVegas US Inc.						
LeoVegas NJ LLC	USA	0450635825	100	–		
Subsidiaries of HippoGo Holding Limited						
PLF HippoGo Solutions Ltd	Cyprus	590026	100	1,000		
Tumbledoor Limited	Malta	C102961	100	1,165		
Subsidiaries of PLF HippoGo Solutions Ltd						
HippoGo Services Limited	Malta	C 100490	100	1,500		
Subsidiaries of Gears of Leo AB						
LeoVegas Polska sp zoo	Poland	957972	100	100		
LeoVegas Spain SL	Spain	B10940930	100	3,000		

NOTE 16 Receivables from Group companies

EUR 000s	2022	2021
Current receivables		
Receivables falling due within one year	52,855	54,899
Non-current receivables		
Receivables falling due between two and five years	13,837	43,732
Total	**66,692**	**98,631**

EUR 000s	2022	2021
Receivables from Group companies		
LeoVegas International Limited	58,384	88,439
LeoVegas Gaming Limited	132	5,826
LeoVentures Limited	3,090	967
Gears of Leo AB	2,415	3,353
LeoVegas US Inc.	44	44
LeoVegas NJ LLC	2,608	3
Gamegrounds United	1	–
PLF Hippogo Solutions	18	–
Total	**66,692**	**98,631**

The Parent Company LeoVegas AB (publ) has issued a debt coverage guarantee to Group companies for its intra-Group receivables, see Note 24.

NOTE 17 Trade and other receivables

EUR 000s	2022	2021
Group		
Receivables from payment service providers	21,367	12,821
Other receivables, incl. trade receivables	17,029	9,003
Total	**38,396**	**21,824**

EUR 000s	2022	2021
Parent Company		
Other receivables	95	54
Total	**95**	**54**

Trade and other receivables with short due dates are valued at their nominal amounts. 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 amounted to EUR 21.4 m (12.8), of which EUR 3,834 thousand pertained to cash-in-transit as per the balance sheet date. This does not therefore mean 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 amounted to EUR 17.0 m (9.0) and consisted primarily of VAT receivables, trade receivables (B2B) and other receivables.

In total, as per the balance sheet date, the Group had EUR 6,539 thousand in receivables that were past-due, excluding cash-in-transit, of which EUR 830 thousand pertained to trade receivables in the Group's B2B (affiliate activities). The Group had EUR 4,154 thousand past-due for a specific supplier that provides payment services. The claim has been confirmed by the counterparty and discussions are ongoing concerning when all receivables are to be settled. In terms of other past-due receivables, this receivable pertains to the Group's other B2B operations. The Group is in dialogue with the counterparty and has, as of the balance-sheet date, offered an extended credit period. The expectation is that all of the above receivables will be settled shortly, and accordingly, no provision has been made for future credit losses.

EUR 000S	2022	2021
Group		
<30 days	311	127
30–60 days	573	24
61–90 days	428	101
>90 days	5,227	115
Total	**6,539**	**367**

Further information about the Group's financial risks is provided in Note 28.

NOTE 18 Prepaid expenses and accrued income

EUR 000s	2022	2021
Group		
Prepaid expenses	4,606	3,446
Prepaid marketing costs	4,072	1,487
Accrued income	551	378
Total	**9,229**	**5,311**

EUR 000s	2022	2021
Parent Company		
Prepaid expenses	418	528
Accrued income	189	–
Total	**607**	**528**

NOTE 19 Cash and cash equivalents

EUR 000s	2022	2021
Group		
Cash and cash equivalents	70,075	75,161
Less: restricted funds (player funds)	-22,551	-19,945
Cash and cash equivalents, net after restricted funds	**47,524**	**55,216**

EUR 000s	2022	2021
Parent Company		
Cash and cash equivalents	1,331	7,122
Cash and cash equivalents	**1,331**	**7,122**

The Group's cash and cash equivalents included restricted customer balances of EUR 22,551 thousand (19,945). In its capacity as a manager of player funds, 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 22.

NOTE 20 Share capital and warrants

As a result of the purchase from MGM Casino Next Lion, LLC, all warrants and warrant programmes were settled. The company had no warrants outstanding as of the balance-sheet date. The total number of shares in the company amounted to 101,652,970 (101,652,970). Share capital amounted to EUR 1,219,836 (1,219,836), and the quota value per share amounted to EUR 0.012 (0.012).

