



# LeoVegas

## MOBILE GAMING GROUP

### Invitation to acquire shares in LeoVegas AB (publ)

*Joint Global Coordinators*



Nasdaq First North Premier is an alternative marketplace operated by an exchange within the Nasdaq group. Companies on Nasdaq First North Premier are not subject to the same rules as companies on the regulated main market. Instead they are subject to a less extensive set of rules and regulations adjusted to small growth companies. The risk in investing in a Company on Nasdaq First North Premier may therefore be higher than investing in a company on the main market. All Companies with shares traded on Nasdaq First North Premier have a Certified Adviser who monitors that the rules are followed. The Exchange approves the application for admission to trading.

# Important information to investors

This prospectus (the “**Prospectus**”) has been prepared in connection with the offering to the public in Sweden and to institutional investors of the shares of LeoVegas AB (publ) (the “**Offering**”) and the admission of the shares to trading on Nasdaq First North Premier in Stockholm (“**Nasdaq First North Premier**”). Depending on the context, “**LeoVegas**” or the “**Company**” refers to LeoVegas AB (publ) (a Swedish public limited liability company), the group in which LeoVegas AB (publ) is the parent company or a subsidiary in the group (the “**Group**”). The “**Main shareholders**” refers to Aggregate Media Fund V KB, Gustaf Hagman and Robin Ramm-Ericson. The **Selling Shareholders** refers to the Main Shareholders jointly with an additional 54 shareholders who are offering shares within the Offering. “**Joint Global Coordinators**” refers to Carnegie Investment Bank AB (publ) (“**Carnegie**”) and Skandinaviska Enskilda Banken AB (publ) (“**SEB**”). See the section “**Definitions**” for definitions of these and other terms used in the Prospectus.

Rounding adjustments have been made in calculating some of the financial information and percentages included in this Prospectus. As a result, numerical figures shown as totals in some tables may not be exact arithmetic aggregations of the figures that precede them. All financial amounts are presented in euro (“**EUR**”), unless otherwise indicated. The abbreviation “**KEUR**” refers to thousands of euro, and “**MEUR**” refers to millions of euro. Except as expressly indicated herein, no financial information in the Prospectus has been audited or reviewed by the Company’s auditor. Financial information in the Prospectus relating to the Company that is not part of the information audited or reviewed by the Company’s auditor as outlined herein originates from the Company’s internal accounting and reporting systems.

The Offering is not directed to the public in any country other than Sweden. Nor is the Offering directed in other respects to any other individuals whose participation would require additional prospectuses, registration or actions other than those that follow from Swedish law. No measures have been or will be implemented in any jurisdiction other than Sweden that would allow the shares to be offered to the public or allow the Prospectus or any other documents pertaining to the Company or shares to be held or distributed in such a jurisdiction. Applications to acquire shares that violate such rules may be deemed invalid. Individuals who receive copies of the Prospectus are urged by the Company and the Joint Global Coordinators to inform themselves of and observe such restrictions. Neither the Company nor any of the Joint Global Coordinators accepts legal responsibility for any violation of any such restrictions by any person, whether they be a prospective investor or not. The shares in the Offering have not been scrutinized by any U.S. federal or state securities commission or regulatory authority. Nor have the aforementioned authorities confirmed the accuracy or determined the adequacy of the information in the Prospectus. Any representation to the contrary is a criminal offence in the United States. The Offering does not constitute an offer to sell, or solicitation of an offer to buy, Securities in any jurisdiction in which such offer or solicitation would be unlawful. The Securities have not been and will not be registered under the Securities Act of 1933, as amended (the “**Securities Act**”), or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States, except to persons reasonably believed to be QIBs or outside the United States in offshore transactions in reliance on Regulation S. Prospective purchasers are hereby notified that sellers of the Securities may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a discussion of certain restrictions on transfers of the Securities, see section “**Transfer restrictions**”.

The information contained in the Prospectus has been provided by the Company and other sources identified herein. Distribution of the Prospectus to any person other than the recipient specified by the Joint Global Coordinators or their representatives is prohibited; similarly, distribution to persons who may have been commissioned to inform the recipient of the Offering, in whole or in part, and any disclosure of its contents, without the Company’s prior written consent, is prohibited. Any reproduction or distribution of

the Prospectus in the U.S., in whole or in part, and any disclosure of its contents to any other person is prohibited. The Prospectus is personal for each recipient and does not constitute an offer to any other person or to the public to acquire shares in the Offering.

The Prospectus has been approved and registered by the Swedish Financial Supervisory Authority in accordance with Chapter 2, Sections 25 and 26 of the Swedish Financial Instruments Trading Act (1991:980). The Prospectus has been prepared in Swedish and English language versions. In the event of discrepancies between the two versions, the Swedish language shall prevail with exception of the sections “*Certain U.S. federal income tax considerations*” and “*Transfer restrictions*” which only relate to matters attributable to the United States. The Offering and the Prospectus are governed by Swedish law. The courts of Sweden have exclusive jurisdiction to settle any conflict or dispute arising out of or in connection with the Offering or the Prospectus.

## Stabilization

In connection with the Offering, Joint Global Coordinators may carry out transactions aimed at supporting the market price of the shares at levels above those which might otherwise prevail in the open market. Such stabilization transactions may be effected on Nasdaq First North Premier, in the over-the-counter market or otherwise, at any time during the period starting on the date of commencement of trading in the shares on Nasdaq First North Premier and ending no later than 30 calendar days thereafter. The Joint Global Coordinators are, however, not required to undertake any stabilization and there is no assurance that stabilization will be undertaken.

Stabilization, if initiated, may be discontinued at any time without prior notice. In no event will transactions be effected at levels above the price set in the Offering. Within one week of the end of the stabilization period, the Joint Global Coordinators will make public whether or not stabilization has been undertaken, the date at which stabilization started, the date at which stabilization last occurred and the price range within which stabilization was carried out, for each of the dates during which stabilization transactions were carried out.

## Forward-looking statements

The Prospectus contains certain forward-looking statements and opinions. Forward-looking statements are statements that do not relate to historical facts and events and such statements and opinions pertaining to the future that, for example, contain wording such as “assume”, “in the opinion of”, “intends”, “assesses”, “estimates”, “should”, “ought”, “according to estimates”, “anticipates”, “expects”, “has the intention to”, “may”, “will”, “plans”, “planning”, “potential”, “forecasts”, “could”, “to the knowledge of”, “believes” or similar expressions, which are intended to identify a statement as forward-looking. This applies, in particular, to statements and opinions in the Prospectus concerning future financial returns, plans and expectations with respect to the business and management of the Company, future growth and profitability, and general economic and regulatory environment and other matters affecting the Company.

Forward-looking statements are based on current estimates and assumptions made according to the best of the Company’s knowledge. Such forward-looking statements are subject to risks, uncertainties, and other factors that could cause the actual results, including the Company’s cash flow, financial position and results of operations, to materially differ from the actual results, or fail to meet expectations expressly or implicitly assumed or described in those statements or to turn out to be less favourable than the results expressly or implicitly assumed or described in those statements. Accordingly, prospective investors should not place undue reliance on the forward-looking statements contained herein, and are advised to read the Prospectus, including the following sections: “*Summary*”, “*Risk factors*”, “*Market overview*”, “*Business overview*” and “*Operational and financial overview*”, which include more detailed descriptions of factors that may have an impact on the Company’s business and the market in which it is active.

Neither the Company, the Main Shareholders nor any of the Joint Global Coordinators, can give any

assurance regarding the future accuracy of the opinions set forth herein or as to the actual occurrence of any predicted developments.

In light of the risks, uncertainties and assumptions associated with forward-looking statements, it is possible that the future events mentioned in the Prospectus may not occur. The forward-looking estimates and forecasts derived from third-party studies referred to in the Prospectus may also prove to be inaccurate. Actual results, performance or events may differ materially from those presented in such statements due to, without limitation: changes in general economic conditions, in particular economic conditions in the markets in which the Company operates, changes affecting interest rate levels, changes affecting currency exchange rates, changes in levels of competition, changes in laws and regulations, and occurrence of accidents or environmental damages.

After the date of the Prospectus neither the Company nor the Main Shareholders, or any of the Joint Global Coordinators, will not assume any obligation, except as required by law or Nasdaq First North Premier’s Rule Book for Issuers, to update any forward-looking statements or to conform these forward-looking statements to actual events or developments.

## Industry and market information

Information provided in the Prospectus in respect of market climate, market development, growth rates, market trends, and the competitive situation in the markets and regions in which LeoVegas conducts operations, is based on data, statistical information and reports received from third parties and/or prepared by LeoVegas based on LeoVegas’ own information about information contained in such third-party sources. LeoVegas has particularly collected information about historical and future growth, and the size and value of the market for online gaming and its market segments, including mobile gaming and sports betting, from H2GC, Gartner and the Swedish Gambling Authority. LeoVegas has also collected information from publicly available reports of the market for online gaming.

Industry publications or reports generally state that the information reproduced therein has been obtained from sources adjudged to be reliable, but the accuracy and completeness of such information is not guaranteed. Since the information has not been verified by either LeoVegas or the Joint Global Coordinators, they cannot guarantee the correctness of the industry and market information contained in this Prospectus and that has been collected or derived from industry publications or reports. Such information is based on market surveys, which by nature are based on selection and subjective assessments, including assessments about the type of products and transactions that should be included in the relevant market, in respect to both those who perform the surveys and the particular respondents. To the best of the knowledge of LeoVegas and according to the conclusions that the Company can make from other information that has been published by these third parties, no circumstances have been omitted that would render the reproduced information inaccurate or misleading.

The Prospectus also contains estimates of market data and information derived therein and that could not be derived from publications from market survey institutions or any other independent sources. Such information has been compiled by LeoVegas based on third-party sources and LeoVegas’ own internal estimates, including the report from H2GC. In many cases, there is no publicly available information or such market data from, for example, industry associations, public authorities or other organisations and institutions. LeoVegas is of the opinion that its estimates of market data and the information derived therein are useful for providing investors with better understanding of both the industry in which LeoVegas is active and LeoVegas’ position in the industry. Although LeoVegas is of the opinion that its internal market observations are reliable, the estimates have not been examined or verified by any external parties. Although LeoVegas is not aware of any misstatements regarding the industry or similar data presented herein, the statements concerning the industry or similar data involve risks and uncertainties and are subject to change based on various factors, including those discussed under the heading “*Risk factors*” in this Prospectus.



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## Summary of the Offering

### The Offering

The Prospectus has been prepared in connection with the invitation to the public in Sweden and to institutional investors to acquire shares in LeoVegas and the admission to trading of the Company's shares on Nasdaq First North Premier (the "Offering").

### Number of shares offered

The Offering comprises between 25,985,848 and 26,711,780 shares in the Company, of which between 5,843,750 and 6,678,571 are newly issued and between 20,033,209 and 20,142,098 are existing shares. Of these existing shares, between 4,268,159 and 4,321,068 shares are being offered by the Main Shareholders and between 15,765,050 and 15,821,030 shares by other existing shareholders (along with the Main Shareholders, the "Selling Shareholders"). In addition, Aggregate Media Fund KB ("Aggregate Media") and certain other Selling Shareholders have reserved the right to increase the Offering with a maximum of 2,462,000 additional existing shares. At the request of the Joint Global Coordinators, the Main Shareholders and SEB Foundations investors have undertaken to sell an additional maximum of 4,006,767 shares to cover any over-allotment (the "Over-allotment Option") in connection with the Offering.

### The Offering Price

The price of the Offering (the "Offering Price") is expected to be determined within the range of SEK 28 to SEK 32 per share. The Offering Price will be determined through a form of book-building procedure and, consequently, will be based on investor demand and general market conditions. The Offering Price will be determined by the board of directors and the Main Shareholders, in consultation with the Joint Global Coordinators. The final Offering Price is expected to be published on 17 March 2016.

### Important information about the possibility of selling allotted shares

Notifications about allotment to the public in Sweden will be made through the distribution of contract notes, expected to be distributed on 17 March 2016. As soon as payment for the allotted shares has been processed by SEB, paid shares will be transferred to the securities depository account or securities account specified by the acquirer. The time required to transfer payments and transfer duly paid shares to the acquirers of shares in LeoVegas may mean that these acquirers will not have acquired shares that are available in the specified securities depository account or the securities account until 21 March 2016, at the earliest. Trading in the LeoVegas share on Nasdaq First North Premier is expected to commence around 17 March 2016. Note that if shares are not available in an acquirer's securities account or securities depository account by 21 March 2016 at the earliest, the acquirer may not be able to sell these shares on Nasdaq First North Premier starting on the date on which trading in the shares commences, but rather when the shares are available in the securities account or the securities depository account.

## INDICATIVE TIMETABLE

<b>Application period</b> , public in Sweden	7 March – 5 p.m. 15 March 2016
<b>Application period</b> , institutional investors	7 March – 5 p.m. 16 March 2016
<b>Listing</b> on Nasdaq First North Premier	17 March 2016
<b>Settlement date</b>	22 March 2016

## OTHER

ISIN code	SE0008091904
Ticker on Nasdaq First North Premier	LEO

## FINANCIAL CALENDAR

<b>Interim report</b> for the period 1 January - 31 March 2016	11 May 2016
<b>Annual general meeting 2016</b>	26 May 2016
<b>Interim report</b> for the period 1 January - 30 June 2016	10 Aug 2016
<b>Interim report</b> for the period 1 January - 30 September 2016	9 Nov 2016

# Summary

Summaries are made up of disclosure requirements known as ‘Elements’. These elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of “not applicable”.

SECTION A - INTRODUCTION AND WARNINGS		
<b>A.1</b>	<b>Introduction and warnings</b>	This summary should be read as an introduction to the Prospectus. Any decision to invest in the shares should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the shares.
<b>A.2</b>	<b>Subsequent resale of securities or final placement of securities by financial intermediaries</b>	Not applicable: The Company is not engaging any financial intermediaries for any resale of securities or final placement of securities after publication of this Prospectus.
SECTION B - ISSUER AND ANY GUARANTOR		
<b>B.1</b>	<b>Legal and commercial name</b>	The Company's registered name (and its commercial name) is LeoVegas AB (publ).
<b>B.2</b>	<b>Domicile/Legal Form/Legislation/Country of incorporation</b>	LeoVegas is a Swedish public limited liability company that was incorporated in Sweden on 3 December 2010 and registered at the Swedish Companies Registration Office on 8 December 2010. The Corporate Registration Number of the Company is 556830-4033. The registered office of LeoVegas is in Stockholm, Sweden, and its operations are conducted in accordance with the Swedish Companies Act (2005:551).
<b>B.3</b>	<b>Current operations</b>	<p>LeoVegas offers private individuals the opportunity to play casino games and engage in other forms of online gaming using applications and browsers on primarily mobile devices (such as smartphones, tablets and smartwatches). LeoVegas currently offers more than 680 online games from more than 30 game providers. Of these games, more than 450 are available on mobile devices. In the opinion of the Company it provides more games available on mobile devices than any other online casino operator in Europe. LeoVegas offers primarily casino gaming in the form of slot machines, jackpot games, roulette and table games, scratch cards and live casino games. The Company also plans to introduce sports betting, which is scheduled to be launched during the second quarter of 2016. The Company's principal markets are the Nordics and the UK, which jointly accounted for approximately 86 percent of net sales in the financial year 2015.</p> <p>LeoVegas is developed “Mobile First”. This means that the Company's offering is fundamentally developed for mobile devices. According to LeoVegas, it is at the cutting edge when it comes to offering state-of-the-art technology for the mobile gaming market, combined with technological development and attractive partnerships with primarily game providers. With an outstanding gaming experience, long-term customer relationships and the establishment of a strong brand as starting point, the Company, through innovative, effective and data-driven marketing, has attracted a continuously growing customer base.</p> <p>LeoVegas' operational activities and sales organisation are based on Malta, while the Company's management for the parent company (CEO, CFO and Investor Relations) and its technological development are based in Sweden. LeoVegas offers casino games under licenses from Malta and the UK. At 31 December 2015, the Company had a total of 228 employees, of whom 180 were based on Malta.</p> <p>Since LeoVegas was launched in Sweden in January 2012, the Company has grown strongly and expanded considerably internationally. Since the launch, the Company has had total customer deposits<sup>1)</sup> exceeding EUR 450 M. During the financial year of 2015, the Company had net sales of EUR 83.0 M and during the fourth quarter it had more than 100,000 depositing customers and 248,000 active customers<sup>2)</sup>.</p> <p><i>1. A deposit is defined as a customer's depositing of funds into a gaming account at LeoVegas.</i></p> <p><i>2. An active customer is defined as a customer who has participated in gaming during the past period. Accordingly, the definition also includes customers who have utilised free-of-charge offerings.</i></p>

B.4a	Significant trends	<p>Below follows key information about the recent and most significant trends which, in the assessment of the Company, could impact, directly and indirectly, the market in which LeoVegas is active. LeoVegas has identified the following trends:</p> <p><b>The mobile is moving from being a communication device to an entertainment device</b>  An important driver for the online gaming and casino markets is the mobile distribution channel, which includes smartphones, smartwatches and tablets. It is estimated that smartphone penetration, in relation to the total number of mobile phones, exceeded 50 percent globally in 2016, with an increasing proportion of the population using smartphones.<sup>3)</sup> New sales of smartphones are expected to rise sharply in the years ahead, from 1.4 billion devices in 2014 to nearly 2 billion devices in 2019, whereby smartphones will account for 95 percent of the total new sales of mobile phones.<sup>4)</sup> With smartphones, opportunities exist for gaining access to online services and, along with that, the daily use of phones will increase. Surveys show that the mobile phone is used on average of more than three hours per day and that an increasing amount of time is devoted to social media, gaming and other entertainment, whereby the mobile phone, thanks to the smartphone, is evolving progressively from being a communication device to primarily being an entertainment device.</p> <p><b>Gaming offline is moving to gaming online and gaming online is moving to mobile gaming</b>  Online gaming is growing much faster than land-based gaming and is accounting for an ever increasing share of the total gaming market. From having represented 17 percent of the total gaming market in Europe in 2015, online gaming is expected to account for 21 percent in 2018. There are many underlying reasons why gaming on mobile devices has become popular among gaming consumers. The devices are user-friendly and it is easy to download applications, the technology has improved, people's habits have changed (mobile devices are increasingly being used in their daily lives) and they make it possible to play online anywhere and at any time. As a result of these developments gaming online is moving to mobile gaming. From having accounted for 29 percent of the total online gaming market in Europe in 2015, mobile gaming is expected to account for 40 percent in 2018.<sup>5)</sup></p> <p><b>Online casinos moving from being a niche product to a mass market product</b>  Customer surveys among LeoVegas' newly acquired online casino customers show that about 50 percent of the respondents in Sweden state that they had never previously played casino games. The survey shows that online casinos through mobile devices are attracting an ever increasing circle of customers, which indicates in turn that online casinos are gradually moving from previously having been a niche product to a mass market product with an ever increasing customer base, which on average bets smaller sums of money per customer. In total, this contributes to a growing market for online casino games, while leading to more long-term and sustainable gambling among customers</p> <p><b>Technological development</b>  The underlying technological development in society constitutes a strong driver for the use of online services, while simultaneously resulting in improvements in reliability and in the experience of online gaming and other online entertainment. Continuous advances are being made in hardware and software, while fixed and mobile networks are being expanded to a greater extent and becoming even faster and more reliable.</p> <p><b>Increased focus on user experience</b>  LeoVegas and other gaming operators in Europe have been increasingly focusing on an improved user experience and an increased differentiation of offerings, which has contributed to online gaming, including online casinos, becoming more popular among larger target groups with various preferences.</p> <p><b>Most countries in the EEA are opening up their markets to online gaming</b>  Increasing numbers of countries in Europe are currently, in full or in part, opening up their gaming markets to new competition from privately owned gaming operators by introducing regulations for online gaming. In recent years, countries such as the UK, Italy, Denmark, France, Spain and Belgium have regulated the online market and introduced licensing systems that also include a special tax on gambling. In countries such as the Netherlands and Sweden, authorities are currently working with the intention of introducing new gaming regulations and opening up their gaming markets for new operators. In Sweden, the implementation of a new gaming regulation is currently being investigated, with inter alia clear prerequisites to operate on the market based on a licensing system. A characteristic of a licensing system is that the market is becoming open to competition. However, this is not a development that applies to all European markets. For example, Norway and Finland have instead tightened their monopoly in recent years. The trend is that the countries that introduce licenses have also taken the position that those who are not granted licenses in the country are to be excluded by means of blocking of IP addresses, banning of payment mediation services or a combination of both.</p> <p>In Sweden, the implementation of a gaming regulation is currently being evaluated with, inter alia, clear prerequisites on how to act on the market based on a license system. A significant feature for a license system is that the market will be subject to competition.</p> <p><small>3. Technavio Analysis: Global Casino Gaming Market 2015-2019  4. Gartner - Forecast: PCs, Ultramobiles and Mobile Phones, Worldwide, 2012-2019, September 2015  5. H2 Gambling Capital - Global Gambling Data (22 October 2015)</small></p>
B.5	Description of the Group	<p>LeoVegas AB (publ) is the parent company of the Group, which currently comprises a total of seven wholly owned subsidiaries and two partly owned subsidiaries that are owned to 99.9 and 80 percent, respectively, which are domiciled in Sweden, on Malta, Cyprus and on Curacao.</p>

B.6	Major shareholders	In the table below a description of the ownership structure is set immediate prior to the approval of the Prospectus and directly after the Offering is finalized.					

B.7	Selected historical key financial information	<b>Condensed consolidated income statement</b>			
		Amounts in KEUR	<b>Audited 2015</b>	<b>Audited 2014</b>	<b>Audited 2013</b>
		<b>Revenue</b>	<b>83,018</b>	<b>36,992</b>	<b>16,065</b>
		Cost of sales	-18,628	-8,604	-5,021
		<b>Gross profit</b>	<b>64,390</b>	<b>28,388</b>	<b>11,044</b>
		Personnel costs	-9,183	-4,345	-1,637
		Capitalised development costs	1,433	646	240
		Operating expenses	-9,776	-3,497	-1,128
		Marketing expenses	-45,106	-19,211	-8,811
		Other income and expense	- 565	236	-
		<b>EBITDA</b>	<b>1,193</b>	<b>2,217</b>	<b>- 292</b>
		Depreciation and amortization	- 688	- 292	- 143
		<b>Operating profit (EBIT)</b>	<b>505</b>	<b>1,925</b>	<b>- 435</b>
		Finance income	9	3	2
		Finance costs	-2	-2	-27
		<b>Finance net</b>	<b>7</b>	<b>1</b>	<b>-25</b>
		Income tax	- 82	- 207	- 18
		<b>Net profit for the period<sup>8)</sup></b>	<b>429</b>	<b>1,719</b>	<b>- 478</b>
		8. Profit for the period is entirely attributable to shareholders of the Parent Company.			
		<b>Condensed consolidated balance sheet</b>			
		Amounts in KEUR	<b>Audited 2015-12-31</b>	<b>Audited 2014-12-31</b>	<b>Audited 2013-12-31</b>
		<b>ASSETS</b>			
		<b>Non-current assets</b>			
		Property, plant and equipment	694	303	94
		Intangible assets	3,872	1,759	699
		Deferred tax assets	7	-	-
		<b>Total non-current assets</b>	<b>4,573</b>	<b>2,062</b>	<b>793</b>
		<b>Current assets</b>			
		Trade and other receivables	4,045	3,180	2,118
		Other current receivables	1,813	348	91
		Cash and cash equivalents	22,605	17,483	2,853
		<b>Total current assets</b>	<b>28,464</b>	<b>21,012</b>	<b>5,062</b>
		<b>TOTAL ASSETS</b>	<b>33,036</b>	<b>23,074</b>	<b>5,855</b>
		<b>EQUITY AND LIABILITIES</b>			
		Share capital	57	24	20
		Share capital not yet registered	-	1	-
		Share premium	17,689	16,683	5,207
		Accumulated losses	-1,198	-1,627	-3,346
		<b>Total equity</b>	<b>16,548</b>	<b>15,081</b>	<b>1,881</b>
		<b>LIABILITIES</b>			
		<b>Non-current liabilities</b>			
		Other non-current liabilities	906	-	-
		<b>Total non-current liabilities</b>	<b>906</b>	<b>0</b>	<b>0</b>
		<b>Current liabilities</b>			
		Trade and other payables	7,994	4,954	1,918
		Other liabilities	621	392	18
		Accrued expenses	6,968	2,648	2,038
		<b>Total current liabilities</b>	<b>15,583</b>	<b>7,993</b>	<b>3,974</b>
		<b>Total liabilities</b>	<b>16,489</b>	<b>7,993</b>	<b>3,974</b>
		<b>TOTAL EQUITY AND LIABILITIES</b>	<b>33,036</b>	<b>23,074</b>	<b>5,855</b>

B.7	Selected historical key financial information	<b>Condensed consolidated cash flow statement</b>			
		Amounts in KEUR	Audited 2015	Audited 2014	Audited 2013
		<b>Cash flow from operating activities</b>			
		Operating profit	505	1,925	- 435
		<i>Adjustments for non-cash items:</i>			
		Depreciation and amortization	688	292	143
		Other non-cash items	- 3	59	-
		Paid income tax	- 11	-	- 2
		Interest received	7	3	2
		Interest paid	-	- 1	- 23
		<b>Cash flow from operating activities before working capital changes</b>	<b>1,186</b>	<b>2,278</b>	<b>- 315</b>
		<i>Cash flow from changes in working capital</i>			
		Decrease in trade and other receivables	- 2,167	- 1,431	- 1,294
		Increase in trade other payables	7,373	3,947	2,646
		<b>Cash flow from operating activities</b>	<b>6,393</b>	<b>4,794</b>	<b>1,037</b>
		<b>Cash flow from investing activities</b>			
		Acquisition of property, plant and equipment	- 600	- 331	- 96
		Acquisition of intangible assets	- 1,533	- 1,230	- 446
		Acquisition of subsidiaries	- 156	-	-
		<b>Cash flow from investing activities</b>	<b>- 2,289</b>	<b>- 1,561</b>	<b>- 542</b>
		<b>Cash flow from financing activities</b>			
		Proceeds from issue of shares	-	10,824	1,886
		Proceeds from issue of shares upon redemption of warrants	870	632	-
		Premium received for warrants	134	-	24
		<b>Cash flow from financing activities</b>	<b>1,004</b>	<b>11,456</b>	<b>1,910</b>
		<b>Net increase in cash and cash equivalents</b>	<b>5,107</b>	<b>14,689</b>	<b>2,405</b>
		<b>Cash and cash equivalents at the beginning of the period</b>	<b>17,483</b>	<b>2,853</b>	<b>,556</b>
		Currency effects on cash and cash equivalents	15	- 59	- 108
		<b>Cash and cash equivalents at end of period</b>	<b>22,605</b>	<b>17,483</b>	<b>2,853</b>



**B.7** Selected historical key financial information

**The Group's key figures**

Audited information for the years 2015, 2014 and 2013.

Amounts in KEUR (unless otherwise stated)	2015	2014	2013
Revenue	83,018	36,992	16,065
Profit before tax	512	1,926	-460
Average number of employees	161	86	34
Number of employees at year-end	228	105	56

**Definitions of IFRS key ratios**

**Revenue:** Revenues from sales less sales bonuses and discounts, after elimination of intra-Group sales.

**Alternative performance measures not defined in accordance with IFRS**

The tables and calculations below have not been audited, unless otherwise stated.

Amounts in KEUR (unless otherwise stated)	2015	2014	2013
<i>Growth in net sales, %</i>	<i>124.4</i>	<i>130.3</i>	<i>233.5</i>
Operating profit (EBIT) <sup>9)</sup>	505	1,925	-435
EBITDA <sup>9)</sup>	1,193	2,217	-292
<i>EBITDA margin, %</i>	<i>1.4</i>	<i>6.0</i>	<i>-1.8</i>
Adjusted EBITDA	1,828	2,217	-292
<i>Adjusted EBITA margin, %</i>	<i>2.2</i>	<i>6.0</i>	<i>-1.8</i>
<i>EBIT margin, %</i>	<i>0.6</i>	<i>5.2</i>	<i>-2.7</i>
Adjusted EBIT	1,140	1,925	-435
<i>Adjusted EBIT margin, %</i>	<i>1.4</i>	<i>5.2</i>	<i>-2.7</i>
Net gaming revenue (NGR) per geography	82,813	37,480	16,383
<i>Proportion from Nordic region, %</i>	<i>69.3</i>	<i>85.4</i>	<i>97.9</i>
<i>Proportion from UK, %</i>	<i>17.9</i>	<i>8.6</i>	<i>0.7</i>
<i>Proportion from Rest of Europe, %</i>	<i>6.2</i>	<i>4.5</i>	<i>1.4</i>
<i>Proportion from Rest of the World, %</i>	<i>6.6</i>	<i>1.5</i>	<i>0.0</i>

Amounts in KEUR	2015	2014	2013
Operating profit (EBIT) <sup>9)</sup>	505	1,925	-435
Transaction costs related to the listing	635	-	-
<b>Adjusted EBIT</b>	<b>1,140</b>	<b>1,925</b>	<b>-435</b>

Amounts in KEUR	2015	2014	2013
Operating profit <sup>9)</sup>	505	1,925	-435
Depreciation of property, plant and equipment and amortisation of intangible fixed assets <sup>9)</sup>	688	292	143
<b>EBITDA</b>	<b>1,193</b>	<b>2,217</b>	<b>-292</b>
Transaction costs related to the listing	635	-	-
<b>Adjusted EBITDA</b>	<b>1,828</b>	<b>2,217</b>	<b>-292</b>

9. Audited

B.7	Selected historical key financial information	<p><b>Definitions of alternative performance measures not defined in accordance with IFRS</b></p> <p>Unless otherwise stated, the alternative performance measures listed below have not been defined in accordance with IFRS and have not been audited.</p> <p><b>Operating profit (EBIT)</b> Profit before financial items and tax.</p> <p><b>Growth in net sales %</b> Percentage change in net sales between financial years.</p> <p><b>EBITDA</b> Operating profit before depreciation/amortization and impairment.</p> <p><b>Adjusted EBITDA, or adjusted EBIT</b> EBITDA or EBIT adjusted for costs of EUR 635 thousand relating to the Company's preparation of the IPO during 2015 (which affects the operating costs). The adjustment has full effect in the fourth quarter of 2015.</p> <p><b>EBITDA, adjusted EBITDA, EBIT or adjusted EBIT margin</b> EBITDA, EBIT, adjusted EBITDA or adjusted EBIT divided by net sales.</p> <p><b>Net gaming revenue (NGR)</b> Total cash bets minus cash winnings, jackpot and bonus costs. Differs from the recognised net sales because adjustments for changes in provisions for local jackpot and bonus costs are added.</p> <p><b>Significant changes to LeoVegas' financial position and operating profit during the period from 1 January 2013 to 31 December 2015</b></p> <p><b>Comparison between the 2015 and 2014 financial years</b>  The Company's net sales for full-year 2015 amounted to EUR 83,018 thousand, an increase of EUR 46,026 thousand, or 124 percent, compared with the preceding year, when they amounted to EUR 36,992 thousand. The increase in net sales essentially resulted from an increase in the number of depositing customers during 2015. The increase in customers was mainly generated by intensified marketing efforts, product development and leading positioning in the high growth mobile gaming market. Net gaming revenue<sup>10</sup> in the Nordic region accounting segment for full-year 2015 amounted to EUR 57,407 thousand, an increase compared with the preceding year when net gaming revenue amounted to EUR 32,009 thousand. Net gaming revenue for the UK accounting segment for the corresponding period rose to EUR 14,853 thousand compared with EUR 3,219 thousand in 2014. The increase in other net gaming revenue (NGR) in 2015 resulted from increases of EUR 3,406 thousand in the Rest of Europe accounting segment and of EUR 4,895 thousand in Rest of the World. The Company's operating profit (EBIT) for the full-year 2015 amounted to EUR 505 thousand, a decrease of EUR 1,420 thousand, compared with the preceding year when the operating profit (EBIT) amounted to EUR 1,925 thousand.  LeoVegas' net profit for the 2015 financial year amounted to EUR 429 thousand, an decrease of EUR 1,290 thousand or 75 percent compared with profit for 2014, which was EUR 1,719 million.</p> <p><b>Comparison between the 2014 and 2013 financial years</b>  The Company's net sales for full-year 2014 amounted to EUR 36,992 thousand, up EUR 20,927 thousand, or 130 percent, from EUR 16,065 thousand in the preceding year. The increase during the year was mainly attributable to continued strong expansion in primarily the Nordic region and to establishment in the UK, which generated a larger number of active customers. Net gaming revenue (NGR) in the Nordic region segment during 2014 totalled EUR 32,009 thousand, compared with EUR 16,047 thousand in 2013. The UK segment increased from EUR 108 thousand in 2013 to EUR 3,219 thousand in 2014. The increase in other net gaming revenue resulted from increases of EUR 1,479 thousand in the Rest of Europe segment and of EUR 545 thousand in Rest of the World. The Company's operating profit (EBIT) for the full-year 2014 amounted to EUR 1,925 thousand, an increase of EUR 2,360 thousand or 543 percent, compared with the preceding year when the operating profit (EBIT) amounted to EUR -435 thousand.  Net profit for full-year 2014 amounted to EUR 1,719 thousand, up EUR 2,197 thousand compared with a loss of EUR 478 thousand for full-year 2013.</p> <p><b>Significant changes concerning LeoVegas' financial situation and operating profit after 31 December 2015</b>  The Company decided in January 2016 to launch sports betting during the second quarter of 2016. The Company has also decided to apply for a listing of the LeoVegas share on Nasdaq First North Premier.  Other than stated above, no material changes in the Company's financial or market positions have occurred after 31 December 2015.</p> <p><i>10. Net gaming revenue (NGR) normally deviate around 1 percent from net sales. Since the difference that exists can be attributed to specific regions, net gaming revenue (NGR) is a better measurement of the trend per region.</i></p>
B.8	Selected key pro forma financial information	Not applicable; pro forma financial statements are not presented in the Prospectus.
B.9	Profit forecast	Not applicable; the Prospectus does not contain a profit forecast or profit estimates.
B.10	Audit report qualifications	Not applicable; there are no qualifications included in the reporting accountants' report on the historical financial information included in this Prospectus.
B.11	Insufficient working capital	Not applicable; In the opinion of the Company the existing working capital is sufficient for the Group's present requirements during the coming 12-month period as of the date of the Prospectus.
<b>SECTION C – SECURITIES</b>		
C.1	Class and category	The Offering and the listing on Nasdaq First North Premier comprises the shares of LeoVegas AB (publ). The ISIN code for the LeoVegas share is SE0008091904.
C.2	Currency	The shares are denominated in EUR. Trading of the shares on Nasdaq First North Premier will occur in SEK.

<b>C.3</b>	<b>Number of shares issued</b>	<p>As of the date of the Prospectus, there are 93,851,720 shares outstanding in the Company. The shares of the Company have been issued in accordance with Swedish law. All issued shares are fully paid. The quota value per share is EUR 0.0120.</p> <p>Provided that the Offering is completed at a subscription price corresponding to the midpoint of the price range, and provided that the new share issue of a maximum of 6,233,333 shares in that case, is fully subscribed, the number of LeoVegas shares will in total be 100,085,053.</p>
<b>C.4</b>	<b>Rights attached to the shares</b>	<p>The shares in the Offering are of the same class. Rights associated with shares issued by the Company, including those pursuant to the articles of association, may only be amended in accordance with the procedures stated in the Swedish Companies Act (2005:551). The shares of the Company have been issued in accordance with Swedish law.</p> <p><b>Voting rights</b></p> <p>Each share entitles the holder to one (1) vote at general shareholder meetings. Each shareholder is entitled to the number of votes corresponding to the shareholder's total holding of shares in the Company.</p> <p><b>Preferential rights to new shares, etc.</b></p> <p>Should the Company issue new shares, warrants or convertible debentures through a cash or set-off issue, the holders will have preferential rights to subscribe for such shares in relation to the number of shares held prior to the issue.</p> <p><b>Right to dividends and liquidation proceeds</b></p> <p>All shares in the Company carry equal rights to dividends and to the Company's assets and any surpluses in the event of liquidation. Resolutions regarding dividends in limited liability companies are made by a general shareholder meeting. Entitlement to dividends accrues to those who, on the record date resolved by a general shareholder meeting, are registered in the share register maintained by Euroclear Sweden as holders of shares. Dividends are normally paid to the shareholders as a cash amount per share through Euroclear Sweden, although they may also be paid in a form other than cash (cash-in-kind dividend). Should a shareholder not be reachable through Euroclear Sweden, the shareholder will continue to have a claim against the Company concerning the dividend amount for a period that is limited by rules concerning a ten-year statute of limitation. After the period of limitation, the dividend amount accrues to the Company. There are no restrictions on dividend rights in respect of shareholders resident outside Sweden. Shareholders who are not resident for tax purposes in Sweden are usually required to pay Swedish withholding tax.</p>
<b>C.5</b>	<b>Restrictions on free transferability</b>	<i>Not applicable; all of the issued shares are freely transferable.</i>
<b>C.6</b>	<b>Application for admission to trading on a regulated market.</b>	<p><i>Not applicable;</i> LeoVegas has applied for a listing of the Company's shares on Nasdaq First North Premier, which is a MTF (Multilateral Trading Facility). On 2 March 2016, Nasdaq First North Premier accepted the Company's application on condition that customary terms and conditions have been fulfilled as of the listing date. Estimated first day of trading is 17 March 2016.</p> <p>The Company's shares will be traded on Nasdaq First North Premier under the ticker LEO.</p> <p>LeoVegas' board of directors has resolved, subject to market conditions, to work to ensure the Company's listing on the Nasdaq Stockholm regulated market within 12 months of the completion of the listing on Nasdaq First North Premier.</p>
<b>C.7</b>	<b>Dividend policy</b>	<p>LeoVegas' dividend policy, over time, is to pay dividends of at least 50 percent of LeoVegas' profit after tax. The board will be able to propose the payment of a dividend to the 2017 annual general meeting at the earliest.</p> <p>The Company has not previously paid any dividends.</p>
<b>SECTION D – RISKS</b>		
<b>D.1</b>	<b>Key risks related to the issuer and industry</b>	<p><i>LeoVegas' business and market are subject to certain risks which are completely or partly outside the control of the Company and which affect or could affect the Company's operations, financial position or results of operations. Described below, in no particular order and without claim to be exhaustive, are risks deemed to be material to LeoVegas' future development.</i></p> <p>The key risks related to LeoVegas' business and market include:</p> <p><b>Part of LeoVegas' operations is subject to official approval related to licences</b></p> <p>The Group is obliged to maintain its licences, permits and certifications in a number of different jurisdictions and may be required in the future to obtain licenses, permits and/or certifications in other jurisdictions. If the Group is unable to retain, renew or obtain any such licenses or certifications, this could have a material adverse impact on the Group's operations, financial position and earnings.</p> <p><b>The online gaming industry is characterised by a highly varying legal regulation and there is uncertainty regarding future legal developments</b></p> <p>LeoVegas AB's subsidiaries are active in the online gaming market, which is characterised by a highly varying legal regulation, in which laws and rules are constantly changing. In many national markets, marketing activities and/or offering gaming services are strictly regulated or generally prohibited. Certain countries have, and some do not have, regulations that permit the use of LeoVegas' services, while the laws of other countries do not allow the Company to obtain a licence or have reserved the gaming market for selected, often domestic, operators. A significant proportion of LeoVegas' income derives from the market in the EU (including Norway), which means that the domestic regulations are subject to the principles that apply in the EU. A country in Europe that is considering reregulating and licensing to adjust legislation to EU requirements and fundamental principles regarding the free movement of services is the Netherlands. The legal situation of the online gaming market in the Netherlands is currently uncertain. A jurisdiction outside EU that prohibits foreign operators from allowing people in its jurisdiction to participate in online casino gaming is Australia. Future developments and their consequences for the online gaming market are uncertain and the government authorities in the jurisdictions in question could also make assessments and decisions that differ from LeoVegas' understanding or interpretation of applicable regulations, requirements and other provisions, which could have a material adverse impact on the Group's operations, financial position and earnings.</p> <p><b>The legal and technological solutions and marketing limitations that LeoVegas applies to block or limit access to end users ability to use services may prove inadequate in certain jurisdictions</b></p> <p>Some jurisdictions have laws that expressly prohibit the provision of, and in some instances, participation in, gaming services, irrespective of where the gaming operator is domiciled and licensed. The Company ensures that it does not actively market its products and services in such jurisdictions and customers in these jurisdictions actively visit the Company's website of their own accord. LeoVegas also implements a varying degree of legal and technological measures in order to prevent/obstruct customers access to the services offered by the Company. Only a limited share of the deposits that the Company receives, comes from customers in such jurisdictions. The authorities and courts of the jurisdictions concerned may, however, make judgments that the absence of marketing activity and the prevention / aggravating LeoVegas measures taken are not sufficient which could have a material adverse impact on the Group's operations, financial position and earnings.</p>