NOTE 21 Non-current liabilities

EUR 000s	2022	2021
Group		
Bond issue	–	67,815
Lease liabilities	4,172	3,029
Deferred tax liability	886	1,091
Financial liabilities	–	848
Shareholder loans	66,000	–
Provision for management incentive programme	672	–
Total	**71,730**	**72,783**

EUR 000s	2022	2021
Parent Company		
Provision for management incentive programme	302	–
Non-current liabilities Group companies	6,708	–
Bond issue	–	67,815
Total	**7,010**	**67,815**

Borrowing and interest
In December 2020, LeoVegas AB (publ) issued a senior unsecured bond of SEK 500 m under a framework totalling SEK 800 m. In the third quarter of 2021, the Parent Company expanded the existing bond issue by SEK 200 m. As the result of a change in ownership in 2022 with the buyout from MGM Casino Next Lion, LLC and the delisting from Nasdaq Stockholm, a right arose (but no obligation) for the company's bondholders to redeem the company's outstanding bonds. The repurchase offers expired on 14 November and 28 November respectively, and have thus concluded. In conjunction with the repurchase offer, the bondholders have accepted repurchases corresponding to a nominal amount totalling SEK 318.75 m. The price for repurchased bonds was 101.00% of the nominal amount and was paid together with accrued interest in the third quarter 2022. The total bond issue outstanding amounted to SEK 381 m (700) as of the balance sheet date. The bond matures in December 2023 and is therefore classified as short-term and valued at EUR 34.1 m (67.8). The bond has a maturity of three years and a floating interest rate of STIBOR three months plus 550 basis points. The Group's revolving credit facility (RCF) of EUR 40 m was paid back and terminated in the fourth quarter of 2022. 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.

EUR 000S	2022	2021
Total loan liabilities		
Original currency, EUR	–	–
Original currency, SEK	34,069	67,815
Total	**34,069**	**67,815**

Conditions and covenants for borrowing
The loan is subject to customary borrowing terms and is unsecured. The Parent Company guarantees all of the Group companies' loan obligations and may not pledge any assets to another party. The loan agreement includes financial covenants, mainly related to the leverage ratio and other customary conventions. The Group was in compliance with these covenants as per 31 December 2022. 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.

Market value of the bond
The bond had a market value of SEK 706,958,000 in its entirety as per the end of the balance sheet date. The bond, after repurchase, had a market value of SEK 385,039,625 as per the end of the balance sheet date.

Other non-current liabilities
In addition to the non-current liabilities reported above, the Group reported a lease liability of EUR 4.2 m (3.0). The deferred tax liability of EUR 0.9 m (1.1) is related to Group surplus value from acquisitions, see also Note 11. In conjunction with the issuance of the initial bond, a currency derivative (OTC derivative) was contracted, which is valued at fair value and corresponded to a liability of EUR 4.8 m (0.8) on the balance sheet date.

The Group's total liabilities concerning financing operations are shown below.

				Non-cash items			
Liabilities from financing activities	**1 Jan 2021**	Cash inflow (loans raised)	Cash outflow (payment of credit/debt)	Transaction and borrowing costs	Plus contract/ periods	Exchange rate differences/ remeasurement	**31 Dec 2021**
Liabilities to credit institutions	–	5,000	- 5,000	–	–	–	–
Bond issue	48,860	19,897	–	377	–	- 1,319	67,815
Lease liabilities	8,393	–	-3,037	–	623	–	5,978
Total	**57,253**	**24,897**	**-8,037**	**377**	**623**	**- 1,319**	**73,793**

				Non-cash items			
Liabilities from financing activities	**1 Jan 2022**	Cash inflow (loans raised)	Cash outflow (payment of credit/debt)	Transaction and borrowing costs	Plus contract/ periods	Exchange rate differences/ remeasurement	**31 Dec 2022**
Liabilities to credit institutions	–	40,000	-40,000	–	–	–	–
Bond issue	67,815	–	-29,181	-675	–	-3,890	34,069
Lease liabilities	5,978	–	-3,293	–	4,726	–	7,411
Shareholder loans	–	66,000	–	–	–	–	66,000
Total	**73,793**	**106,000**	**-72,474**	**-675**	**4,726**	**-3,890**	**107,480**

NOTE 22 Trade and other payables

EUR 000s	2022	2021
Group		
Trade payables	10,815	1,817
Payroll tax and other statutory liabilities	944	1,656
Other payables	1,239	16,169
Player liabilities	22,551	19,945
Uncollected dividends to the Parent Company share-holders*	–	3,795
Total	**35,549**	**43,382**

EUR 000s	2022	2021
Parent Company		
Payable to Group companies	655	–
Trade payables	153	21
Other payables	–	5
Payroll tax and other statutory liabilities	103	132
Uncollected dividends to the Parent Company share-holders*	–	3,795
Total	**911**	**3,953**

*The dividend for 2021 was distributed over four occasions, of which the fourth payment was made in January 2022.