D.1	<b>Key risks related to the issuer and industry</b>	<p><b>The Company operates in a rapidly growing and competitive industry</b> LeoVegas' main competitors can primarily be divided into two categories: national monopolies and international gaming companies that operate in the same markets as LeoVegas. The Company believes that the market in the future will be characterised by a high number of mergers and acquisitions. It may prove costly in a rapidly growing, development-oriented and more competitive market to attract new and retain existing customers, which places high demands on a large and diverse customer base. If the Company were to fail to handle the competition from new and existing competitors, this could have a material adverse impact on the Group's operations, financial position and earnings.</p> <p><b>The Company is dependent on being innovative and adapting to technological advances and handle the demand and preferences from end users</b> Widespread adoption of new technology and the greater application of more rigorous technical standards could require the Company to commit significant resources to replacing, upgrading, modifying and/or adapting its existing technology and systems in order to adapt its offering to technical advances and the preferences and demands of end users. If the Company fails to adapt to technological changes and innovation in good time and cost-efficiently, this could have a material adverse impact on the Group's operations, financial position and earnings.</p> <p><b>LeoVegas is exposed to certain risks attributable to the Company's IT systems</b> The Company needs to use advanced IT systems, for example, for operating online games, revenue and payment optimisation and for processing customers. This technology requires maintenance and supervision that also includes compliance with laws and regulations protecting personal data and demands imposed by third parties, such as credit-card companies. The development and maintenance of this technology could require significant investment. If the Group were to be unsuccessful in complying with laws and regulations or in developing and maintaining its technology, this could have a material adverse impact on the Group's operations, financial position and earnings.</p> <p><b>The Company is dependent on key individuals</b> LeoVegas' success is largely due to the Company's ability to recruit personnel with a high level of technical expertise and experience from the online gaming industry while retaining personnel with extensive knowledge of games development and associated technology. If LeoVegas were to lose key individuals in the organisation, this could entail a material adverse impact on the Group's operations, earnings and financial position.</p> <p><b>LeoVegas is active in an industry that could be subject to negative publicity</b> The gaming market as a whole is an industry that is much debated and there is a risk that negative media attention claiming, for example, that the provision of online games leads to problem gambling could harm LeoVegas' reputation. This could result in, for example, negative consequences in the form of lower confidence or a damaged reputation with customers and partners that could have an adverse impact on the Group's operations, financial position and earnings.</p> <p><i>The risks described above are not the only risks to which the Company or its shareholders may be exposed. There are other risks related to the markets in which LeoVegas is active or to the Company's operations that are currently unknown to the Company or that the Company does not currently regard as significant but that could also have an adverse impact on LeoVegas' operations, financial position or operating income.</i></p>
D.3	<b>Key risks related to the shares</b>	<p><i>Any investment in shares involves risks. Such risks could cause the price of the Company's shares to decline significantly and investors could lose all or part of the value of their investment.</i></p> <p>The key risks related to the Company's shares include:</p> <p><b>There is a risk that an active, liquid and functioning market for LeoVegas' shares does not emerge and that the share price may prove volatile</b> If an active and liquid trading of LeoVegas shares does not develop or does not prove sustainable, this could result in difficulties for shareholders to sell their shares. There is also a risk that the market price could differ significantly from the price of the share in the Offering. Should any of these risks be realized, this could have a material adverse impact on the price of the share.</p> <p><b>Subscription undertakings of the Cornerstone Investors are not secured</b> The Cornerstone Investors' undertakings are not secured by means of bank guarantees, restricted funds, pledging or any similar arrangement and are subject to certain terms and conditions, such as a certain diversification of the Company's shares being achieved in the Offering. If any of these conditions are not met, there is a risk that the Cornerstone Investors will not fulfil their undertakings, which could have an adverse impact on the completion of the Offering.</p> <p><b>Future sale of LeoVegas shares by existing shareholders could reduce the share price</b> The price of the LeoVegas share could decline if substantial volumes of shares are sold, especially if LeoVegas' board members, senior executives or major shareholders sell shares, or if a large number of shares are sold. Sales of large amounts of shares by major shareholders, or the perception that such sales will take place, could have an adverse impact on the Company's share price.</p>
<b>SECTION E – OFFER</b>		
E.1	<b>Issue proceeds and issue costs</b>	<p>In connection with the Offering, LeoVegas performs a new share issue which is expected to contribute a capital of approximately SEK 187 million after deductions for issuance costs.</p> <p>LeoVegas' costs in connection with the Offering and the listing on Nasdaq First North Premier are expected to amount to approximately SEK 65 million, representing approximately 6.5 percent of the total size of the transaction provided that the Offering is increased in full and that the Over-allotment Option is exercised in full. Out of these, SEK 6 million refers to 2015 and the rest refers to 2016. In addition to the payment of commission to the Joint Global Coordinators, these costs mainly pertain to costs for remuneration to GP Bullhound, auditors, attorneys, printing of the Prospectus and costs related to company presentations. LeoVegas will not receive any share of the proceeds from the sale of shares by the Selling Shareholders sell in the Offering.</p>



<b>E.2a</b>	<b>Reasons for the Offering and use of proceeds</b>	<p>LeoVegas will in connection with the Offering conduct a new share issue. The new share issue is expected, if fully subscribed, to provide LeoVegas approximately SEK 187 million before deduction of total transaction costs of approximately SEK 65 million. Consequently LeoVegas is expected to receive a total net proceed of SEK 122 million through the Offering.</p> <p>LeoVegas intends to use the net proceeds from the new share issue to support the Company's development in terms of continued investments in technology and user experience, as well as the Company's scheduled launch of sports betting during the first half of 2016.</p> <p>The Offering and the listing will help to broaden the Company's shareholder base and give LeoVegas access to the Swedish and international capital markets in an effort to facilitate the Company's continued growth strategy.</p> <p>The board of directors and the Main Shareholders regard the Offering and the listing of the Company's shares on Nasdaq First North Premier as a positive and important step in LeoVegas' development, which will additionally increase awareness of LeoVegas and strengthen its brand. It will also improve LeoVegas' market position in a market development with increasing number of regulated gaming markets. For these reasons, LeoVegas' board of directors and the Main Shareholders have concluded that a listing will support the Company's development towards its long-term objective of creating the ultimate gaming experience and being number one in mobile gaming. On this background, the board of directors and the Main Shareholders of LeoVegas have decided that the timing is right to broaden the Company's ownership base and to apply for a listing of the Company's shares on Nasdaq First North Premier.</p>
<b>E.3</b>	<b>Terms and conditions of the Offer.</b>	<p><b>The Offering</b></p> <p>The Offering comprises between 25,985,848 and 26,711,780 shares, of which between 5,843,750 and 6,678,571 are newly listed shares and between 20,033,209 and 20,142,098 are existing shares offered by the Selling Shareholders. Of these existing shares, between 4,268,159 and 4,321,068 shares are being offered by the Main Shareholders. In addition to the Main Shareholders, the Selling Shareholders comprise 54 existing shareholders, each of whom is offering on average 318 385<sup>1</sup> shares for sale within the framework of the Offering.</p> <p>The Offering is divided into two components: (i) the Offering to the general public in Sweden; and (ii) the Offering to institutional investors in Sweden and abroad.</p> <p>Entitlement to subscribe for the newly issued shares, with deviation from the pre-emptive rights of the existing shareholders, will accrue to the public in Sweden and institutional investors in Sweden and abroad.</p> <p>In addition, Aggregate Media and certain other Selling Shareholders have reserved the right to extend the Offering and sell an additional 2,462,000 shares.</p> <p>In addition, the Main Shareholders and SEB Foundations has provided an Over-allotment Option to the Joint Global Coordinators entitling the Joint Global Coordinators, not later than 30 days from the first day of trading in the Company's shares on Nasdaq First North Premier, to request that the Main Shareholders and SEB Foundations sell, at a price equivalent to the Offering Price, a maximum of 4,006,767 additional shares corresponding to 15 percent of the number of shares encompassed by the Offering, before any potential increase of the Offering. The Over-allotment Option may only be exercised in order to cover any Over-allotment for the Offering. If the Offering and the Over-allotment Option is fully exercised, the Offering will correspond to 32.7 percent of the total number of existing shares and voting rights in the Company.</p> <p><b>The Offering Price</b></p> <p>The Offering Price is expected to be determined within the range of SEK 28 to SEK 32 per share. The Offering Price will be determined through a book-building procedure and, consequently, will be based on investor demand and general market conditions. The Offering Price will be determined by the board and the Main Shareholders, in consultation with the Joint Global Coordinators. The final Offering Price per share is expected to be published on or about 17 March 2016.</p> <p><b>Application period</b></p> <p>Applications for the acquisition of shares by the general public in Sweden must be made between 7 March to 15 March 2016. Institutional investors in Sweden and other countries are invited to participate in a book-building procedure during the period from 7 March to 5:00 p.m. on 16 March 2016.</p> <p><b>Application</b></p> <p>Applications from the public for the acquisition of shares must pertain to a minimum of 200 shares and a maximum of 20,000 shares, in even lots of 100 shares. Applications are to be made using a special application form, which is available from any Carnegie or SEB office or can be ordered from the Company. Applications can also be made through SEB's Internet bank, Avanza's Internet service or Nordnet's Internet service. Employees who wish to acquire shares must follow the instructions issued by the Company. Application forms are available from the Company's website (<a href="http://www.leovegasgroup.com">www.leovegasgroup.com</a>) and SEB's prospectus website (<a href="http://www.sebgroup.com/prospectuses">www.sebgroup.com/prospectuses</a>). Applications from institutional investors in Sweden and abroad are to be submitted to Carnegie or SEB (according to special instructions). Cornerstone Investors have undertaken to acquire shares in the Offering at a total of SEK 400 million, corresponding to between 38.6 and 43.1 percent of the shares in the Offering if the Offering and the Over-allotment Option is fully exercised.</p> <p><b>Allotment</b></p> <p>Decisions concerning the allotment of shares will be made by the board of directors of LeoVegas and the Main Shareholders in consultation with the Joint Global Coordinators, whereby the objective will be to achieve a strong institutional ownership and a wide spread of shares among the general public to enable regular and liquid trading in LeoVegas shares on Nasdaq First North Premier. Allotment is not dependent on the date during the application period the application was submitted. Only one application per person will be considered. In the event of oversubscription, a lower number of shares than stated in the application may be allotted, at which point all or some of the shares may be allotted by random selection. Allotment among institutions that have submitted expressions of interest will be made on a wholly discretionary basis. However, Cornerstone Investors will be given priority in relation to other investors up to the full amount of the shares which they have undertaken to acquire.</p> <p><i>1. Provided that the Offering is completed at a subscription price corresponding to the midpoint of the range)</i></p>

<b>E.3</b>	<b>Terms and conditions of the Offer.</b>	<p><b>First day of trading</b></p> <p>Providing that the Company's board of directors definitively resolves to list the Company's shares, trading in the Company's shares is expected to begin on 17 March 2016. This means that trading will commence before the shares have been transferred to the acquirers' securities accounts or securities depository accounts and, in certain cases, before a contract note has been received. This also means that trading will commence before the terms and conditions for completion of the Offering have been met. If the Offering is not completed, trading in the Company's shares that occurs before the Offering becomes unconditional on 21 March 2016 will be rescinded.</p> <p><b>Registration with Euroclear and registration of new share issue with the Swedish Companies Registration Office</b></p> <p>Registration of allotted and paid shares with Euroclear, for both institutional investors and the public, is expected to take place on about 21 March 2016, after which Euroclear will distribute a notice stating the number of shares in the Company that have been registered in the recipient's securities account. Shareholders whose holdings are nominee-registered will be notified in accordance with the procedures of the individual nominee.</p> <p><b>Stabilization</b></p> <p>For a period of 30 days from the first day of trading, Joint Global Coordinators may perform transactions on Nasdaq First North Premier that stabilize the market price of the share or keep this price at a level that deviates from what would otherwise be the case in the market.</p>
<b>E.4</b>	<b>Material interests</b>	<p>The Company's Main Shareholders and certain other shareholders, including other major shareholders and members of the board and executive management, have decided to offer to sale portions of their holdings of LeoVegas shares.</p> <p>LeoVegas' and the Main Shareholders' financial advisors in connection with the Offering and the listing are Carnegie and SEB, which jointly serve as the Joint Global Coordinators for the Offering. These advisors (and their related companies) have provided, and may in the future provide, services within the framework of their ordinary course of business and in connection with other transactions for LeoVegas for which the Joint Global Coordinators have or may receive remuneration.</p> <p>GP Bullhound - GP Bullhound Asset Management Limited and Per Roman are affiliates of GP Bullhound AB, a company that has provided, and may in the future provide, the Company with advisory services. In connection with this Offering, an advisory fee is payable to GP Bullhound AB, acting as placing agent. GP Bullhound Sidecar 2011 Ltd (an affiliate of GP Bullhound AB), and GP Bullhound Sidecar 3 LP (a Jersey based fund to which GP Bullhound Asset Management Limited is appointed as Investment Adviser), are both Selling Shareholders pursuant to this prospectus, whereas Per Roman is not a Selling Shareholder pursuant to this Prospectus.</p>
<b>E.5</b>	<b>Lock-up agreements</b>	<p>Selected Selling Shareholders and certain other shareholders have, or will undertake not to sell their respective remaining holdings during the Lock-up Period, which in total represent approximately 90 percent of the existing shares in the Company excluding shares that are sold in the Offering. The Lock-up Period for the selected Selling Shareholders, who are not board members, people with an insider position or employees of the Company and its subsidiaries, will be 180 days under the provision that each Selling Shareholder will be free to sell a number of shares that multiplied by the Offering Price corresponds to a total of SEK 1 million during the Lock-up Period. For Selling Shareholders who are board members, people with an insider position and employees of the Company and its subsidiaries, the Lock-up Period is 360 days. Following the expiration of the respective Lock-up Period, the shares may be offered for sale, which could impact the market price of the share. The Joint Global Coordinators may also grant exceptions from said undertakings. The Company will also enter into a Lock-up arrangement, entailing that the Company undertakes not to issue any shares or other securities in the Company.</p>
<b>E.6</b>	<b>Dilution</b>	<p>On the publication date of the Prospectus, the Company has a total of 93,851,720 shares outstanding. The Offering comprises between 5,843,750 and 6,678,571 newly issued shares, entailing that the number of shares outstanding could increase to between 99,695,470 and 100,530,291. If the newly issued shares are fully subscribed, this will entail a dilution of between 6.2 and 7.1 percent for the existing shareholders following completion of the Offering.</p>
<b>E.7</b>	<b>Expenses for investors</b>	<p><i>Not applicable</i>; No costs will be charged to investors in the Offering.</p>

# Risk factors

An investment in the shares of LeoVegas is associated with various risks. A number of factors influence, or can influence, LeoVegas' operations, both directly and indirectly. A number of risk factors and circumstances of major importance, which are regarded as material to LeoVegas' operations and future development, are described below in no particular order of importance or claim to be exhaustive. The risks described below are not the only risks to which the Company or its shareholders may be exposed to. There are other risks that are currently unknown to the Company or that the Company currently does not regard as significant but that could also have an adverse impact on LeoVegas' operations, financial position or operating profit. If any of the risks described below, or another risk of which the Company is not aware, actually were to occur, the Company's business operations, financial position and earnings could be materially adversely affected. This could also result in the price of the shares of LeoVegas declining significantly and in an investor losing his/her investment in part or in full.

The Prospectus contains forward-looking statements that could be affected by future events, risks and uncertainties. The Company's actual earnings could differ significantly from the earnings anticipated in the forward-looking statements due to many factors, including but not limited to the risks described below and in other parts of the Prospectus.

In addition to this section, investors should also take into account other information in the Prospectus.

## Risks related to the Company and its industry

### Part of LeoVegas' operations is subject to official approval in the form of licences

LeoVegas' subsidiary, LeoVegas Gaming Ltd., is based in Malta and is licensed and regulated by the Maltese gaming authority, Malta Gaming Authority (MGA). In addition, LeoVegas Gaming Ltd has a licence for the UK that is issued and regulated by the British gaming authority, the Gambling Commission.

The Group is dependant on maintaining its licences, permits and certifications and may be required in the future to obtain new licenses, permits and/or certifications in other jurisdictions. Renewing existing licenses and certifications and applying for new licenses and certifications can be time consuming for the Company. It is also possible that the Company may fail to obtain requisite licenses and/or certifications in various jurisdictions, particularly with respect to jurisdictions that fall within or fully comprise newly regulated or re-regulated online gaming markets subject to local licensing requirements. In such cases, customers may turn to competitors that are licensed, hold permits and/or are certified in the applicable jurisdiction, or that become licensed, obtain permits or become certified before LeoVegas does. If the Group is unable to retain, renew or obtain requisite licenses or certifications, this could have a material adverse impact on the Group's operations, financial position and earnings.

### The online gaming industry is characterised by a highly varying degree of legal regulations and the current legal situation is uncertain regarding future legal developments

LeoVegas' subsidiaries are active in the online gaming market, which is characterised by a highly varying degree of legal regulation, in which laws and rules frequently change. In many national markets, marketing activities and/or offering gaming services are strictly regulated or generally prohibited. Often, market practice differs (both from the authorities and operators) from the formal regulation.

Certain jurisdictions have, and some countries lack, regulations that permit the use of LeoVegas' services, while the laws of other jurisdictions do not allow the Company to obtain a licence or have reserved the gaming market for selected, often domestic, operators. A significant proportion of LeoVegas' income derives from the market in the EU (plus Norway), which means that the domestic regulations are subject to the principles that apply within the EU.

In September 2015, the Swedish government decided to appoint a special investigation tasked with submitting a proposal for a new gambling regulation to be characterised by high consumer protection, high gambling safety and clear conditions for the gaming market operators.

A jurisdiction in Europe that is considering re-regulating and licensing to adjust legislation to EU requirements and fundamental principles regarding the free movement of services is the Netherlands. The legal situation of the online gaming market in the Netherlands is currently uncertain. A jurisdiction outside the EU that prohibits foreign operators from allowing people in its jurisdiction to participate in

online casino gaming is Australia. The Company does not conduct marketing activities or have any assets or operations in Australia which belongs to the accounting segment "Rest of the World" which accounted for less than 5 percent of the Group's customer deposits.

Future developments and their consequences for the online gaming market are uncertain. LeoVegas' assessment is that both re-regulation and the introduction of legislation, both within and outside the EU, or changes in national legislation regarding stakes, marketing, restrictions regarding online gaming or taxes, etc., in jurisdictions in which LeoVegas' online games could be made available could entail a material adverse impact on LeoVegas' operations, financial position and earnings. Violations of existing legislation could also lead to significant fines for LeoVegas.

The regulation of online games will likely evolve, which, inter alia, could lead to the international gaming market being fragmented into national gaming markets which in turn could result in a variety of demands being placed on products, technology and reporting obligations to government authorities. In addition, LeoVegas must consider local laws that apply to the Company's operations and must also adapt to new and changed licensing regulations and conditions. The government authorities in the relevant jurisdictions in question could also make assessments and decisions that differ from LeoVegas' understanding or interpretation of applicable regulations, requirements and other provisions, which could have a material adverse impact on the Group's operations, financial position and earnings.

#### **The legal and technological solutions and marketing limitations that LeoVegas applies in certain jurisdictions to block or limit access to and the use of services to end users may prove inadequate in certain jurisdictions**

Certain jurisdictions have laws that expressly prohibit the provision of, and in some instances, participation in, gaming services, irrespective of where the gaming operator is domiciled and licensed. The Company ensures that it does not actively market its products and services in such jurisdictions. Customers in these jurisdictions actively visit the Company's website of their own accord and a limited portion of the deposits that the Company receives derives from customers in such jurisdictions.

LeoVegas also implements a varying degree of legal and technical measures to prevent / hinder access for customers of the services provided by the Company. The extent of the measures implemented is based on the Company's assessment of both legal and commercial risks. The authorities and courts of the jurisdictions concerned may, however, make judgments that the absence of marketing activity and the prevention / aggravating measures taken by LeoVegas are not sufficient which could have a material adverse impact on the Group's operations, financial position and earnings. The end users could circumvent the Company's measures in a limited number of jurisdictions. There is also a risk that LeoVegas' partners and/or affiliates act in a manner that is not permitted under applicable local laws and this could consequently also have an adverse impact on LeoVegas.

If any measures, such as e.g. imposing fines or other sanctions affect the Company, regardless of whether the Company makes a different assessment or not, it may impose substantial legal and other costs for the Company, and take time and resources from the Board of Directors.

Similarly LeoVegas would be adversely impacted if the number of jurisdictions in which the Company must block access from increases or if blocking measures in certain jurisdictions must be made more restrictive.

#### **Risks associated with regulation or re-regulation of new jurisdictions**

The Company's growth rate, strategy and future income are to a certain extent affected by the regulation or re-regulation of the online gaming market in jurisdictions through legislation. Through its licensed subsidiaries on Malta, LeoVegas can supply and market games online in other countries in the European Economic Area (EEA) without country specific permits, unless the jurisdictions have implemented regulation prohibiting this. Specific countries' implementation of regulation is usually an important promoting factor since it partly supports growth and provides legitimacy, and partly provides clear rules to game operators. Regulation opens the possibility to the use of more marketing channels for online gaming, since marketing to certain channels is prohibited in markets that lack rules allowing games (advertising thorough Facebook and Google is for example not allowed in countries that lack national regulation of online gaming of money, including Sweden).

When a jurisdiction introduces legislation or re-regulates past legislation in a way that allows for private operators to locally establish their business, it typically results in an increased interest from end users who are in the current gaming market, as well as generally creating a greater acceptance of the gaming market.