NOTE 23 Accrued expenses and deferred income

EUR 000s	2022	2021
Group		
Accrued gaming expenses	56,115	19,690
Accrued marketing costs	12,531	12,797
Accrued payroll and remuneration costs	2,000	2,192
Auditors' fees	439	281
Consulting and legal fees	2,659	1,172
Other accrued expenses	6,839	28,932
Deferred income	–	72
Accrued interest	170	–
Total	**80,753**	**65,136**

EUR 000s	2022	2021
Parent Company		
Accrued payroll and remuneration costs	372	302
Auditors' fees	71	70
Consulting and legal fees	503	43
Other accrued expenses	262	271
Accrued interest	159	–
Total	**1,367**	**686**

NOTE 24 Pledged assets

The Group has no pledged assets for borrowings. The Parent Company has issued a debt coverage guarantee to all Group companies for its intra-Group receivables (see Note 16).

NOTE 25 Contingent liabilities

The Group does not have any guarantee obligations, financial obligations or contingent liabilities that are not recognised in the balance sheet.

NOTE 26 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. LeoVegas AB's (publ) subsidiaries LeoVegas Gaming Plc. and LeoVegas International Ltd. have raised loans from the shareholder (MGM) of EUR 66.0 m (0.0), which carry market rates of interest. All transactions in the LeoVegas Group with related parties are priced on an arm's length basis.

EUR 000s	2022	2021
Parent Company		
Sales of services to Group companies	840	849
Result of participations in Group companies	–	30,000
Interest income from Group companies	3,003	2,577
Interest expenses to Group companies	-34	–
Total	**3,809**	**33,426**
Receivables from Group companies	66,692	98,631
Accumulated impairment losses, receivables from Group companies	–	–
Carrying amount of receivables from Group companies	**66,692**	**98,631**
Liabilities to Group companies	7,329	–
Accumulated impairment losses, liabilities to Group companies	–	–
Carrying amount of liabilities to Group companies	**7,329**	**–**

For more information about remuneration of senior executives, see Note 6. For information on the Board of Directors' ownership, see the Corporate Governance Report.

NOTE 27 Financial assets and financial liabilities

The Group classifies and measures its financial assets in the categories "Financial assets measured at amortised cost" and "Financial assets at fair value through profit or loss (FVTPL)." 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 of principal and interest on the principal outstanding.

Financial liabilities are recognised as "Financial liabilities at fair value through profit or loss" and are recognised in the balance sheet with gains or losses recognised in profit or loss, or "Financial liabilities measured at amortised cost", which are initially recognised at fair value and are thereafter measured at amortised cost using the effective-interest method.

Financial assets or liabilities measured at FVTPL that pertain to currency derivatives (OTC derivatives) are measured 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 FVTPL in cases where hedge accounting is not applied. Hedge accounting has not been applied for the Group's current currency derivative.

Financial instruments recognised at FVTPL are initially recognised at fair value, and transaction costs are expensed in the income statement.

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 fixed assets (OTC derivatives)	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 (FVTPL).”

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
Shareholder loans	Financial liabilities measured at amortised cost
Trade and other payables	Financial liabilities measured at amortised cost
Player liabilities	Financial liabilities measured at amortised cost
Liability for purchase price related to acquisitions	Financial liabilities measured at fair value through profit or loss
Financial liabilities (OTC derivatives)	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 28. 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	2022	2021
Group			
Financial assets			
Trade and other receivables	17	38,396	21,824
Cash and cash equivalents	19	70,075	75,161
Total		**108,471**	**96,985**
Financial liabilities			
Trade and other payables	22	12,998	7,997
Player liabilities	22	22,551	19,945
Bond issue	21	34,069	67,815
Shareholder loans	26	66,000	–
Financial liabilities	21	4,791	848
Total		**104,409**	**96,605**

EUR 000s	Note	2022	2021
Parent Company			
Financial assets			
Receivables from Group companies	16	66,692	98,631
Other receivables	17	95	54
Cash and cash equivalents	19	1,331	7,122
Total		**68,118**	**105,807**
Financial liabilities			
Bond issue	21	34,069	67,815
Financial liabilities		4,791	848
Trade and other payables	22	284	3,953
Total		**39,144**	**72,616**

NOTE 28 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. The wholly owned operating subsidiaries are independently responsible for managing their financial risks within the Treasury policy set by the Board of Directors after coordination with the Parent Company.