The introduction of legislation or re-regulation of former legislation in a manner that results in rules being introduced for private players in the online gaming market frequently results in an increase in the number of established gaming operators entering the new market and/or further develops their existing operations and offerings in the jurisdiction. As gaming operators expand their operations into new jurisdictions in which favourable legislation has been introduced or changed, large investments are often made to target new end users to educate them to the products and services available. This normally leads to fiercer competition between the players that offer products in the particular jurisdiction. Insofar as the regulation or re-regulation of jurisdictions occurs more slowly than anticipated, or the regulation/re-regulation of a market results in fiercer competition, the Company's growth strategy and expectations could be adversely impacted, which could have a material adverse impact on the Group's operations, financial position and earnings.

The introduction of legislation to a market could also entail that the rules implemented are of such a nature or scope that they make it significantly more difficult for the Company to conduct profitable business activities, or prevent it from conducting any operations at all. Examples of this are the introduction of higher tax rates, technical integration requirements or requirements that servers must be located in the jurisdiction in question, restrictions to permitted products, marketing restrictions, etc. Regulatory decisions may also have an indirectly unfavourable effect by limiting customers' use of gaming sites and entails that financial institutions hinder transactions between customers and gaming companies. If a jurisdiction in which LeoVegas conduct operations is regulated in a manner that is unfavourable to the Company, it may have a material adverse impact on the Group's operations, financial position and earnings.

#### **The Company operates in a fast growing and competitive market**

LeoVegas' main competitors can primarily be divided into two categories: national monopolies and international online gaming companies that operate in the same markets as LeoVegas. The Company has a large number of competitors,



including certain competitors that have considerably larger financial and operational resources than LeoVegas. In addition, the number of competitors in the market is rising, which is partly due to end users' higher expectations as well as new gaming companies being established and existing companies growing at a fast rate. The Company is of the opinion that the market in the future will be characterized by a large number of mergers and acquisitions against a backdrop of a need for size and scalability, due to a growing tax burden for the gaming operators, in pace with the regulation of jurisdictions. It can be costly to attract new and retain existing customers, in a rapidly growing, development-oriented and more competitive market which places high demands on a large and diverse customer base. If the Company fails to cope with the competition from new and existing competitors, it could have a material adverse impact on the Group's operations, financial position and earnings.

**The Company is dependent on being innovative and adapting to technological advances and end user preferences and demands**

Online gaming are relatively new products and services in the gaming market, and the Company's success is dependent on its continued popularity. Accordingly, it is essential that the Company continuously and in a timely manner updates current, and offers new, products and services, and updates its technical platforms and systems. Widespread adoption of new technology and the greater application of more rigorous technical standards in the gaming industry could require the Company to set aside significant resources for replacing, upgrading, modifying and/or adapting its existing technology and systems. If the Company fails to adapt to technological changes and innovation in a timely fashion and cost-efficiently, this could have a material adverse impact on the Group's operations, financial position and earnings.

In addition, the online gaming market is driven by the preferences and demands of end users, which change over time, and gaming operators must thus continuously offer new products and services in order to attract and retain end users. If the Company is unable to adapt its technology or products to satisfy end user demands and preferences, the Company may lose the trust of customers, who may then choose products offered by the Company's competitors. In addition, the upgrading of existing technology or the introduction of new technology used by the Company could contain design flaws or other defects, which could result in a loss of trust by customers in the Company's products and services. If any of these circumstances were to occur, it could have a material adverse impact on the Group's operations, financial position and earnings.

**The Company is dependent on functional and secure payment solutions.**

Customers wanting to play through LeoVegas' must first register by opening an account with LeoVegas. An important prerequisite for the Company's operations is that LeoVegas is able to provide payment solutions to its customers that meet customer payment-method preferences. Deposits can be made using payment solutions such as for mobile devices, bank and credit cards, bank transfers or eWallets. LeoVegas accepts deposits in several currencies, with EUR, SEK and GBP being the most important for the operations. The payment solution preferred by customers differs between countries and age groups and can also include various technical solutions and services that can only be used locally. Customers are demanding, to an increasing extent,

that the process of withdrawing money is secure and can be provided swiftly. If the Company was to fail in offering the payment solutions and withdrawal options demanded by potential customers, it could have an adverse impact on the Group's operations, financial position and earnings.

In addition, the Company is dependent on that the credit card companies, banks and institutions that mediate financial transactions between the Company and its customers accept payments for online games and that the payment services are being provided without interruption. A short-term interruption to these services or one or more of the major credit-card companies, banks or issuing institutions deciding to no longer process card, mobile or Internet payments for online games in one or all of the countries in which LeoVegas has customers could entail a material adverse impact on the Company's operations, financial position and earnings.

**LeoVegas is exposed to certain risks attributable to the Company's IT systems**

LeoVegas is exposed to certain risks attributable to the Company's IT systems that are central to the business activities and the operation of the Company's proprietary technical platform, known internally as Rhino. The Company needs to use advanced IT systems, for example, for operating online games, revenue optimisation and payment and for processing customers. This technology requires maintenance and supervision that also includes compliance with laws and regulations protecting personal data and demands imposed by third parties, such as credit-card companies. The development and maintenance of this technology could require significant investment. The Company's IT platform offers a shared system for operations reporting, forecasts, personnel planning, CRM and comparisons of key ratios and monitoring. This platform is a key tool for the success of LeoVegas' operations and cost management. In addition, the number of people visiting the Company's website using technical equipment other than desktop computers, such as smartphones and tablets, has risen in recent years and is expected to continue to increase. It is difficult to predict the challenges that the Company may encounter in the development of mobile solutions since new technological developments and new platforms are continuously being launched. As part of the Company's strategy, LeoVegas intends to make further investments in mobile development to ensure that the Company's solutions meet demands and requirements from customers who use mobile devices for gaming, and it is at the cutting edge compared with other competitors. If the Group was to be unsuccessful in these efforts, this could have a material adverse impact on the Group's operations, financial position and earnings.

LeoVegas collates and/or processes large volumes of internal data and customer data, including credit-card numbers and other information that could be used to identify someone. There are a variety of operational purposes for doing this, such as providing sought-after products and services, managing the Company's VIP customers and saving customer preferences in order to improve customer service and for marketing purposes. LeoVegas uses licensed encryption and authentication systems to ensure the secure transfer of confidential information, such as credit-card numbers. Furthermore, LeoVegas has made major investments in modern technology to improve the Company's income optimisation and create a higher degree of independence from technical suppliers.

LeoVegas' dependence on advanced technology to conduct its business activities exposes the Company to a number of risks, including:

- interruptions to the Company's website caused by uniden-

tified third parties through a distributed denial-of-service (DDoS) that delays customer visits to the websites could cause losses of income and damage customer confidence;

- interruptions to access to the Internet or interruptions in communication with mobile devices due to, for example, major disruptions, delays or damage to the Company's IT system caused by, for instance, viruses, hacking attempts or access restrictions due to reduced capacity, which individually could cause a loss of income and/or negative experiences for customers and lead to valuable information being lost or cause delays to the operations;
- failure to acquire and develop technology that is competitive and can support the Company's growth could have a material adverse impact on LeoVegas' ability to help customers and govern the operations;
- external IT service providers failing to provide services and technology in a satisfactory manner that could result in losses or disruptions in these functions and services; and
- various risks associated with collating, processing storing and transferring sensitive information, including risks attributable to compliance with laws and regulations for protecting personal data and certain contractual undertakings, and the risk of LeoVegas' systems used to collate such information being jeopardised.

The possibility of LeoVegas' being awarded compensation for this sort of disruption is limited since LeoVegas' agreements with external IT service providers do not usually grant compensation for indirect losses, and may prove to be insufficient and not available. If any of the risks above occur, this could have a material adverse impact on the Group's operations, earnings and financial position.

### **The Company's processing of personal data**

The Company frequently registers and processes personal data when registering new customers and in connection with such activities as deposits and payments. When handling such data, it is of great importance that the Company registers and processes personal data in accordance with applicable Maltese and EU personal data laws. For example, strict requirements are in place for informing registered persons that their personal data is processed and that such processing takes place in a manner compatible with the purpose when the personal data was collected. If the Company was to have shortcomings in e.g. its handling of personal data, or if the Company becomes subject to computer hacking or in any way accidentally becomes subject to violation of law, the Company risks having to pay damages for the harm and violation resulting from such events.

New laws regarding treatment of personal data and data security could result in additional regulations and new industry and platform standards. Such new laws could potentially impede LeoVegas from analysing behavioural and money-related patterns among customers, which in turn could affect the Company's ability to measure the efficiency of the Company's marketing channels and could require LeoVegas to modify its games or potentially deny players access to LeoVegas' games, which would thus harm LeoVegas' operations. The Company processes, stores and uses personal data and other information that is subject to statutory regulations and legal requirements regarding confidentiality.

If the Company was to have shortcomings in its handling of personal data, or if the rules regarding treatment of personal data and data confidentiality were to change to the detriment of the Company, this could entail a material adverse impact on the Group's operations, earnings and financial position.

### **The Company's dependence on key individuals**

LeoVegas' success is largely due to the Company's ability to recruit personnel with a high level of technical expertise and experience from the online gaming industry while retaining personnel with extensive knowledge of games development and associated technology. In addition, LeoVegas and its subsidiaries are dependent on certain key individuals at senior management level. LeoVegas works actively to attract and retain motivated and loyal personnel by offering continuous training and by providing opportunities for promotion within the organisation. If LeoVegas was to lose key individuals in the organisation, it may entail a material adverse impact on the Group's operations, earnings and financial position.

### **Intellectual property rights**

LeoVegas has not to date applied for any patents associated with its proprietary technical platform Rhino. Instead, LeoVegas asserts exclusive rights, in the form of copyright, to the source code that the Company developed and integrated into the platform, although this does not provide the same level of predictability in the scope of cover as patent protection does. LeoVegas made great use of open source in the development of the technical platform Rhino. There is the risk of competitors or other third parties unduly attempting to utilise or infringe upon LeoVegas' intellectual property rights. There is also the risk that a third party could claim, and be granted, better rights to the intellectual property rights used by LeoVegas or that LeoVegas has previously used and considers (or has considered) to be its own, which could lead to a claim for compensation and claim for discontinuation of use being submitted to LeoVegas and if the Company were to be unsuccessful in defending itself against such claims, it could result in a material adverse impact on the Group's operations, financial position or earnings.

Furthermore, there is the risk that a third party could submit a claim regarding the publication of source code based on applicable licence conditions for open source in a manner than could restrict the scope of cover of the copyright that LeoVegas believes belongs to the Company. LeoVegas employment- and consulting agreements and policies has regulate intellectual property rights in order to maintain such rights within LeoVegas.

The brands and web domains of particular importance are owned by LeoVegas, its subsidiaries or third parties who ensure, on the basis of contracts, that LeoVegas retains control of these intellectual property rights. There is the risk that the protection for intellectual property rights is insufficient and that potential claims, breaches of contract or loss of copyright or other intellectual property rights will occur, which could have a material adverse impact on the Group's operations, earnings and financial position.

### **Risk related to money laundering and fraud**

The Company regularly handles a large number of financial deposits and payments and thus is exposed to risks linked to, for example, money laundering and fraud. Especially with respect to anti-money laundering, the Company relies to a great extent on banks' and other financial service providers' anti-money laundering procedures. The Company reports transactions that could be related to criminal activity to the relevant authorities. Withdrawals to customers are subject to strict controls. Withdrawal requests are carried out only when certain criteria have been fulfilled. In addition, a number of other fraud checks are performed when payments are made. Withdrawals to customers are made in the same cur-

rency and normally to the transaction source used to make the deposit. LeoVegas has several bank accounts in all of the most important currencies with balances that are kept within predetermined levels. Every person who wants to open an account with LeoVegas must provide detailed personal information in accordance with the Company's account procedures. LeoVegas has a special group of employees that work on security and fraud matters. If the Company was to fail to detect customer fraud or ordered to repay funds to an account, for example, because a customer's bank or credit card was used by a third party, it could result in a material adverse impact on the Group's operations, financial position or earnings.

### **Regulation of online consumer services**

There are currently few laws or regulations that are directly applicable to online consumer services. New laws and regulations could be introduced in areas such as privacy protection, pricing, taxation, content, copyright, distribution, competition-impeding issues, and product and service quality. The rapid growth in e-commerce can also lead to stricter consumer protection laws. The introduction of new laws and regulations for online-based business operations could restrict the growth of e-commerce, including online gaming, and harm the Company's operations, both directly and indirectly. The servers and infrastructure that LeoVegas uses to provide its services are based in Malta and the development of and work on anything that is not related to the delivery of gaming services is also managed by cloud solutions. The gaming-related information that the Company transfers over the Internet is transmitted from Malta. Other information is processed through cloud services. Despite this, there is the risk, due to the cross-border nature of the Internet, that other countries could attempt to regulate the content of the LeoVegas website or transfers performed using the Company's services, or alternatively, could sue the Company for breach of the country's laws and bring legal proceedings against the Company for breaches of other countries' laws. The introduction of laws and regulations that restrict the content on the LeoVegas website or LeoVegas' transfers, the application of laws and regulations from jurisdictions whose laws do not currently pertain to the Company's operations or the application of laws and regulations of online-based and other types of online services that do not currently apply to such operations and bringing legal proceedings for breaches of other countries' laws could have a material adverse impact on the Group's operations, financial position and earnings.

### **The Company could be unsuccessful in maintaining and strengthening its brand**

LeoVegas' success is partly dependent on it maintaining a strong brand. The Company believes that it has an established, trusted and recognised brand in conjunction with a good reputation in the online gaming market. The Company's brand comprises a competitive advantage regarding the development of new and existing customer relationships. The future success of the Company will depend on its ability to maintain and enhance the strength of the brand. There is a risk that the Company's efforts, or any of its other initiatives to maintain and enhance the strength of the brand, may fail or that the brand is damaged due to actions taken by third parties that negatively affect LeoVegas. If the Company is unable to maintain or enhance the strength of the Group's brand, then the Company's ability to retain or expand its customer base may be impaired, and it could have a material adverse impact on the Group's operations, financial position and earnings.

### **LeoVegas may become involved in legal disputes**

The Company is not involved in any significant legal disputes on the publication date of the Prospectus. Companies in the Group are occasionally involved in disputes as part of their normal business operations. There is a risk that the Company, similar to other players in the same market, may become the target of claims in respect of, for example, contract matters, customer-related issues, including matters related to gaming, intellectual property rights and tax matters. Such disputes and claims can be time consuming, disrupt normal operations, involve large amounts and entail substantial costs, which could have an adverse impact on the Group's operations, financial position or position in general. Moreover, the outcome of complex disputes can be difficult to foresee.

### **LeoVegas is active in an industry that could be subject to negative publicity and the industry is dependent on social acceptance**

The gaming market as a whole is an industry that is much debated and there is a risk that negative media attention claiming, for example, that the provision of online games leads to problem gambling could harm LeoVegas' reputation. This could result in, for example, negative consequences in the form of lower confidence or a damaged reputation with customers and partners.

### **LeoVegas is dependent on external parties to conduct its operations**

LeoVegas is in its operations generally dependent on suppliers of technical solutions, games developers and game providers, Internet providers and suppliers of payment solutions and IT services to conduct its business operations and ensure that the Company offers continuous and high quality service to all its customers. In addition, when the Company introduces its sports betting offering, it will also depend on third party providers of odds and betting related services. If one or more of these external parties does not meet its undertakings towards the Company, it could affect LeoVegas' online operations and/or its mobile gaming platforms, which could harm the LeoVegas brand, reputation in the market, result in losses of income, impact long-term customer loyalty and ultimately also the Group's operations, financial position and earnings.

The popularity and acceptance of gaming is also generally influenced by the prevailing social norms in each respective jurisdiction, and changes in these norms could result in lower acceptance of online gaming solutions by end users in such jurisdictions.

If any of these events were to occur, it could have an adverse impact on the Group's operations, financial position and earnings.

### **LeoVegas' insurance cover could prove to be inadequate for protecting the Company against losses and/or the liability that may arise in the operations**

LeoVegas has signed insurances that cover its core operations against losses and/or potential liability in relation to claims from third parties. The risks encompassed are damage to property, remuneration and benefits to employees, professional and product liability and product recalls. Certain types of losses are not generally covered by insurance since it is not deemed possible to insure such losses. This could be, for example, damage caused by war or terrorism and professional or personal liability in the event of negli-

gent, intentional or criminal acts. Furthermore, there may be losses that are expressly excluded from or that for other reasons are not encompassed by the Company's existing insurance. Most of LeoVegas' insurance policies are limited (insured amounts) to certain maximum amounts per claim or series of claims or pertain to total amounts during a certain insurance period. Compensation is also generally dependent on the insured party having paid the insurance premium or excess and on the maximum amount of an insurance policy not already having been paid. If a loss is not covered by an insurance policy, exceeds the amount limitations or causes consequential losses, it could have a material adverse impact on the Group's operations, financial position and earnings.

### **Exposure to transaction and exchange-rate risk could impact LeoVegas' cash flow, income statement and balance sheet**

Due to LeoVegas' international operations, it is exposed to exchange-rate risks due to currency exposure. The Company does not enter into forward contracts or options to hedge against exposure to transaction and exchange-rate risks and thus negative fluctuations in exchange rates could entail a material adverse impact on the Group's operations, financial position and earnings.

### **Credit risk**

LeoVegas' financial transactions entail credit risks that are related to financial counterparties. LeoVegas has a low concentration of credit risk. The largest credit risk faced by LeoVegas in its gaming operations derives from the risk of fraudulent transactions and the subsequent repayments to customers from banks and other payment service providers. LeoVegas is also exposed to credit risk by the Company's bank and payment services being concentrated to a limited number of banks and payment service providers. An increase in charge back (fraudulent transactions and repayments to customers that illicitly make demands in relation to banks by claiming that they have not themselves deposited or engaged in gaming) could have an adverse impact on LeoVegas' operations, financial position and earnings.

There is also the risk that the Company may not be successful in securing compensation for any losses resulting from the failure of contractual parties to comply with their contractual obligations to the Company, such as the provision and distribution over the Internet and networks. Such failures may, inter alia, adversely affect the Company's reputation and level of customer loyalty. Any failure by one or more of these contractual parties to fulfil their contractual obligations, or if they were to terminate the contract, may also affect the ability of end users to access the products and services supplied by the Company. It is also possible that external parties claim compensation from the Company in respect of losses resulting from the Company not fulfilling its obligations or breaching agreed guaranties. Such events could have a material adverse impact on the Group's operations, financial position and earnings.

### **LeoVegas could be unsuccessful in securing additional financing for additional investments or for meeting its payment obligations**

To finance investments in, inter alia, technological developments or new investments, LeoVegas could need to make use of available financial assets and/or secure additional financing by, for example, raising loans or issuing new shares. Previously approved and ongoing investments may also require additional financing than originally thought. Access

to additional financing is dependent on various factors such as market conditions, general access to credit, general access to credit in the financial markets and LeoVegas' credit worthiness. There is the risk that LeoVegas will be unsuccessful in securing sufficient financing on favourable terms or even in obtaining any financing at all. A negative trend in sales or margins, or alternatively unforeseen obligations, changes in times of tax payments, settlement of accounts payable or paid accounts receivable could lead to a shortage of liquidity and working capital and thus force needs for additional financing in, for example, equity or loans. There is the risk that raising such financing cannot take place on acceptable terms and conditions and if the Company does not secure the necessary financing it could fail to carry out its business plan, thus resulting in lower profitability and financial flexibility. Should any of these risks arise, it could have a material adverse impact on the Company's operations, financial position or results.

### **Risks associated with taxation**

LeoVegas is an international business with companies founded and operating in a number of different jurisdictions and with customers residing in many different countries. The Group is subject to complex tax laws in the jurisdictions in which it conducts operations. Taxation of operations that takes place over the Internet and on mobile devices is continuing to be developed and is not necessarily consistent between different jurisdictions. Accordingly, LeoVegas' business activities could give rise to potential tax liability in a variety of jurisdictions.

Changes in tax legislation could have a material adverse impact on LeoVegas' tax situation, its effective corporate tax rate and the amount of tax that the Group is to pay. LeoVegas is also involved in a significant number of intra-group transactions between legal entities and although LeoVegas believes that these transactions follow generally accepted principles for transfer pricing, the Company's interpretations could be questioned. Tax legislation in the various jurisdictions in which the Group conducts business activities could be interpreted differently and relevant tax authorities' interpretation of legislation could potentially not correspond to LeoVegas' or its advisors' interpretation.

The terms of LeoVegas' customer contracts require that customers accept responsibility for payment of any tax on winnings that may be required in the customer's own jurisdiction. In its normal operations, LeoVegas declares and pays the taxes related to its business operations. LeoVegas is not aware of any taxation of material importance that applies to LeoVegas' operations and that is subject to dispute. However, tax liability may, in the future, be deemed to apply to both previous periods and future activities that LeoVegas could undertake.