Market risk

Currency risk

The Group operates internationally in several markets 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 can arise through the Group’s daily operations as well as those related to material assets and liabilities. Operational 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. The Group’s cash flow from operating activities is a natural protection against currency risks since deposits and withdrawals by customers in different regions take place in the same currency.

For exposure of material assets and liabilities, such as the Group’s bond issue in SEK, currency fluctuation against EUR has been secured with a currency derivative (OTC derivative). All transactions related to the remeasurement of bond issues and the currency derivative are reported under financial items in the consolidated income statement. No hedge accounting has been applied. 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 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 2022	Net exposure
SEK	167,718
GBP	48,773
Other currencies	109,280

31 December 2021	Net exposure
SEK	20,299
GBP	10,082
Other currencies	5,400

The following significant exchange rates were applied during the year:

	2022		2021	
	Average rate	Spot rate	Average rate	Spot rate
SEK	10.63	11.16	10.15	10.25
GBP	0.85	0.89	0.86	0.84

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 2.6 m (4.3). 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 15.4 m (9.4) 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 impacted the Group’s profit or loss (and equity) by EUR 0.6 m (1.0) for SEK and by EUR 0.9 m (0.5) for GBP.

cont. Note 28

Interest rate risk

The Group's revenue and cash flows from operations are affected by changes in interest rates in the market. During the year, LeoVegas had a revolving credit facility (RCF) amounting to EUR 40.0 m that was repaid in the fourth quarter and a bond issue totalling SEK 700 m which was partially repurchased and, at the balance sheet date, amounted to SEK 381 m. The bond carries a floating interest rate of STIBOR three months plus 5.5%. STIBOR and EURIBOR increased during the year but have no material impact on LeoVegas Group's financial position or performance. The shareholder loan raised during the year of EUR 66.0 m carries a market rate of interest and has not had any material impact on LeoVegas Group's financial position or performance. 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 Group's 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 has credit risk with companies that provide payment services. To mitigate this credit risk, LeoVegas Group works with well-established vendors in the industry and settles outstanding receivables with short intervals (within one month). LeoVegas Group also has the opportunity to quickly discontinue partnerships with payment service providers that do not settle their receivables on time and thereby significantly reduce this credit exposure.

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. 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. LeoVegas Group's Swedish bank, SEB, has a credit rating of AA- (FITCH), while its Maltese bank, Bank of Valetta, has a credit rating of BBB- (FITCH), and its British bank, Barclays, has a credit rating of A+ (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 credit risks and that there were no material credit risks at the end of the reporting period.

EUR 000s	Note	2022	2021
Group			
Receivables from payment service providers	17	21,367	12,821
Other receivables	17	17,030	9,003
Cash and cash equivalents	19	70,075	75,161
Total loans and cash and cash equivalents		**108,472**	**96,985**

EUR 000s	Note	2022	2021
Parent Company			
Other receivables	17	95	54
Cash and cash equivalents	19	1,331	7,122
Total loans and cash and cash equivalents		**1,426**	**7,176**

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 Group ensures sufficient liquidity through continuous cash flow forecasts, the Board of Directors' decisions on material investments and transactions and the Board of Directors' decisions on the Group's financing structure and credit facilities. The company is exposed to liquidity risks associated with meeting future obligations. In conjunction with the buyout from MGM, financing in the Group will be secured via shareholder loans. Overall, the Group's financial position is good. Net debt excluding player liabilities in relation to adjusted EBITDA (rolling 12 months) was 2.6x (0.3). The Group also monitors the compliance of agreements for financing to ensure that the financial covenants, mainly related to the leverage ratio and other customary conventions, are complied with.

In addition, the Group always maintains a balance of cash and cash equivalents that is higher than customers' balances (player liabilities). 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.

The table below shows the Group's financial liabilities and their respective maturities and due dates.

Contractual maturities of financial liabilities as of 31 December 2022

EUR 000s	Carrying amount 2022	Less than 1 year
Trade and other payables	12,998	12,998
Player liabilities	22,551	22,551
Current lease liability	3,239	3,239
Financial liabilities (OTC derivatives)	4,791	4,791
Bond issue	34,069	34,069
Total	**77,648**	**77,648**

EUR 000s	Carrying amount 2022	Due within 2–5 years	Due later than five years
Bond issue	–	–	–
Non-current lease liabilities	4,172	4,172	–
Financial liabilities (OTC derivatives)	–	–	–
Shareholder loans	66,000	66,000	–
Total	**70,172**	**70,172**	**–**

Contractual maturities of financial liabilities as of 31 December 2021

EUR 000s	Carrying amount 2021	Less than 1 year
Trade and other payables	23,437	23,437
Player liabilities	19,945	19,945
Current lease liability	2,949	2,949
Liability for earn-out payment for acquisition	848	–
Total	**47,179**	**46,331**

EUR 000s	Carrying amount 2021	Due within 2–5 years	Due later than five years
Bond issue	67,815	67,815	–
Non-current lease liabilities	3,029	3,029	–
Financial liabilities (OTC derivatives)	848	848	–
Total	**71,692**	**71,692**	**–**

Management of capital risks

The Group's capital structure consists of liquid funds, lending and total equity attributable to shareholders. 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.

The Group has historically met its need of liquidity through its cash flow from operations and external financing. To uphold or modify the capital structure, the Group may request borrowing from its shareholder, limit the dividend to shareholders or sell assets. The Board of Directors makes all of the relevant decisions on investment opportunities and whether or not external financing is to take place.

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 Group has reported an OTC derivative (a financial instrument), which is recognised at fair value through profit or loss. The fair value of financial assets that are not traded on an active market (for example, an OTC derivative) 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. This corresponds to Level 2 of the fair value hierarchy. No transfers were made between different levels of the fair value hierarchy during the year. In 2022, fair value of the OTC derivative corresponded to a financial liability of EUR 4.8 m (0.8).

The following table shows the Group's financial instruments measured at fair value as per 31 December 2022.

2022	Level 1	Level 2	Level 3
Financial instruments measured at fair value through profit or loss:			
Financial fixed assets	–	–	–
Total financial assets (CB)	**–**	**–**	**–**

2022	Level 1	Level 2	Level 3
Financial instruments measured at fair value through profit or loss:			
Financial liabilities	–	4,791	–
Total financial liabilities (CB)	**–**	**4,791**	**–**

The following table shows the Group's financial instruments measured at fair value as per 31 December 2021.

2021	Level 1	Level 2	Level 3
Financial instruments measured at fair value through profit or loss:			
Financial fixed assets	–	–	–
Total financial assets (CB)	**–**	**–**	**–**

2021	Level 1	Level 2	Level 3
Financial instruments measured at fair value through profit or loss:			
Financial liabilities	–	848	–
Total financial liabilities (CB)	**–**	**848**	**–**

NOTE 29 Proposed appropriation of profits

The following funds are at the shareholders' disposal as per 31 December 2022.

The following unrestricted shareholders' equity in the Parent Company is at the disposal of the Annual General Meeting (EUR)	
Share premium reserve	27,840,547
Profit brought forward	6,510,806
Net profit/loss for the year	-14,782,141
Total	**19,569,212**
Profit brought forward	**19,569,212**

Disposable profits of EUR 19,569,212 (34,111,683) are proposed to be carried forward in their entirety.

NOTE 30 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 the Board of Directors of LeoVegas AB (publ).

LeoVegas Group sells BeyondPlay
LeoVegas has, through LeoVentures, sold its shares of a total of 25% of the associate BeyondPlay. The total purchase price for the sale amounted to EUR 1.9 m.

Nationwide gaming licence in Germany
LeoVegas Group has been granted a nationwide gaming licence by the German Federal States' Joint Gambling Authority (GGL). Germany is one of Europe's largest igaming markets, and under the new licence, LeoVegas will be able to offer and market virtual slots in all 16 federal states.

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 Board of Directors' 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 27 April 2023. 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 9 May 2023.

Stockholm, 27 April 2023

Gary Fritz
Chairman of the Board

William Hornbuckle
Director

Gustaf Hagman
Director and CEO

Our audit report was submitted on 27 April 2023
PricewaterhouseCoopers AB

Niklas Renström
Authorized Public Accountant

AUDITOR'S REPORT

[Unofficial translation] 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 2022. The Comapnys annual accounts and consolidated accounts are included on the pages 25-64.