If one of the Group's subsidiaries were to be deemed to be a low taxed company under Swedish CFC regulation or be deemed to have its tax residence or have had a taxable permanent establishment in a another jurisdiction in addition to the country in which the Company was founded, it could entail a significant tax liability for both historical and future profit, combined with potential interest and penalties. This could have a material adverse impact on LeoVegas' operations, financial position and earnings.

### **Global economic outlook and impact of global economy on the gaming industry**

The Company operates in the online gaming market, and is impacted by general economic and consumer trends beyond the Company's control. The business and financial perfor-



mance of the Company may be adversely affected by general economic or consumer trends, and the impact that such trends have on the gaming industry and behaviour of end users. The Company's income is largely driven by end users' disposable incomes and level of gaming activity. Unfavourable economic conditions or other macroeconomic factors may reduce the disposable incomes of end users or the number of end users using online casino platforms. It could also lead to lower gaming consumption levels. Any such developments could impact the Company because it derives its income from licensing arrangements and fees that would be adversely affected by such events. In particular, the Company's variable sources of income could be adversely affected in case fewer bets are placed or lower amounts are spent by end users on each bet or visit. Any negative developments concerning the global economic outlook, macroeconomic factors, consumer trends and the impact of such trends on the gaming industry could have a material adverse impact on the Group's operations, financial position and earnings.

### **Risks related to the Offering and the Company's shares**

#### **The risk that an active, liquid and functioning market for LeoVegas' shares does not emerge and that the share price may prove volatile**

Since LeoVegas' shares have not previously been subject to trading on a marketplace, it is difficult to predict the amount of trading or the interest that may be shown in the shares. The price at which the shares will be traded and the price at which investors can implement their investment may be affected by a large number of factors, of which some are specific to LeoVegas and its operations while others apply to listed companies in general.

The listing of LeoVegas shares on Nasdaq First North Premier should not be interpreted as meaning that there will be a liquid market for the shares. There is also a risk that the price of the shares will be highly volatile in connection with the listing and, if active and liquid trading does not develop or does not prove sustainable, this could result in difficulties for shareholders to sell their shares. There is also a risk that the market price could differ significantly from the share price in the Offering. Should any of these risks be realised, it could have a material adverse impact on the price of the share.

#### **Subscription undertakings of the Cornerstone Investors are not secured**

Seven investors (Cornerstone Investors) have undertaken to acquire shares, in the Offering at a total of SEK 400 million, corresponding to between 38.6 and 43.1 percent of the shares in the Offering, respectively. However, the undertakings of the Cornerstone Investors are not secured by means of bank guarantees, restricted funds, pledging or any similar arrangement. The Cornerstone Investors' undertakings are subject to certain terms and conditions, such as a certain diversification of the Company's shares being achieved in the Offering. If any of these conditions is not satisfied, there is that risk that the Cornerstone Investors will not fulfil their undertakings, which could have an adverse impact on the completion of the Offering.

#### **Exchange-rate differences may have an adverse impact on the value of shareholdings and payment of dividends**

The shares will be listed only in SEK and any dividends will be denominated in EUR. This means that shareholders in

other jurisdictions with other currencies may be affected by adverse impacts on the value of shareholdings and dividends when they are converted to other currencies if the EUR or SEK declines in value compared with the currency in question.

#### **Future share issues or other securities in LeoVegas may dilute shareholdings and impact the share price**

If the Company chooses to raise additional capital, for example, on the basis of new share issues, there is the risk that the holdings of the Company's shareholders could be diluted, which could also affect the share price. If these risks were to be realised, it could have a material adverse impact on the capital invested by investors and/or the share price.

#### **Future sales of LeoVegas shares by existing shareholders could reduce the share price**

The price of the LeoVegas share could decline if substantial volumes of shares are sold, especially if LeoVegas' board members, senior executives or major shareholders sell shares, or if a large number of shares are sold. Sales of large amounts of shares by major shareholders, or the perception that such sales will take place, could have an adverse impact on the Company's share price.

#### **LeoVegas' capacity to pay dividends depends on its future income, financial position, cash flow, working capital requirements, cost of investments and other factors**

LeoVegas' dividend policy is, over time, to pay dividends of at least 50 percent of LeoVegas' profit after tax. The Company has not previously paid any dividends. Accordingly, all potential future dividends that LeoVegas could pay will depend on a number of factors, such as future income, financial position, cash flow, working capital requirements, cost of investments and other factors. It could transpire that LeoVegas does not have a sufficient amount of distributable funds and LeoVegas' shareholders may possibly decide not to approve payment of dividends.

#### **If LeoVegas is categorized as a "Passive Foreign Investment Company," it could have negative tax consequences for the Company's US shareholders**

In general, if at least 75 percent of LeoVegas' gross income in any taxable year comprises passive income or at least 50 percent of the average quarterly value of assets that can be attributed to assets that produce passive income or that are held for the production of passive income, including cash balance, the Company will be classified as a "Passive Foreign Investment Company" (PFIC) for federal tax purposes in the US. For purposes of this determination, passive income includes dividends, interest, gains from sales or exchanges of investment property and rents and royalties (except for rent and royalties received from non-related parties in connection with actively conducted trading or business operations). The Company was not categorized as a PFIC during the financial year 2015. If LeoVegas was to be classified as a PFIC, US shareholders could be subject to negative tax consequences, including gains on the sale of LeoVegas' shares being treated as ordinary income rather than capital gains, loss of the preferential rate applicable to dividends of LeoVegas' shares to individuals that are US shareholders and being charged with interest expenses on dividends on LeoVegas' shares and on the sales proceeds of the shares.

LeoVegas' status as a PFIC may partly depend on how

quickly the Company utilizes the funds in its operations that are received through the Offering. Since PFIC status depends on the Company's composition of income and the composition and value of its assets, which can largely be determined by the market value of LeoVegas' shares that can, from time to time, be volatile, LeoVegas could be considered to be a PFIC for any given taxable year. LeoVegas does not believe that it has been a PFIC during its previous taxable years, but because the PFIC test is performed at the end of a taxable year, there is the risk that LeoVegas will be treated as a PFIC for the current, or future, year. If LeoVegas was to be categorised as a PFIC, it could have negative tax consequences for the Company's US investors. Any potential US investors should discuss the issue regarding the consequences of LeoVegas' potential PFIC status with their tax advisors.

**Shareholders in the US or other countries outside Sweden may be excluded from future cash issues**

If the Company issues new shares in cash issues, shareholders, as a general rule, have preferential rights to subscribe for

new shares proportionally to the number of shares held prior to the issue. Shareholders in certain other countries may, however, be subject to limitations that prevent them from participating in such rights issues, or that otherwise makes participation difficult or limited. For example, shareholders in the US may be prevented from subscribing for new shares unless the shares and the subscription rights are registered in accordance with the Securities Act, provided that no exemption from the registration requirements under the Securities Act is applicable. Shareholders in other jurisdictions outside Sweden may be similarly affected if the subscription rights and the new shares being offered have not been registered with, or approved by, the relevant authorities in such jurisdictions. LeoVegas has no obligation to submit registration documents under the Securities Act or apply for similar approval under the laws of another jurisdiction outside Sweden regarding subscription rights and shares, and doing so in the future could be impractical and costly. To the extent that LeoVegas' shareholders in jurisdictions outside Sweden are not able to exercise their rights to subscribe for new shares in any future rights issues, their proportional interests in the Company will be reduced.

# Invitation to acquire shares in LeoVegas

In order to promote the continued growth and development of LeoVegas, the board of directors of LeoVegas and the Main Shareholders have decided to broaden the ownership of the Company's shares by means of a new share issue and sale of existing shares. Against this background, the board of directors of the Company has applied for a listing of the shares on Nasdaq First North Premier.

The Offering comprises between 25,985,848 and 26,711,780 LeoVegas shares. Of these are between 5,843,750 and 6,678,571 newly issued shares and between 20,033,209 and 20,142,098 are shares offered by the Selling Shareholders. Aggregate Media and certain other Selling Shareholders have reserved the right to extend the Offering and sell an additional 2,462,000 shares. The Offering is directed to the general public in Sweden and to institutional investors. At the request of the Joint Global Coordinators, the Main Shareholders and SEB Foundations has undertaken to sell an additional maximum of 4,006,767 shares, corresponding to not more than 15 percent of the shares and voting rights included in the Offering. Provided that the Offering is completed at a subscription price corresponding to the midpoint of the price range, and provided that the Selling Shareholders exercise their right to extend the Offering and the Over-allotment Option is fully exercised, the Offering will in total comprise of 32,735,309 shares.

The price per share of the Offering will be determined through a book-building procedure and will consequently be based on demand and overall market conditions. The Offering Price will be determined by the board of LeoVegas and the Main Shareholders, in consultation with the Joint Global Coordinators, and will be established in the range of

SEK 28 – 32 per share. The final Offering Price is expected to be published on or around 17 March 2016.

The new shares included in the Offering will be issued by the Company, with deviation of the shareholders preferential rights, with the support of authorization granted at the general shareholder meeting on 4 February 2016. The new issue of between 5,843,750 and 6,678,571 shares is expected to contribute SEK 187 million to LeoVegas before deductions for issuance expenses. Provided that the Offering is fully subscribed, the Company's share capital after the Offering will increase by between EUR 70,125.00 and EUR 80,142.85 to between EUR 1,196,345.64 and EUR 1,206,363.49, represented by a total of between 99,695,470 and 100,530,291 shares. The newly issued shares will correspond to a total of between 5.9 and 6.6 percent of the total number of shares in the Company, calculated on the basis of full dilution following completion of the Offering.

Seven investors (the Cornerstone Investors) have undertaken, prior to the first day of trading in the Company's shares, on the same terms and conditions as for other investors, to acquire shares for a total of SEK 400 million, corresponding to 38.6 and 43.1 percent of the shares and voting rights in the Company Offering and that the Over-subscription option has been fully used.

The total value of the Offering is between SEK 748 million and SEK 832 (approximately SEK 929 and 1,035 million assuming that the Offering and the Over-allotment Option is fully exercised).

In accordance with the terms, conditions and instructions stated in the Prospectus, investors are hereby offered an opportunity to acquire shares in LeoVegas AB (publ).

Stockholm 3 March 2016  
LeoVegas AB (publ)

*Board of directors*

*The Main Shareholders*

# Background and reasons

LeoVegas is a fast-growing mobile gaming company that aims to be market leader in mobile casino and related gaming entertainment. The Company was founded in 2011 by Gustaf Hagman and Robin Ramm-Ericsson with the objective to create the most outstanding mobile gaming experience. LeoVegas currently offers more than 680 online games from more than 30 game providers. Of these games, more than 450 are available on mobile devices. The Company's assessment is that it has more games available on mobile devices than any other casino operator in Europe. LeoVegas offers primarily casino gaming in the form of slots, jackpot games, roulette and table games, scratch cards and live casinos, and decided in January 2016 to introduce sports betting, which is scheduled to be launched during the second quarter of 2016.

Since LeoVegas was launched in Sweden in January 2012, the Company has grown strongly and expanded considerably internationally. The Company had net sales of EUR 83.0 million for the 2015 financial year. The Company's principal markets are the Nordic region and the UK, which jointly accounted for approximately 86 percent of net sales during 2015.

The Offering and the listing will help to broaden the Company's shareholder base and provide LeoVegas with access to the Swedish and international capital market in an effort to facilitate the Company's continued growth strategy.

The board of directors and executive management regard the Offering and the listing of the Company's shares on Nasdaq First North Premier as a positive and important step in LeoVegas' development, which will additionally increase awareness of LeoVegas and strengthen its brand. It will also improve LeoVegas' position should market development take the form of an increase in the number of regulated gaming markets, which could generate new opportunities for the

Company. For these reasons, LeoVegas' board, together with the Main Shareholders, have arrived at the assessment that a listing will support the next phase in the Company development towards its long-term objective of creating the ultimate gaming experience on mobile devices and being number one in mobile gaming. Against this background, the board of directors and the Main Shareholders of LeoVegas have decided that the time is now right to broaden the Company's ownership base and to apply for a listing of the Company's shares on Nasdaq First North Premier. LeoVegas' board of directors has resolved, subject to, for example, market conditions, to work to ensure the listing of the Company on the main market of Nasdaq Stockholm within 12 months of the completion of the listing on Nasdaq First North Premier.

In connection with the Offering, the Company will implement a new share issue. On full subscription, the new share issue is expected to contribute approximately SEK 187 million to LeoVegas before deductions for total transaction costs of approximately SEK 65 million. Consequently, LeoVegas expects to receive net proceeds of approximately SEK 122 million on the basis of the Offering. LeoVegas intends to use the net proceeds to support the next stage in the Company's development in the form of continued investments in technology, user experience, product range and expansion. The capital contribution will also provide LeoVegas with a stronger position for future business opportunities. LeoVegas will not receive any proceeds from the Selling Shareholders' sale of shares.

For further information, refer to the information in this Prospectus, which has been prepared by the board of directors of LeoVegas on account of the Offering and the Company's application for listing of the Company's shares on Nasdaq First North Premier.

*The board of directors of LeoVegas is responsible for the content of this Prospectus. The board of directors hereby provides its assurance that all reasonable precautions have been made to ensure, to the best of the board of directors' knowledge, that the information in the Prospectus complies with actual circumstances and that nothing has been omitted that could influence its meaning.*

Stockholm, 3 March 2016  
LeoVegas AB (publ)

*Board of directors*

*The board of directors of LeoVegas AB (publ) is solely responsible for the content of this Prospectus in accordance with what is stated herein. However, the Main Shareholders confirm the restrictions of the terms and conditions of the Offering in accordance with what is stated in the sections "Invitation to acquire shares in LeoVegas" and "Terms and conditions."*

*The Main Shareholders*



# Terms and instructions

To facilitate the description of the Offering, this section does not distinguish between the newly issued shares and the existing shares offered for sale by the Selling Shareholders.

## The Offering

The Offering is divided into two parts:

- (i) The Offering to the general public in Sweden,<sup>1)</sup> and
- (ii) The Offering to institutional investors in Sweden and abroad<sup>2)</sup>

The Offering comprises between 25,985,848 and 26,711,780 shares, of which between 5,843,750 and 6,678,571 are newly issued shares and between 20,033,209 and 20,142,098 are existing shares offered by the Selling Shareholders. Of the existing shares, between 4,268,159 and 4,321,068 shares are being offered by the Main Shareholders. In addition to the Main Shareholders, the Selling Shareholders comprise 54 existing shareholders, each of whom is offering on average is offering 318,385<sup>3)</sup> shares for sale within the scope of the Offering.

## Increase of the Offering

Aggregate Media and certain other Selling Shareholders have have reserved the right to, in the event of sufficient demand, increase the Offering with a maximum of 2,462,000 additional existing shares, corresponding to maximum 2.5 percent of the total number of shares in the Company.

## Over-allotment Option

The Main Shareholders and SEB Foundations has provided the Joint Global Coordinators with an Over-allotment Option entitling the Joint Global Coordinators, not later than 30 days from the first day of trading in the Company's shares on Nasdaq First North Premier, to request that the Main Shareholders and SEB Foundations sell, at a price equivalent to the Offering Price, a maximum of 4,006,767 additional shares, corresponding to maximum 15 percent in the Offering before a potential increase of the Offering. The Over-allotment Option may only be exercised in order to possible oversubscriptions of the Offering.

## Allotment of shares

The allotment of shares between each part of the Offering will be based on demand. The allotment will be determined by the Company's Board of Directors and the Main Shareholders, in consultation with the Joint Global Coordinators.

## Book-building procedure

To achieve market-based pricing of the shares in the Offering, institutional investors will be given the opportunity to participate in a book-building procedure by submitting expressions of interest. The book-building procedure will take place during 7 - 16 March 2016. The Offering Price for all shares in the Offering will be determined through this process. The book-building procedure for institutional investors may be terminated at an earlier date or be extended. Notice of such termination or extension will be made through a press release via one, or more, international news agencies prior to the end of the book-building period. For more information,

refer to the section "*Terms, conditions and instructions – Applications*".

## Offering Price

Based on the book-building procedure, the Offering Price is expected to be determined within the range of SEK 28 - SEK 32. The Offering Price will be set by the Company's board of directors and the Main Shareholders in consultation with the Joint Global Coordinators. The Offering Price to the public will not exceed SEK 32 per share. No brokerage commission will be charged. The final Offering Price is expected to be disclosed in a press release and on the Company's website on or about 17 March 2016.

## Application

### The Offering to the general public in Sweden

Applications for acquisition of shares within the terms of the Offering to the general public are to be made during the period 7 - 16 March 2016, and relate to a minimum of 200 shares and a maximum of 20,000 shares<sup>4)</sup>, in even lots of 100 shares. Applications must be made by using a certain application form from which can be obtained at any Carnegie or SEB office, or can be ordered from the Company. Applications can also be made through SEB's Internet bank or Avanza's or Nordnet's Internet service; see further information below.

Application forms are also available from the Company's website ([www.leovegasgroup.com](http://www.leovegasgroup.com)) and SEB's website for prospectuses ([www.sebgroup.com/prospectuses](http://www.sebgroup.com/prospectuses)). Applications received late, as well as incomplete or incorrectly filled-in application forms, may be discarded. No amendments or additions may be made to pre-printed text. Only one application per person may be made and only the application that SEB, Avanza or Nordnet receive first will be considered. Note that the application is binding.

The board of directors and the Main Shareholders, in consultation with the Joint Global Coordinators, reserve the right to extend the application period. Such extension will be announced through a press release before the end of the application period. Applicants with a securities depository account with specific rules on securities transactions, such as endowment insurance, must check with the bank or institution managing the deposit, if acquisition of shares within the terms of the Offering is possible. Note that the application must be submitted via the bank or institution with the deposit.

### Application via Carnegie

Applicants applying to acquire shares with Carnegie must have a securities depository account or investment savings account with Carnegie.

As regards customers with an Investment Savings

1. The Offering to the general public refers to the Offering of shares to private individuals and legal entities subscribing for a maximum of 20,000 shares.

2. The institutional offer refers to the offer of shares to private individuals and legal entities subscribing for more than 20,000 shares.

3. Provided that the Offering is completed at a subscription price corresponding to the midpoint of the range.

4. Those who wish to subscribe for more than 20,000 shares should contact Carnegie or SEB Equities in accordance with what is stated below in the section "*The Institutional offering*".

Account, Carnegie will, if the application results in allotment, acquire the corresponding number of shares in the Offering for further sales of the shares to the customer at the price of the Offering. Applicants may submit their applications by contacting their advisor at Carnegie or, if the applicant does not have an advisor, by contacting the Carnegie Private Banking service at [privattjansten@carnegie.se](mailto:privattjansten@carnegie.se). Applications must have been received by Carnegie no later than 5:00 p.m. on 15 March 2016.

#### ***Application via SEB***

Applicants applying to acquire shares must have a securities account, a service account, a securities depository account with a securities institution of their choice or an Investment Savings Account with SEB. Investment Savings Accounts with another bank than SEB cannot be utilised. Applicants who do not have a securities account, a service account, a securities depository account with a securities institutions of their choice or an Investment Savings Account with SEB, must open such an account prior to submission of the application form. Please note that it may take some time to open a securities account, a service account, a securities depository account or an Investment Savings Account. Applicants with SEB must also have a bank account with SEB. Applicants applying with SEB must also have a bank account with SEB. Applications must have been received by SEB no later than 5:00 p.m. on 15 March 2016. Note that certain bank branches close before 5:00 p.m. If the shares are to be registered in a securities account, a service account or a securities depository account in an institution that is not SEB, a bank account with SEB must be specified. The account with SEB must be a Privatkonto, Enkla sparkontot, Företagskonto or Enkla sparkontot Företag. If the shares are to be registered on a securities deposit or an Investment Savings Account with SEB, no bank account has to be specified. Only one account may be specified for payment and the account holder must be the same person applying for acquisition of shares. In connection with the acquisition of shares that are to be registered in an Investment Savings Account, payment must always be made using the funds available in that certain Investment Savings Account. Customers of SEB's internet bank that have a so-called Digipass, BankID or Mobilt BankID can also apply via SEB's internet bank. Instructions for participating in the Offering via SEB's internet bank are available on [www.seb.se](http://www.seb.se). In other respects, the application shall be made using the specific application form and handed in at one of SEB's offices in Sweden or sent by post to:

#### **SEB**

Emissioner R B6  
106 40 Stockholm

The balance on the bank account with SEB or the securities depository account or the Investment Savings Account with SEB stated on the application form must, for the period from 00:00 CET on 16 March 2016 until 24:00 CET on 21 March 2016, correspond to at least the amount referred to in the application. Accordingly, the funds must be available in or deposited in the specified bank account, securities depository account or Investment Savings Account no later than on 15 March 2016 to ensure that the necessary amount is available in the stated bank account, securities depository account or Investment Savings Account. This means that the account holder undertakes to keep the amount available in the specified account, securities depository account or Investment Savings Account for the aforementioned period and that the holder is aware that no allotment of shares will take place if the amount is insufficient during this period. Note that the

amount may not be withdrawn during the stated period of time. As soon as possible after allotment has taken place, the funds will be freely available for those who do not receive allotment. Funds which are not available will also give the right to interest during the specified period in accordance with the terms and conditions of the account, securities depository account or Investment Savings Account specified in the application. For SEB customers with an Investment Savings Account, SEB will, if the application results in allotment, acquire the corresponding number of shares in the Offering for further sale to the customer at the price in the Offering.