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 2022 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 2022 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 audit committee 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.

Our audit approach

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.

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.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
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 25-34.* 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.

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 1-24 and 68-69. 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 2022 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 19, 2022 and has been the company's auditor since May 28, 2015.

Stockholm, on the date specified in our electronic signature PricewaterhouseCoopers AB
PricewaterhouseCoopers AB

Niklas Renström
Authorized Public Accountant

KEY METRICS

EUR 000s (unless specified otherwise)	2022	2021	2020	2019	2018
Revenue	394,659	391,171	387,464	356,039	327,817
Revenue growth (%)	0.9	1.0	8.8	8.6	51.1
Organic growth (%)	2	-2	11	7	20
Gross profit	261,571	261,451	262,311	237,114	235,543
Gross profit margin (%)	66.3	66.8	67.7	66.6	71.9
EBITDA	19,548	43,351	51,865	49,531	41,605
EBITDA margin (%)	5.0	11.1	13.4	13.9	12.7
Adjusted EBITDA	34,012	44,614	55,365	44,193	41,086
Adjusted EBITDA margin (%)	8.6	11.4	14.3	12.4	12.5
EBIT	-1,612	18,043	22,776	12,672	19,175
EBIT margin (%)	-0.4	4.6	5.9	3.6	5.8
Working capital	-51,543	-80,416	-74,410	-65,558	-18,091
Working capital as % of net sales	-13.1	-13.6	-11.8	-7.0	-5.5
Capital expenditures	-26,055	-28,244	-14,470	-9,197	-103,293
Capital expenditures as % of net sales	-6.6	-7.2	-3.7	-2.6	-31.5
Operating cash flow	-6,199	45,856	69,240	37,024	36,494
Return on equity (%)	-38.1	12.9	19.7	9.6	54.4
Equity/assets ratio (%)	18.3	32.7	39.4	37.4	35.8

EUR 000s	2022	2021	2020	2019	2018
EBITDA	**19,548**	**43,351**	**51,865**	**49,531**	**41,605**
Costs attributable to listing	–	–	–	–	62
Costs attributable to consulting for acquisitions	–	–	–	–	466
Provision for fine in the UK from UKGC	–	–	–	–	453
Profit on sale of asset	–	–	–	-11,403	-1,500
Restructuring costs	–	–	–	6,065	–
Incentive programme for management	930	–	–	–	–
Transaction-related expenses	11,013	–	–	–	–
Other items affecting comparability	2,521	1,263	3,500	–	–
Adjusted EBITDA	**34,012**	**44,614**	**55,365**	**44,193**	**41,086**

ALTERNATIVE PERFORMANCE MEASURES AND OTHER DEFINITIONS

Active customers
The number of customers who have played on any of LeoVegas Group's brands, 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.

EBIT (Earnings before interest and taxes)
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.

Game margin, %
Customers' total wagers (including bonus money) less winnings, divided by customers' total wagers (including bonus money).

Gaming tax
A tax that is calculated on a measure of revenue that operators of gaming activities 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 winnings 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 as a result of acquisitions, gaming taxes and company taxes that have arisen after a new assessment for historical periods and transaction-driven expenses. During the period, a fine from the UKGC was also recognised as an item affecting comparability.

Locally regulated markets
Markets that have regulated online gaming and that have issued licences that operators can apply for.

Locally taxed revenue
Revenue from locally regulated markets and markets where the company pays gaming tax.

Mobile devices
Smartphones and tablets.

Net Gaming Revenue (NGR)
Total cash wagers less all winnings payable to customers after bonus costs and external jackpot contributions.

New depositing customer (NDC)
A customer who has made his or her first cash deposit during the period.

Net debt excluding player liabilities
The company's interest-bearing liabilities less cash and cash equivalents excluding player balances.

Operating profit (EBIT)
Profit before financial items and tax.

Organic growth
Growth excluding acquisitions, adjusted for currency effects.

Platform
LeoVegas' technical platform, Rhino, on which the wholly owned brands are run, is controlled and further developed by the Group.

Profit margin, %
Profit after financial items in relation to revenue for the period.

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.

Working capital
Working capital is calculated as the net of current liabilities (excl. player liabilities and credit institutions) and current assets (excl. cash and cash equivalents).