#### ***Applications via Avanza Bank AB***

Securities depository account customers with Avanza Bank AB ("Avanza") can apply via Avanza's Internet service. Full details of the application procedure via Avanza are available on Avanza's website ([www.avanza.se](http://www.avanza.se)). Applications via Avanza's Internet service can be made until 15 March 2016 at 5:00 p.m. To ensure that they do not lose their right to allotment, securities depository account customers with Avanza must have sufficient funds available in their depository accounts during the period from 16 March 2016 until 21 March 2016.

#### ***Application via Nordnet***

People who are account customers at Nordnet AB may apply for the acquisition of shares through Nordnet's Internet service. Application with Nordnet can be made during the period 7 March 2016 up until 23:59 CET on 15 March 2016. In order not to lose the right to allotment, account customers at Nordnet are to have enough cash equivalents available in the account during the period from 16 March 2016 to 21 March 2016. More information is available at [www.nordnet.se](http://www.nordnet.se).

#### ***Application and allotment to employees***

An offering is also made to certain LeoVegas employees in Sweden and in Malta through a certain application process. All LeoVegas employees applications covered by the offering will be given special consideration, however, LeoVegas employees in Sweden will be subject to investment limitations of SEK 30,000. Regarding LeoVegas employees in Malta, no investment limitations will be applicable. However, full allotment to employees in Malta may not be guaranteed but these employees will be prioritized (considering that the aim of the allotment is to create a good share owner base and to reach a broad spread of the shares with the public, in order to enable a regular and liquid trading of the share). LeoVegas employees wishing to acquire share must follow certain instructions from the Company.

#### **The institutional Offering**

Institutional investors in Sweden and abroad are invited to participate in a book-building procedure from 7 March 2016 until 5:00 p.m. on 16 March 2016. The Company and the Main Shareholder reserve the right to shorten or extend the application period in the institutional Offering. Any such shortening or extension will be announced by the Company through a press release. Applications from institutional investors in Sweden and abroad must be submitted in accordance with special instructions to Carnegie or SEB.

#### **Allotment**

Decision on allotment of shares is made by the Company's board of directors and the Main Shareholders after consultation with the Joint Global Coordinators, whereby the goal

will be to achieve a good institutional ownership base and a broad distribution of the shares among the general public, in order to facilitate a regular and liquid trading in the Company's shares on Nasdaq First North Premier. The allotment does not depend on when the application is submitted during the application period. Only one application per person will be considered.

### **The Offering to the general public in Sweden**

In the event of oversubscription, allotment may take place with a lower number of shares than the application concerns, at which allotment wholly or partly may take place by random selection. Allotment to those persons receiving shares will occur, in the first place, so that a certain number of shares are allotted per application. In addition thereto, allotment takes place with a certain, the same for all, percentage share of the excess number of shares that the application concerns and will only take place in even lots of 50 shares. Note that to qualify for allotment, the balance of the bank account, securities depository account or Investment Savings Account with SEB or Nordnet stated on the application form must correspond to at least the amount that the application states. In addition, employees of the Company and certain related parties to the Company as well as customers of Carnegie and SEB may be considered separately during allotment. Allotment may also be made to employees of the Joint Global Coordinators. These individuals will be subject to the same terms and conditions as for allotment to the public. In such cases, allotment takes place in accordance with the rules of the Swedish Securities Dealers Association and the Swedish Financial Supervisory Authority's regulations.

### **The institutional Offering**

Decision on the allotment of shares within the framework of the Offering to institutional investors in Sweden and abroad will, as mentioned above, be made with the aim of achieving a good institutional ownership base in the Company. Allotment among institutions that have submitted expressions of interest will be made on a wholly discretionary basis.

Cornerstone Investors will be given priority in relation to other investors up to the full amount of the shares which they have undertaken to acquire.

## **Information regarding allotment and settlement**

### **The Offering to the general public**

Allotment is expected to take place on 17 March 2016. Shortly thereafter, a contract note will be sent to those that have received allotment in the Offering. Those persons who have not been allotted shares will not be notified. Information about allotment is also expected to be provided from 09:00 CET on 17 March 2016 for applications submitted to Carnegie on telephone number +46 (0)8 588 694 87 and for applications submitted to SEB on telephone number +46 (0)8 639 27 50. To receive information regarding allotment the following information must be provided: (1) name, (2) personal identity number/corporate registration number, (3) securities account, service account, investment savings account or securities depository account number with (4) the name of the relevant bank or securities institution. Those who applied via Avanza's Internet service will receive information on the allotment through the establishment of a contract note based on the specified account, which is expected to happen on or about 9:00 a.m. on 17 March 2016. Acquired and allotted shares shall be paid in accordance with instructions on the contract note, however not later than on 21 March 2016.

### ***Payment for shares allotted via Carnegie***

Customers who have a securities depository accounts and customers who have an investment savings account with Carnegie are estimated to have their allotted but not paid shares available at the designated securities depository accounts or investment savings account on 17 March 2016. Liquid funds that will be used for payment must be available at specified securities depository account or investment savings account at 21 March 2016.

### ***Payment for shares allotted via SEB***

Payment is expected to be deducted from the bank account specified in the application on 18 March 2016 and from securities depository account or Investment Savings Account specified in the application on 21 March 2016.

### ***Payment for shares allotted via Avanza***

For those who are account customers at Avanza, payment for the allotted shares will be deducted from the specified account at latest on the settlement day on 21 March 2016. Note that cash equivalents for payment of the allotted shares should be at the account from the last application day 16 March 2016 up until the settlement day on 21 March 2016.

### ***Payment for shares allotted via Nordnet***

For those who are account customers at Nordnet, payment for the allotted shares will be deducted from the specified account at latest on the settlement day on 21 March 2016. Note that cash equivalents for payment of the allotted shares should be at the account from the last application day 16 March 2016 up until the settlement day on 21 March 2016.

### ***Insufficient or incorrect payment***

If sufficient funds are not available on the bank account, securities depository account or Investment Savings Account on the settlement day or if full payment is not made in due time, allotted shares may be transferred and sold to another party. The party who initially received allotment of shares in the Offering may bear the difference, should the selling price in the event of such a transfer be less than the price in the Offering.

### ***The institutional Offering***

Institutional investors are expected to receive notification of allotment in particular order on about 17 March 2016 after which contract notes will be distributed. Full payment for allotted shares shall be paid in cash no later than 21 March 2016. Note that if full payment is not made in due time, allotted shares may be transferred to another party. If the price received in the reassignment is lower than the offering price in the Offering, the institutional investor who was originally allotted the shares may be liable to pay the difference.

### **Important information about the possibility of selling allotted shares**

Notifications about allotment to the public in Sweden will be made through the distribution of contract notes, expected to be distributed on or about 17 March 2016. When the payment for the allotted shares has been processed by SEB, paid-up shares will be transferred to the securities depository account or securities account specified by the acquirer. The time required to transfer payments and to transfer duly paid shares to the acquirers of shares in the Company may mean that these acquirers will not have the acquired shares available

ble in the specified securities depository account or the securities account until 21 March 2016, at the earliest. Trading in the LeoVegas share on Nasdaq First North Premier is expected to commence around 17 March 2016. Note that if shares are not available in an acquirer's securities account or securities depository account by 21 March 2016 at the earliest, the acquirer may not be able to sell these shares on Nasdaq First North Premier starting on the date on which trading in the shares commences, but rather when the shares are available in the securities account or the securities depository account.

### Registration and recognition of allotted and paid-up shares

Registration with Euroclear Sweden of allotted and paid-up shares is expected to take place on or about 21 March 2016 for both institutional investors as well as the general public, after which Euroclear Sweden will distribute a notice stating the number of shares in the Company that have been registered in the recipient's securities account. Shareholders whose holdings are nominee-registered will be notified in accordance with the procedures of the respective nominee.

Conditioned on completion of the listing, which is expected to occur on or about 21 March 2016, the new share issue of between 5,843,750 and 6,678,571 shares will be registered with the Swedish Companies Registration Office, which is expected to take place during the week beginning 21 March 2016.

### Undertakings to acquire shares

The Cornerstone Investors, which are all included in the table below, have an undertaking with the Main Shareholders and Joint Global Coordinators to acquire shares in the Offering on the same terms as the other investors. The Cornerstone Investors have undertaken to acquire shares in the Offering for a total amount of SEK 400 million, equivalent to a total of approximately 40.7 percent of shares and votes in the Company<sup>4</sup>. Accordingly, these undertakings correspond to between approximately 38.6 and 43.1 percent of the Offer given that the up-sizing option and the Over-allotment Option is fully exercised.<sup>5</sup> The Cornerstone Investors will not receive any compensation for their respective undertakings and the Cornerstone Investors' investments will be made on the same terms and conditions as those of other investors in the Offer. The Joint Global Coordinators, the Main Shareholders and the Company's Board of Directors deem the credit rating of the Cornerstone Investors to be satisfactory and thus believe that they will be able to fulfil their respective undertakings. However, the undertakings of the Cornerstone Investors have not been secured by means of bank guarantees, restricted funds, pledging or any similar arrangement. Each undertaking of the Cornerstone Investors is subject to, among other things: (i) listing of the shares such that the first day of trading in the Company's shares occurs no later than 31 March 2016; (ii) such Cornerstone Investor being allocated in full the shares related to its commitment; and (iii) the final Offering Price not exceeding SEK 32 per share. If such conditions are not satisfied, the Cornerstone Investors will not be bound by their undertakings and will not be required to acquire shares.

Cornerstone Investors	Subscription undertaking (SEK million)	Minimum no. of shares	Maximum no. of shares	Per cent of the Offering <sup>6</sup>
Catella Fondförvaltning AB	80	2,500,000	2,857,143	7.53 - 8.83
Handelsbanken Fonder AB	80	2,500,000	2,857,143	7.53 - 8.83
Swedbank Robur Fonder AB	80	2,500,000	2,857,143	7.53 - 8.83
Carnegie Asset Management	50	1,562,500	1,785,714	4.71 - 5.52
Keel Capital	50	1,562,500	1,785,714	4.71 - 5.52
Fonden Alcur	30	937,500	1,071,429	2.83 - 3.31
AMF Fonder AB	30	937,500	1,071,429	2.83 - 3.31
<b>Summa</b>	<b>400</b>	<b>12,500,000</b>	<b>14,285,715</b>	<b>37.67 - 44.17</b>

### Listing on Nasdaq First North Premier

The Board of Directors of LeoVegas has applied for a listing of the Company's shares on Nasdaq First North Premier. On 2 March 2016, Nasdaq Stockholm AB decided to admit the Company's shares to trading on Nasdaq First North Premier subject to customary conditions, including that the ownership dispersion requirement for the Company's shares be met no later than by the first day of listing.

In the event that the Company's Board of Directors ultimately resolves to list the Company's shares, trading in the Company's shares is expected to begin on 17 March 2016. This means that trading will commence before the shares have been transferred to the acquirers' securities accounts or securities depository accounts and, in certain cases, before a contract note has been received. This also means that trading will commence before the terms and conditions for completion of the Offer have been met. If the Offer is not completed, trading in the Company's shares that occurs before the Offer becomes unconditional on 21 March 2016, will be rescinded.

The ticker for the Company's shares on Nasdaq First North Premier is LEO.

LeoVegas' Board of Directors has resolved, subject to market conditions, to work to ensure the listing of the Company on the main market of Nasdaq Stockholm within 12 months of the completion of the listing on Nasdaq First North Premier.

### Stabilization

In connection with the Offering, Joint Global Coordinators may carry out transactions that stabilize the market price of the share or maintain the price at a level that deviates from what would otherwise prevail in the market. Such stabilization transactions may be carried out on Nasdaq First North Premier, in the over-the-counter market or otherwise, at any time during the period starting on the date of commencement of trading in the shares on Nasdaq First North Premier and ending not later than 30 calendar days thereafter. The Joint Global Coordinators are not obligated to carry out such measures and, in the event that such measures are taken, may terminate them at any time; for more information, refer to the section on "Legal considerations and supplementary information – Stabilization".

### Announcement of the outcome of the Offering

The final outcome of the Offering will be announced through a press release which will be available on the Company's website, [www.leovegasgroup.com](http://www.leovegasgroup.com), on or around 17 March 2016.

4. Based on the assumption that the price in the Offering is set in the middle of the price range.

5. Based on the assumption that a complete over-subscription has taken place and that the Over-allotment Option has been fully used.

6. Based on full subscription of the Offering and an Offering Price corresponding to the midpoint of the price range of SEK (30).

### Entitlement to dividends

The shares offered carry a right to dividend for the first time on the record date for dividend that occurs immediately after completion of the Offering. Payment will be administered by Euroclear Sweden ("**Euroclear**") or, for nominee-registered shareholdings, in accordance with the procedures of the individual nominee. The Board of Directors does not intend to propose the 2016 Annual General Meeting resolve to pay a dividend. For more information, refer to the section "*Share capital and ownership structure – Dividends and dividend policy*".

### Terms and conditions for completion of the Offering

The Offering is conditional on (i) the interest in the Offering, according to the assessment of the Joint Global Coordinators, being sufficient to achieve appropriate trading in the shares, (ii) the Company, the Main Shareholders and the Joint Global Coordinators signing an agreement regarding the placement of shares (the "**Placing Agreement**") in the Company on or about 16 March 2016, (iii) certain terms and conditions in the Placing Agreement being met, and (iv) the Placing Agreement not being terminated. For further information regarding the terms and conditions for completion of the Offering and the Placing Agreement, refer to the section on "*Legal considerations and supplementary information – Agreement concerning placement of shares*".

If the Offering is withdrawn, this will be announced in a press release not later than the morning of 21 March 2016, and any applications received will be discarded and any payment made will be refunded.

### Other information

Although SEB is the issuing institution, the bank will not per-

se consider the applicant for the Offering (the "**Acquirer**") as a customer of either Carnegie or SEB. Carnegie's and SEB's receipt and handling of application forms will not result in any client relationship between the Acquirer and respective bank. For the investment the Acquirer is only regarded as a client of the respective bank if the bank has advised the Acquirer about the investment or otherwise has contacted the Acquirer individually about the investment, or if the Acquirer has applied via the bank's office or internet bank. The consequence of Carnegie and SEB not considering the Acquirer to be a client for the placement is that the rules on investor protection stipulated in the Swedish Securities Market Act (2007:528) will not be applied to the placement. This means, inter alia, that neither customer categorisation nor a suitability assessment will be applied to the placement. Accordingly, the Acquirers themselves are responsible for ensuring that they have sufficient experience and knowledge to understand the risks associated with the placement.

### Information about handling personal information

Anyone acquiring shares in the Offering will submit certain information to Carnegie and SEB. Personal information submitted to Carnegie and SEB will be processed in data systems to the extent required to provide services and administer customer arrangements. Personal information obtained from sources other than the customer may also be processed. The personal information may also be processed in the data systems of companies or organizations with which Carnegie and SEB cooperate. Information pertaining to the treatment of personal information can be obtained from Carnegie's and SEB's offices, which also accept requests for the correction of personal information. Address details may be obtained by Carnegie and SEB through an automatic procedure executed by Euroclear.



# Message from the founders – The LeoVegas story

Since its launch in January 2012, LeoVegas has evolved from a completely unknown brand without a client base into one of Europe's leading mobile gaming companies – positioned as number one in mobile casino – the “King of Mobile Casino”. LeoVegas' ambition is to constantly take the mobile gaming experience to new levels and it is now investing in continued growth and innovation.

## The mobile changed everything

Not even five years have passed since that spring evening when the concept for the mobile gaming company LeoVegas was born. When other players considered mobile gaming on par with online gaming on a smaller screen, LeoVegas saw a completely new world. The breakthrough of the iPhone and other smartphones changed everything and the experience, user enjoyment and playfulness in mobile usage paved the way.

Our idea is as relevant today as when it was first formulated; LeoVegas will create the ultimate mobile gaming experience. Innovation and the “mobile-first” mentality are at the core of everything we do in developing LeoVegas.

The name LeoVegas comes from Leo, Latin for lion; strength and royal leadership, and Vegas, which naturally refers to Las Vegas – the city where anything can happen – symbolising dreams and grand entertainment. In the connection to Las Vegas, we put our finger on something significant: the realisation that the touch feature in the new smartphones provided a stronger interaction that is literally physical, but also a joy and playfulness that enables completely new experiences.

## The Nordics against the world

Through its subsidiaries, LeoVegas had the advantage of initially launching its offering in the Nordic market, which traditionally has a high degree of mobile usage and acceptance for product innovations. With a strong belief in the LeoVegas' product, organisation and practices, LeoVegas launched its offering in the UK and other countries.

The gaming market has traditionally been dominated by strong local players in their own geographic market. With LeoVegas we wanted to overcome this by developing a mobile gaming experience based on the universal principles of user-friendliness and entertainment that, regardless of market, made iPhone and other smartphones a success. At the same time, it was important for us to give depth to the brand and to flexibly offer local customer values that would enable us to act forcefully, locally and personally in each market



through, for example, modified offerings, gaming alternatives, marketing activities and, naturally, customer support. Key ingredients in creating the ultimate gaming experience.

Fun and friendly is a central part of LeoVegas' offering, but it must be fun for everyone, even those who have difficulty curbing their gambling. Responsible gaming is a matter taken very seriously by LeoVegas and it is paramount to us that our operations are distinguished by a healthy and responsible attitude to gambling.

## Platform for growth

The market for mobile gaming entertainment is still in its infancy. We want LeoVegas to lead the way and we see enormous growth potential in both new and existing markets as well as new product areas. With a clear passion for customer experience, a successful marketing strategy, a proprietary technical platform and an innovations-oriented corporate culture, we feel that LeoVegas is well-positioned for this growth. LeoVegas' focus on long-term customer relations and a data-driven process have laid the foundation for a scalable business model.

A listing of LeoVegas on Nasdaq First North Premier is a natural feature of the Company's development and in particular we view it as a platform for continued robust growth.

**Gustaf Hagman and Robin Ramm-Ericson**

*Founders of LeoVegas*

# Market overview

The information concerning market growth and size, as well as LeoVegas' market position in relation to the competitors specified in the Prospectus, comprises an overall assessment made by LeoVegas, based on both internal and external sources. The sources upon which LeoVegas bases its assessments are H2 Gambling Capital ("H2GC")<sup>1)</sup>, Novus<sup>2)</sup>, Technavio<sup>3)</sup>, the Swedish Gambling Authority<sup>4)</sup>, Gartner<sup>5)</sup>, Analysys Mason and Nielsen<sup>6)</sup>, The Gambling Commission (UK)<sup>7)</sup> and Google Report<sup>8)</sup>. LeoVegas has correctly presented the information and, as far as LeoVegas is aware and can ascertain by comparison with other information published by concerned sources, no information has been omitted that could render the reproduced information inaccurate or misleading. LeoVegas has, however, not independently verified the information from these sources.

In addition, LeoVegas has made several assumptions in the Prospectus about the industry, and its competitive position within the industry. These assumptions are based on the Company's experience and the Company's own market surveys. LeoVegas cannot guarantee that any of these assumptions are correct, nor that they accurately reflect its market position in the industry, and none of the Company's internal surveys or information have been verified by independent sources, which may have estimates or views of industry-related information that differ from those of LeoVegas. Market and business information may include estimates for future market trends and other forward-looking statements. Forward-looking statements are no guarantee of future results or trends, and the actual results could differ materially from those contained in the forward-looking statements.

Also refer to the "*Important information to investors – forward-looking statements*" section on the inside cover of the Prospectus.

## Background

### The gambling market's origin

In Europe, gambling took place at an early stage and dice games were popular already among the ancient Romans. Card games emerged in the 15th century and lotteries existed back in ancient times but increased in scope from the 16th century when they started being used to finance public expenditure. During the second half of the 19th century, international casinos emerged, of which Monte Carlo is perhaps the most famous in Europe. Slots started to become popular in Europe in the 1950s and also made gradual inroads in casinos.<sup>9)</sup>

### Swedish gaming history of late

In the 1980s, gaming was first offered in Sweden and was marketed in an increasingly commercial manner. Previously, gaming was arranged in response to demand, but few actions were taken to promote it. The Swedish, state-controlled gaming monopoly Svenska spel then introduced the new forms of gaming, namely Lotto in 1980, scratch cards and Oddset in 1986, and Keno in 1992. The first state-controlled casino opened in Sundsvall in 2001 and state-controlled online poker was introduced at Svenska Spel in 2006. Up until some 15 years ago, only state-controlled gaming companies, and a few non-profit organisations, that had Swedish licences and were able to conduct gaming operations that targeted Swedish consumers. The arrival of the internet opened up

completely new possibilities for offshore gaming companies that lacked Swedish gaming licences to offer gaming to Swedish consumers, supported by EU law.

The greatest advances in offering new gaming opportunities to Swedish consumers have been made by offshore gaming companies with online offerings, including LeoVegas. As in many other countries, online gaming was introduced in Sweden more than 15 years ago, when Unibet and Expekt were driving pioneers. Today, Sweden ranks high in the world in terms of gaming alternatives. Essentially all major gaming forms are available, either from Swedish gaming companies or offshore gaming operators, with the Swedish regulated gaming companies accounting for 79 percent of the market in 2014 and offshore companies accounting for the remaining 21 percent.<sup>4)</sup>

### Internet revolutionised the gaming market

Online gaming has prompted a formidable change in gambling habits worldwide. Since the first online gaming possibilities were launched more than 15 years ago, strong technology advances in the form of better hardware, software, connectivity and speed, coupled with continuous innovation in gaming options, that involve a larger product range and increased accessibility, have led to robust growth for online gaming. Today, online gaming takes place on a multitude of different technical platforms, such as desktops, tablets, smartphones and now also smart watches (Apple Watch, for example).

1. H2 Gambling Capital - Global Gambling Data (22 October 2015)

2. Novus, Nätkasino - 2015, 5 October 2015. The survey was commissioned by the Swedish Gambling Authority.

3. Technavio analysis: Global Casino Gaming Market 2015-2019;

4. The Swedish Gambling Authority, Spelmarknadens utveckling i Sverige och internationellt (Development of the gaming market in Sweden and internationally), 2014.

5. Gartner - Forecast: PCs, Ultramobiles and Mobile Phones, Worldwide, 2012-2019, September 2015.

6. Analysys Mason and Nielsen - Consumer smartphone usage 2014: OTT communication services, April 2014.

7. Gambling Commission - "Annual Report & Accounts 2014/15", 2015.

8. Google Report - Mobile usage.

9. Schwartz, David G. 2006. Roll the Bones: The History of Gambling. New York: Gotham Books.

### Mobile market developments have changed the world

Mobile phones, and smartphones in particular, have through their computer-like properties changed human behaviour in general as well as contributed to a revolutionary development for the gaming market. From the introduction of the first iPhone model in 2007, smartphones have had an explosive growth and smartphone penetration is expected to surpass 50 percent globally in 2016.<sup>10)</sup> Almost two billion smartphones are projected to be purchased in 2019, and smartphones are expected to account for 95 percent of all new mobile phone sales in 2019.<sup>11)</sup>

The robust growth of smartphone users has led to yet another paradigm shift for the gaming market in recent years. As a result of improved user-friendliness compared with that of earlier mobile phones in combination with expansion of broadband and mobile networks, consumers can now play whenever and wherever they want. Consumers' gaming

#### Market segment

On an overall level, the gaming market is divided into two main market segments:

##### Land-based gaming

The segment for Land-based gaming refers to traditional gambling that occurs not over the internet but in physical places, such as land-based casinos, gambling through different types of bookmakers, lotteries and bingo halls. The market also includes gambling on physical slot machines placed in locations other than casinos, such as restaurants and other alternatives "land-based gambling".

##### Online gaming

The segment for online gaming where various forms of gambling is done electronically, normally via the internet "online gaming"

#### Platforms used by customers for online gaming

##### Desktop

Conventional desktop computers.

##### Mobile devices

Smartphones, tablets and smart-watches, such as Apple Watch.

Land-based gambling is not included in LeoVegas' gaming offering.

Part of the market where LeoVegas is active.

behaviour also differs on the mobile; people play more often but in shorter intervals compared with computer gaming.

### Overview of LeoVegas' market

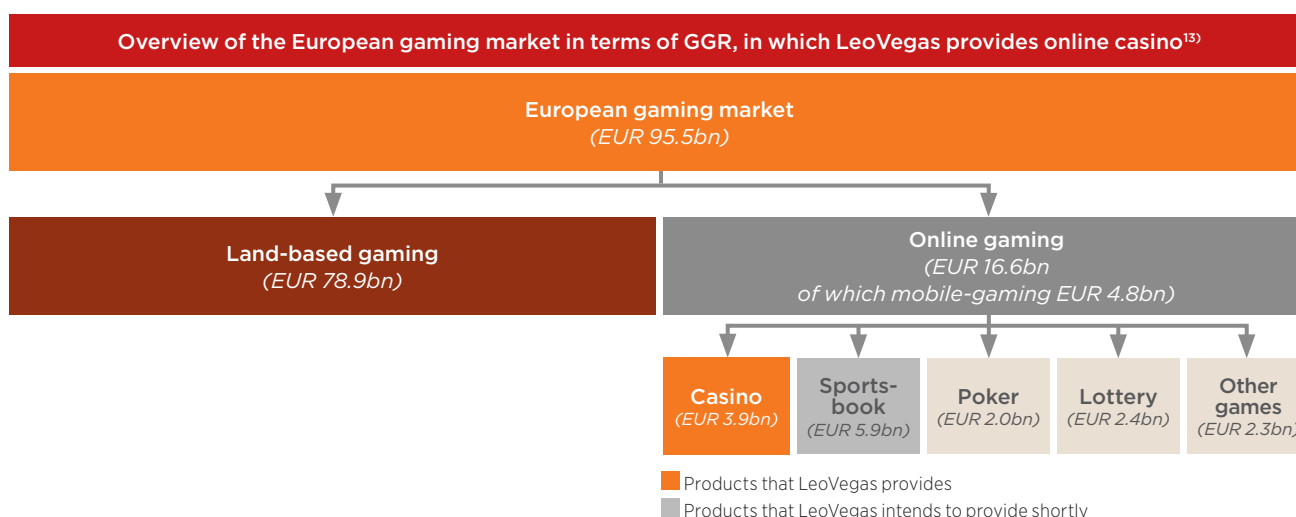
LeoVegas is primarily an online gaming operator that exclusively offers online casinos and plans to launch sports betting during the second quarter of 2016. As an operator, LeoVegas offers its customers (end users) third-party supplier-developed gaming and third-party developed payment solutions for mobile devices and desktops that are supported by its proprietary platform. The Company's core business is gaming on mobile devices.

Geographically, the European market constitutes LeoVegas' primary market, accounting for the equivalent of 93 percent of sales in 2015. The Company divides the market into four segments: i) Nordic region (69 percent of Company sales in 2015); ii) UK (18 percent); iii) Rest of Europe (6 percent); and iv) Rest of the world (7 percent).

### Total gaming market

#### The total global gaming market

The total global gaming market is estimated to have totalled EUR 351.4 billion in 2015 in gross win.<sup>12)</sup> Assuming a 2.9 percent annual growth rate, the global gaming market is expected to reach EUR 383.3 billion in 2018<sup>13)</sup>



10. Technavio  
11. Gartner

12. H2GC; All market data from H2GC relate to gross win, defined as total stakes less prizes, but including bonuses from operators.

13. H2GC

### The total European gaming market

The total European gaming market is estimated to have totalled EUR 95.5 billion in 2015, of which the online gaming market is calculated at EUR 16.6 billion during the same year.<sup>15)</sup> The total European gaming market is expected to grow at an average annual rate of 2.2 percent from 2015 to 2018, while the online gaming market expected to grow by 9.2 percent on average during the same period.<sup>13)</sup>

The total European gaming market in 2015 comprised sports betting, which accounted for 17 percent, or EUR 15.9 billion, casinos which accounted for 15 percent, corresponding to EUR 14.4 billion, slots (land-based only), bingo and other games that accounted for 33 percent of the market, or EUR 31.2 billion, and lotteries that accounted for 36 percent, or EUR 34.0 billion.<sup>13)</sup>

### Online gaming market

#### Introduction

The online gaming market comprises gaming on both desktops and mobile devices. Similar to the total gaming market, the online gaming market is divided into five categories. Online gaming includes sports betting, which accounted for 36 percent of the European online gaming market in 2015, online casinos, which accounted for 24 percent, and lotteries, poker and other games, which accounted for 15 percent, 12 percent and 14 percent respectively.<sup>14)</sup>

#### DESCRIPTION OF GAMES OFFERED IN THE ONLINE GAMING MARKET<sup>14)</sup>

##### Casinos (24 percent of the European online gaming market 2015)

Includes random number-generated games (RNG games) such as slots and table games (e.g. Roulette and Blackjack) via the internet, both against physical players in virtual environments (called live casinos) and against a computer.

##### Lotteries (15 percent of the European online gaming market 2015)

Traditional games offered by national lotteries (e.g. scratch cards, drawing lots and wheel of fortune). LeoVegas offers scratch cards..

##### Sports betting (36 percent of the European online gaming market 2015)

Betting on the odds via the internet primarily on sporting events (e.g football and ice hockey).

##### Poker (12 percent of the European online gaming market 2015)

Poker against physical players in virtual environments and against a computer.

##### Other games (14 percent of the European online gaming market 2015)

Includes, amongst other, bingo and skill games.

■ Online games offered by LeoVegas

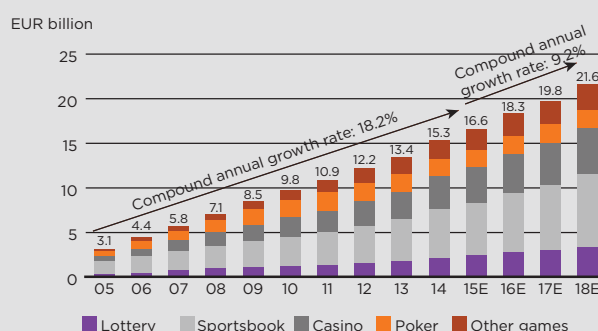
■ Sports betting is scheduled to be launched by LeoVegas during the first half of 2016

■ Other games in the online gaming market

### The European online gaming market

In recent years, the European online gaming market has undergone strong structural growth, growing from merely 4 percent, or EUR 3.1 billion, of the total European gaming market in 2005 to 17 percent in 2015, the equivalent of EUR 16.6 billion.<sup>14)</sup> Between 2010 and 2015, online gaming grew by an average rate of 11.2 percent annually, while the land-based gaming market had no noticeable growth. The outlook for land-based gaming suggests average annual growth of 1.6 percent between 2015 and 2018 compared with the online gaming market's estimated average growth rate of 9.2 percent for the same period. In 2018, the market for online games is expected to account for 21 percent of the total European gaming market, the equivalent of EUR 21.6 billion in gross gaming revenue.<sup>14)</sup>

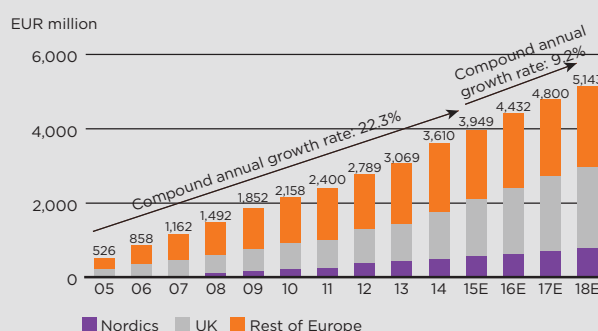
#### OVERVIEW OF THE EUROPEAN ONLINE GAMING MARKET<sup>14)</sup>



#### The European online casinos market

The market size for online casinos, which includes primarily slots and roulette, but also live casinos with amongst other streamed videos<sup>15)</sup> of physical gaming tables for roulette, is estimated to have totalled EUR 3.9 billion in Europe in 2015. With an estimated average annual growth rate of 9.2 percent between 2015 and 2018, online casinos are estimated to amount to EUR 5.1 billion in 2018. As in 2015, online casinos are estimated to account for 24 percent of the online gaming market in 2018.<sup>14)</sup>

#### OVERVIEW OF THE EUROPEAN ONLINE CASINOS MARKET DIVIDED INTO LEOVEGAS' ACCOUNTING SEGMENTS<sup>14)</sup>



14. H2GC

15. Online video streaming.



### The European online sports betting market

The European sports betting market is estimated to have totalled EUR 5.9 billion in 2015. With an estimated average annual growth rate of 11.6 percent between 2015 and 2018, online sports betting is expected to amount to EUR 8.2 billion in 2018, thereby constituting 38 percent of the online gaming market.<sup>16)</sup>

THE NORDIC ONLINE GAMING MARKET <sup>16)</sup>	
<b>Online casinos</b> The Nordic online casinos market is estimated to have totalled EUR 583 million in 2015 and, with an expected 10.4 percent average annual growth rate, the market is expected to reach EUR 784 million in 2018.	<b>Online sports betting</b> The Nordic online sports betting market is estimated to have totalled EUR 932 million in 2015 and, with an expected 11.3 percent average annual growth rate, the market is expected to reach EUR 1,286 million in 2018.
THE UK ONLINE GAMING MARKET <sup>16)</sup>	
<b>Online casinos</b> The UK online casinos market is estimated to have totalled EUR 1.5 billion in 2015 and, with an expected 13.0 percent average annual growth rate, the market is expected to reach EUR 2.2 billion in 2018.	<b>Online sports betting</b> The UK sports betting market is estimated to have totalled EUR 1.8 billion in 2015 and, with an expected 12.0 percent average annual growth rate, the market is expected to reach EUR 2.6 billion in 2018.

■ Online games offered fully or partly by LeoVegas

■ Online games planned to be launched during the second quarter of 2016 and then offered by LeoVegas

### The mobile gaming market

#### Introduction

As described above, primarily two types of platforms are used for online gaming: desktops and mobile devices, which thus constitute sub-segments of the online gaming market. LeoVegas' core market is gaming on mobile devices.

Market data for mobile gaming is taken from H2GC and is divided into three categories, as shown in the box below. The market overview below is divided according to these categories. These three categories are collectively referred to as the "mobile gaming market".

DESCRIPTION OF GAMES OFFERED IN THE MOBILE GAMING MARKET
<b>Casino, poker, bingo and other gaming<sup>17)</sup></b> <b>(36 percent of the European mobile gaming market)</b> Includes random number-generated games (RNG games) such as slots, table games (e.g. Roulette and Blackjack) via smartphones and tablets, both against physical players in virtual environments, live casinos (remote gaming against a physical croupier) and against a computer. Poker, bingo and skill games are also included in the gaming segment. LeoVegas only offers casino gaming.
<b>Lotteries</b> <b>(9 percent of the European mobile gaming market)</b> Traditional games offered by national lotteries (e.g. scratch cards, drawing lots and wheel of fortune). LeoVegas offers scratch cards for mobile devices.
<b>Sports betting</b> <b>(54 percent of the European mobile gaming market)</b> Sports betting odds via smartphones and tablets offered for sporting events (e.g. football and ice hockey).

■ Mobile games offered by LeoVegas

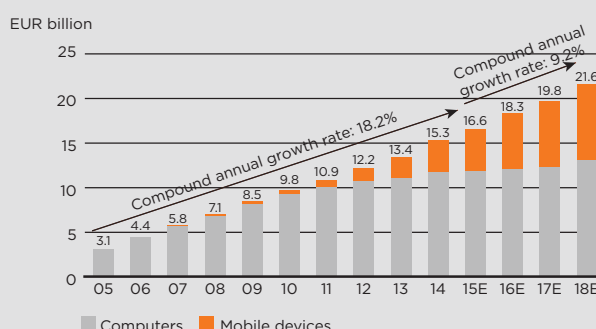
■ Mobile games planned to be launched by LeoVegas during the first half of 2016

### The European mobile gaming market

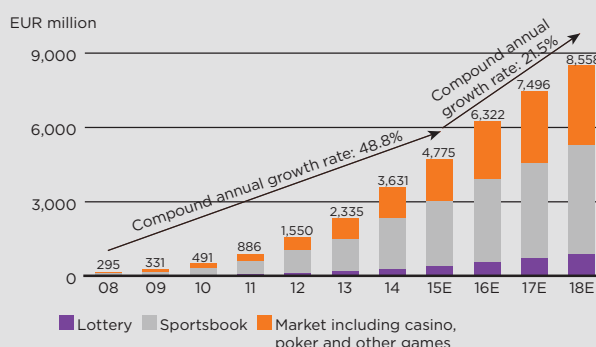
In 2015, sports betting accounted for 54 percent of the European mobile gaming market, while the gaming segments casino, poker and other games accounted for 36 percent. The figure for the lotteries gaming segment was 9 percent of the market.<sup>16)</sup>

Historically, online gaming has primarily been played on desktops, however, in recent years, gaming on mobile devices in Europe has enjoyed considerably more robust growth than the total market for online gaming, with gaming on mobile devices evolving from a mere 1 percent of the total online gaming market in 2005 to 29 percent in 2015. During the period from 2005 to 2015, gaming on mobile devices experienced average annual growth of 65.2 percent, from EUR 31 million to EUR 4.8 billion, and the growth rate for gaming on desktops was 14.4 percent, from EUR 3.1 billion to EUR 11.8 billion. The mobile gaming market is expected to account for most of the growth on the European online gaming market over the next few years. From 2015 to 2018, gaming on mobile devices is expected to grow at an average annual growth rate of 21.5 percent to EUR 8.6 billion, while the growth rate for gaming on desktops will be 3.4 percent, to EUR 13.0 billion. In 2018, gaming on mobile devices is expected to account for 40 percent of total online gaming.<sup>16)</sup>

#### OVERVIEW OF THE EUROPEAN ONLINE GAMING MARKET DIVIDED ACCORDING TO GAMING ON DESKTOPS AND MOBILE DEVICES RESPECTIVELY<sup>16)</sup>



#### OVERVIEW OF THE EUROPEAN MOBILE GAMING MARKET<sup>16)</sup>



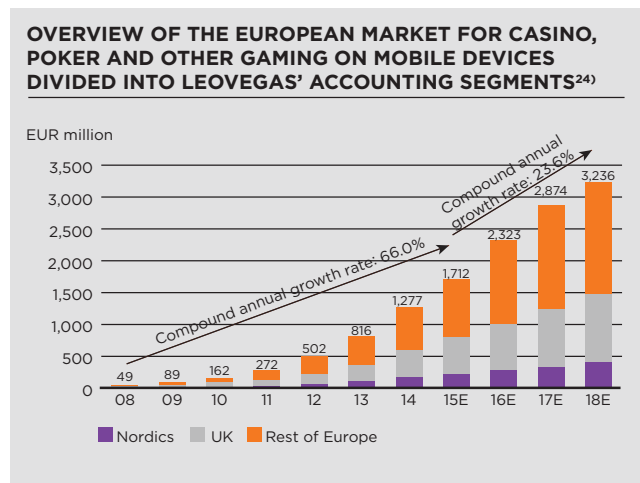
16. H2GC

17. NB: LeoVegas does not offer poker, bingo and other gaming encompassed by casino-inclusive market data.



### The European market for casino, poker and other gaming on mobile devices

The market for casino, poker and other gaming on mobile devices amounted to EUR 1.7 billion in 2015 and is estimated to total EUR 3.2 billion in 2018, corresponding to an annual growth rate of 23.6 percent. Accordingly, casino, poker and other gaming on mobile units is expected to account for 15 percent of total online gaming in Europe in 2018, compared with 103 percent in 2015, and is expected to account for 38 percent of the European mobile gaming market in 2018.<sup>18)</sup>



### The European sports betting market on mobile devices

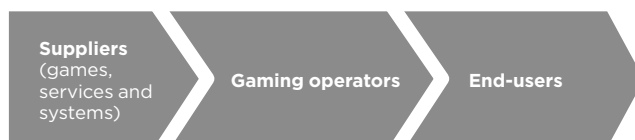
The European sports betting market on mobile devices is estimated to have totalled EUR 2.6 billion in 2015. With an estimated average annual growth rate of 19.2 percent between 2015 and 2018, online sports betting on mobile units is expected to amount to EUR 4.4 billion in 2018 and is then estimated to account for 20 percent of the European online gaming market.<sup>18)</sup>

THE NORDIC MOBILE GAMING MARKET <sup>18)</sup>	
<b>Casino, poker and other gaming</b> The market for casino, poker and other gaming on mobile devices in the Nordic region is estimated to have totalled EUR 225 million in 2015 and is estimated to total EUR 402 million in 2018, corresponding to an average annual growth rate of 21.3 percent.	<b>Sports betting</b> The Nordic market for online sports betting on mobile devices is estimated to have totalled EUR 377 million in 2015 and, with an expected 20.9 percent average annual growth rate, the market is expected to reach EUR 665 million in 2018.
THE UK MOBILE GAMING MARKET <sup>18)</sup>	
<b>Casino, poker and other gaming</b> The market for casino, poker and other gaming on mobile devices in the UK is estimated to have totalled EUR 566 million in 2015 and is expected to total EUR 1 082 million in 2018, corresponding to a 24.1 percent average annual growth rate.	<b>Sports betting</b> The UK market for sports betting on mobile devices is estimated to have totalled EUR 841 million in 2015 and, with an expected 20.9 percent average annual growth rate, the market is expected to reach EUR 1 486 million in 2018.

### Value chain for the online gaming market

Gaming operators in the online casinos and online gaming markets are generally the companies that offer end users who are private individuals the opportunity to play casino games and other forms of games through applications and/or through web browsers on mobile phones, tablets and desktops. For gaming operators to provide the service to end users, they use a number of different providers.

#### OVERVIEW OF THE ONLINE CASINO VALUE CHAIN, IN WHICH LEOVEGAS IS A GAMING OPERATOR



### Providers

The most important providers are the game providers that supply games, various service providers that supply, for example, payment solutions and marketing services, and systems providers that supply, for example, platform solutions,<sup>19)</sup> customer management systems and other systems.

#### Game providers

Game providers offer operators a selection of games for which the operators pay fixed and variable fees. Fixed fees are normally non-recurring costs or periodic costs to gain access to the provider's games and platforms. Variable fees normally include revenue sharing based on the number of game sessions, with the operator paying royalties every time an end user plays the game, or as a percentage of the gaming operator's revenue generated via a provider's game. Some game providers also offer exclusive games to the operator, designed together with the ordering operator.

In the online casinos segment, the most common online casino games are slots where game providers often supply a number of software-based games individually or via a shared platform. Major international providers include NetEnt, IGT, Playtech and Microgaming. Other online casino games are live casino and video table games where for example Evolution Gaming is a leading operator in live casinos.

#### Service providers

The most important service providers are the suppliers of payment solutions. It is a critical competitive advantage for gaming operators to be able to offer their customers a broad selection of payment solutions so that they can choose according to their own preferences. Common payment solutions are card payments and payment services supplied by providers such as Adyen, PayPal, Trustly, Skrill, Neteller and Paytrail.

Other service providers are for example cloud-service providers that enable operators to deliver certain features on external servers that can be used continuously or temporarily to handle temporary traffic spikes. Amazon Web Services (AWS), Rackspace, Google Cloud and Windows Azure are examples of such providers.

18. H2GC

19. A platform solution involves integration of games from game providers, payment solutions, customer management systems and other solutions managed by a third party for which the gaming operator pays licensing fees.

### Marketing partners

Marketing to end-users is often made through various channels such as television, physical and digital advertisements, search words and social media, where gaming operators can directly reach end users. Marketing partners (“**Affiliates**”) are another important, indirect channel for many gaming operators. Affiliates serve as comparison sites between different online casino alternatives and within other product segments, and are paid for the new customers they obtain for the gaming operators via two main methods. One is revenue sharing, whereby the operator pays a percentage of the customer-generated revenue, and the other is a fixed remuneration for each new customer.

### Systems providers

Various gaming operators use systems providers to varying degrees, where the largest application area is buying a technical platform in order to integrate casino games and other software. LeoVegas has developed a proprietary platform that makes an external solution redundant.

Other third-party provided systems include, for example, customer management, tracking<sup>20)</sup> and analysis tools such as Qlikview and NetRefer.

### Gaming operators

Gaming operators buy games, services and systems solutions from providers and can thereby in conjunction with their own systems and platforms provide a gaming offer to end users. The various operators differ in their gaming offerings, with some operators offering both online casinos, sports betting and poker and other games to dedicated online casino operators. In addition, the gaming operators largely control the customer experience, from marketing to deposit, stakes and withdrawals, which are key differentiating factors between gaming operators, aside from the difference in the offerings.

### End users

End users are consumer, i.e. private individuals who use the gaming operators’ services and wager money on online gaming. The figures for 2015 show that of the people in Sweden who play online casino games at least once a year, 69 percent were men and 31 percent women. Of the gamblers, 42 percent were 39 years old or younger, 23 percent between 40 and 49 years old, and the remaining 35 percent were 50 or older.<sup>21)</sup>

## The Competitive situation

### Competitors in the European gaming market

The market for online gaming in Europe is fragmented and no single operator has a dominant position on a pan-European level. The largest European gaming operators are primarily land-based and most operate under state monopolies and licences in their respective countries. A large proportion of the land-based gaming operators do not provide online casinos, because most European countries have not yet introduced new regulations that permit land-based operators in the local market to offer these games online. In certain European countries that have a regulated online gaming market, for example in the UK, most of the largest land-based operators are also prominent online operators.

Most pan-European gaming operators that focus solely

on online gaming originated in either the UK (e.g. Bet365, Betfair, Sky Betting & Gaming, Gamesys and, mainly, land-based operators with online offerings such as William Hill, Ladbrokes and Coral) or Sweden (e.g. Unibet, Betsson and LeoVegas) and operate in Europe under licences from, for example, Malta, Gibraltar and/or the UK supported by EU regulations. In addition to online casinos, a large part of the online gaming operators also provide sports betting, a product in which many operators have their origin.

### Competitors on the Nordic gaming market

A rapidly escalating interest in online gaming in the Nordic countries and other European markets has generated a significant increase in the number of operators in recent years. The Swedish market is far advanced and several of the larger European operators are of Swedish origin. Amongst the major operators who offer a broad selection of games in the Nordic market are state-owned Svenska Spel, Swedish entrepreneur-founded Unibet, Betsson and LeoVegas, and also the UK companies Bet365, Betfair and Pokerstars. In Sweden, for example, LeoVegas is ranked third after Unibet and Betsson among the gaming operators with the most customers.<sup>21)</sup> The Nordic online gaming market is, similarly to the European market, fragmented and no single operator is estimated to have more than a 15 percent market share.<sup>22)</sup>

### Competitors on the UK gaming market

Before online games were introduced at the end of the 1990s, large land-based operators such as William Hill and Ladbrokes dominated the UK market. A large number of specialised online gaming operators have since entered the market, making the online gaming market fragmented compared to the relatively consolidated land-based gaming market. In the UK, where the largest land-based operators also offer online gaming and are prominent in the market, the largest online gaming operators are mainly British. In 2015, it is estimated that William Hill and Bet365 were the largest operators, with market shares of approximately 15 percent each,<sup>31)</sup> followed by other UK operators such as Betfair, Paddy Power (Ireland), Sky Betting & Gaming, Gamesys, Ladbrokes, Gala Coral and PokerStars (Canadian owner).

20. Tracking tools allow operators to track customer behaviour and patterns when they use their websites and applications

21. Novus, Nätkasino – 2015, 5 October 2015

22. The Company’s assessment based on data from H2GC and individual operators online based revenues.

## Trends and drivers

### Three main trends drive mobile gaming development

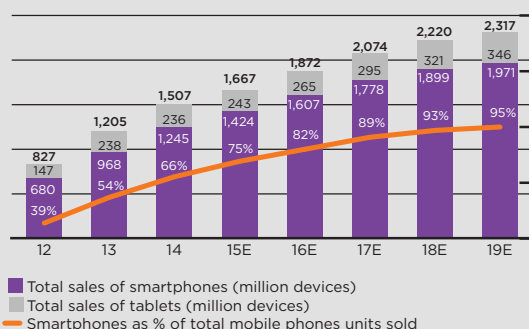
LeoVegas has identified three general mega trends connected to the development of the mobile market that have a direct impact on the development and trends in the online gaming market.



### The mobile is moving from being a communications device to an entertainment device

An important driver for online gaming, including online casinos, is the mobile distribution channel, which includes both smartphones and tablets. It is estimated that smartphone penetration, in relation to the total number of mobile phones, exceeded 50 percent globally in 2016 when an increasing proportion of the population using smartphones.<sup>23)</sup> New sales of smartphones are expected to rise sharply in the coming years, from 1.4 billion devices in 2014 to nearly 2 billion devices in 2019, where smartphones will account for 95 percent of the total new sales of mobile phones.<sup>24)</sup> The smartphones increase the opportunities for access to online-based services which in turn increases the daily use of phones. Surveys show that the telephone is used more than three hours per day on average and that an increasing amount of time is devoted to social media, gaming and other entertainment, whereby the mobile phone is increasingly evolving from being a communication device to primarily being an entertainment device.<sup>25)</sup>

### OVERVIEW OF GLOBAL NEW SALES OF SMARTPHONES, TABLETS AND SMARTPHONES AS A PERCENT OF THE TOTAL NUMBER OF SOLD MOBILE PHONES<sup>24)</sup>



23. Technavio  
24. Gartner

## Current function of the mobile



### Gaming offline is moving to gaming online and gaming online is moving to mobile gaming

Online gaming is growing much faster than land-based gaming and is accounting for an ever increasing share of the total gaming market. From having represented 17 percent of the total gaming market in Europe in 2015, online gaming is expected to account for 21 percent in 2018.

There are many reasons to why gaming on mobile devices has become popular among gaming consumers. The devices are user-friendly and it is easy to download apps for gaming on smartphones, the technology has improved, people's habits have changed (smartphones and tablets are increasingly being used in the daily lives of people) and fast 4G devices featuring streaming technology also enable people to, for example, bet on a football match in real time. The fact that people also can participate in gaming wherever and whenever they want using a mobile device is another contributory factor. As a result of these developments, a larger share of online gaming is transitioning into mobile gaming. From having accounted for 29 percent of the online gaming market in Europe in 2015, mobile gaming is expected to account for 40 percent in 2018.

### Casinos move from being a niche product into a mass market product

Customer surveys of newly acquired online casino customers arranged by LeoVegas in 2015 show that about 50 percent of respondents in Sweden had never previously played casino. This shows that online casinos via mobile devices reach and attract an ever increasing clientele, which indicates in turn that online casinos are gradually moving from previously having been a niche product into a mass market product with an ever increasing customer base, which on average bets smaller sums of money per customer. In total, this contributes to a growing market for online casino games, while leading to more long-term and sustainable gaming among customers.

25. Google report - Mobile usage.

### Technological development

The underlying technological development in society constitutes a strong driver for the use of online services, while simultaneously providing improvements in reliability and in the experience of online gaming and other online entertainment. Continuous advances are being made in hardware and software and fixed and mobile networks are being expanded to a greater extent and becoming ever faster and more reliable. The introduction of smartphones and tablets in particular has revolutionised mobile usage.

### Increased focus on user experience

LeoVegas and other gaming operators in Europe have increasingly been focusing on an improved user experience and an increased differentiation of their offerings, which has contributed to online gaming, including online casinos, becoming more popular among larger target groups with various preferences. Examples of factors contributing to positive user experiences include offering the customer an intuitive user interface for both desktops and mobile devices, fast deposits and withdrawals, personal offers, exclusive games and social functions.

### Most countries within the EEA are opening up their national markets to online gaming

An increasing number of countries in Europe are currently, in full or in part, adapting their legislation to allow new competition from privately owned gaming operators by regulating online gaming. In recent years, countries such as the UK, Italy, Denmark, France, Spain and Belgium have regulated their online gaming markets and introduced licensing systems that also include a special gambling tax. In countries, such as the Netherlands, government authorities are currently working with introducing new regulations and opening up their national markets for new operators. Even in Sweden the implementation of a new gaming regulation is currently being investigated, with inter alia clear prerequisites to operate on the market based on an licensing system. A characteristic of a licensing system is that the market is becoming open to competition. However, this is not a development that applies to all European countries. For example, Norway and Finland have instead tightened their monopoly in recent years. However, in October 2013, the Norwegian coalition government announced that it wants to investigate the possibility of permitting licences for offshore gaming companies in Norway. The trend is that countries which introduce licences have also taken the stand that those who are not granted gaming licences in the country are to be excluded by means of IP address blocking, payment mediation services bans or a combination of both.

### The gaming market is becoming more global, leading to more cross-border collaborations between regulatory authorities

The gaming market is becoming more global, making it complex and not financially worthwhile for gaming companies to place their technical equipment in every country where they offer games. More and more countries that are regulating their markets for online gaming, thereby opening up for new operators, do no longer require the technical equipment to be installed in the country. In many countries, government authorities are refraining from requiring the technical equipment to be installed in the country in cases where there is an agreement between the gambling authority in the country where the gaming operator has a licence, and the gambling

authority in the country where the organiser has its permanent establishment. The latter jurisdiction must then agree to exchange information concerning monitoring and control of the gaming operator. This type of information exchange requires cooperation between the regulating authorities. Such cooperation can occasionally include the exchange of information regarding breaches committed by the licensee, suspicious transactions and financial issues.

### Mergers and acquisitions

Due to a growing tax burden for operators, in pace with regulation of the markets, there is a greater need for size and scalability to secure competitive profitability. This is clear in e.g. the UK, where in recent years, following the introduction of regulations in December 2014, a large number of acquisitions and consolidation attempts among the various operators in the gaming market (both in terms of online gaming and land-based gaming) have taken place – where considerable synergies exist between the operators in respect of technology advances, bargaining powers in relation to suppliers, savings potential in operations and other synergies. Examples of consolidations include the Ladbrokes and Gala Coral merger, the Paddy Power and Betfair merger, and GVC's acquisition of Bwin.Party, all of which were announced in 2015.

### Regulation and legislation regarding the online gaming market

#### Regulatory overview

In most national markets, the gaming market is governed by law and, in principle, all gaming operations require a permit. Several markets have local licensing systems, but many countries still have a monopoly or monopoly-like situation, including Sweden. Because some countries' applicable laws were passed before the development of the online gaming market, they are largely designed for physical casino operations. This particularly characterises legislation in those jurisdictions where online gaming has not been regulated. As a consequence of this, the laws are subject to subjective interpretations regarding the online gaming market, and a market practice has been developed in several jurisdictions that does not always coincide with the applicable laws. Operations that require a permit are highly affected by policy decisions and gaming companies are therefore reliant on the current legal situation for the gaming industry, in particular regarding regulations within the EU and regulations adopted by its member states.

Historically, the gambling industry has been regulated at a national level in both Europe and globally, and currently there is no European or global gaming regime. Many European countries have dated regulatory regimes for traditional, land-based casinos without taking particular consideration to online casinos. Over the past few years, an increasing number of countries have regulated, or announced plans to regulate online gaming at a national level. For countries that have implemented or are in the process of implementing online gaming regulations, the rules generally require that gaming operators must, among other requirements, have country-specific licences (or operate together with an already licensed operator), operate from a country domain, report statistics and transaction protocols in order to supervise operators and end users, and pay gambling taxes (often as a percent of net payout).

## EU

In Europe, the EU Court of Justice, in a series of high-profile and precedent-setting judgments, has ruled that many of the national gambling-related restrictions within the EU are, in principle, to be considered restrictions to the EU's fundamental principle of free movement of services. As most of these monopolies primarily have a fiscal purpose, these are restrictions that can not be justified in a manner consistent with EU law. Nonetheless, a number of member states, including Sweden, uphold such restrictions in order to protect the domestic monopoly and impede online gaming operators' operations.

Most gaming operators operate under licences from e.g. Malta and Gibraltar, and can therefore through websites provide and market games in other European Economic Area (EEA) countries without national-specific permits, unless the countries have regulations concerning online gaming. For gaming operators and the online casinos market, the implementation of regulations in an individual country is normally a critical favourable factor because it, in part, fosters growth and adds legitimacy, and in part, provides gaming operators with clear rules. Regulation also facilitates the use of increasingly more marketing channels for online casinos, since marketing in certain channels is not permitted in markets that lack gambling-permitting legislation (for example, it is not permitted to advertise via Facebook and Google in countries that have no national online gaming regulation, including Sweden).

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

In line with this, a number of European countries have opted in recent years to regulate the online gaming market within their national borders and most other countries, including Sweden and the Netherlands, have initiated a process aimed at introducing new regulations.

## Nordic region

The Danish gaming market is divided into two parts. Part of the market is license-based and part of the market consists of a monopoly. 31 gaming operators are authorized to provide sports betting and/or online casino.

The Finnish gaming market consists of only three government-controlled companies authorized to conduct gaming activities. The EU Commission has concluded that the Finnish regulation concerning exclusive rights to offer gaming activities is compatible with EU law and the law is applied in a consistent and systematic manner. The revised Finnish legislation will introduce a statutory monopoly and stricter rules for the operation of games and promotion of gaming services.

The regulated Norwegian gaming market consists mainly of two government-controlled companies, Norsk Tipping and Norsk Rikstoto. Norsk Tipping's market share is 70 percent of the total regulated market. Norsk Tipping launched online gaming in 2014. Norway has introduced an upper limit of

how much a customer can play together with certain gaming responsibilities tools. There are also conditions which prohibit its bonus offerings. Poker tournaments are allowed in Norway since 2015.

Sweden has long had a state-controlled gaming monopoly. The EU Commission has in a formal statement dated 11 July 2014 alleged that Sweden does not meet its obligations in accordance with Articles 49 and 56 of the Treaty on the Functioning of the European Union ("TFEU") as the regulations in the Swedish Casino Act (1999:355) impose limitations in terms of the right of establishment for the operation of land-based casinos, and as the regulations in the Swedish Lotteries Act (1994:1000) impose limitations on the provision of online casinos. The EU Commission alleges that the invoked public policy aim of responsible gambling is not realised by the Swedish land-based casinos monopoly. The EU Commission claims that it does not appear founded on a consistent and systematic strategy to achieve the aim of consumer protection and does not appear to be accompanied by sufficient state control. According to the EU Commission, the state monopoly on physical casinos does not appear motivated when assessing whether the limitations of physical casino services comply with Articles 49 and 56 of the TFEU. The EU Commission also alleges that the invoked public policy aims are not realised by the Swedish prohibition of online casinos.

The EU Commission deems that the legal situation's absence of clarity and the absence of state control of the online casinos without permits cannot be classified as a systematic and consistent strategy to limit online casinos and therefore cannot serve as a reason to limit casino services. In its response to the EU Commission on 12 September 2014, Sweden has maintained that the limitations of the Swedish Casino- and Lotteries Acts meet the requirement to be non-discriminating, justified by an overriding reason relating to the public interest, that they contribute to realising the intent of the laws and that they are not in excess of what is necessary to achieve these intents.<sup>26)</sup>

In September 2015, the Swedish government decided to appoint a special investigation tasked with submitting a proposal for a new gambling regulation to be characterised by high consumer protection, high gambling safety and clear conditions for the gaming market operators. The investigation, which is to be presented in March 2017, will also give consideration to additional requirements concerning marketing of games and lotteries, the state's role in a re-regulated market and measures needed to stop unlicensed operators.

## The UK

The online gaming market in the UK was re-regulated in 2007 based on a transactional perspective. Effective 1 December 2014, new tax and license regulations for gambling were introduced in the UK. Approximately 170 new companies applied for a licence to operate in the UK from the Gambling Commission. As a result of the change, organisers of online gaming need a licence from the UK Gambling Commission to operate if the organiser targets UK customers or advertises to consumers in the country. This applies regardless of the country in which the lottery is based. Licensed operators' net sales are taxed at a rate of 15 percent at the point of consumption (Point of Consumption Tax, POCT). The li-

26. The Swedish Gambling Authority, *Spelmarknadens utveckling i Sverige och internationellt (Development of the gaming market in Sweden and internationally)*, 2014

27. Gambling Commission, "Annual Report & Accounts 2014/15", 2015



cense in the UK is necessary in addition to any other permits in other countries. Operators outside the UK, who offer games to UK players, will be obliged to pay tax in the UK if the players are domiciled there, even if the gaming company does not have operations in the UK.<sup>26)</sup>

### Rest of the world

The degree of regulation in different jurisdictions also varies outside the EU. Australia is one of the non-EU countries where it is not permitted to provide online casino games. However, there are indications that a regulation of the online gaming market in Australia will be proposed that will permit online gaming. As early as 2010, the "Productivity Commission" published a report that recommended liberalised legislation, not least because of the considerable tax revenues it is believed would be generated for Australia.

The relevant Australian act was implemented in 2001 and adapted for a completely different gambling market than the one which has developed today. In November 2015, the Australian parliament concluded that the state of Australia invests no resources at all to prevent online casinos provided by offshore operators.

There are also countries that have an outright ban on online gaming, such as large parts of the US, Turkey and China. Online casinos in the US are subject to a general ban, and only the states of Delaware, New Jersey and Nevada have licenced operators that are permitted to provide certain gaming services. Online sports betting is banned in accordance with the Interstate Wire Act of 1961 and, according to the Professional and Amateur Sports Protection Act of 1992, land-based sports betting is banned in all but four states, namely Nevada, Delaware, Montana and Oregon.<sup>28)</sup>



26. Gambling Commission, "Annual Report & Accounts 2014/15", 2015

# Business overview

## Introduction to LeoVegas

LeoVegas is a fast-growing mobile gaming company that aims to be the market leader in mobile casino and related gaming entertainment. The company was founded in 2011 by entrepreneurs Gustaf Hagman and Robin Ramm-Ericsson with the objective of creating the ultimate gaming experience on mobile devices.

LeoVegas offers private individuals the opportunity to play casino games and engage in other forms of gaming using applications and browsers on primarily mobile devices (such as smartphones, tablets and smartwatches). LeoVegas currently offers more than 680 online games from more than 30 game providers. Of these games, more than 450 are available on mobile devices. According to the Company, it has more games available for mobile devices than any other casino operator in Europe. LeoVegas primarily offers *slot machines, jackpot games, roulette and table games, scratch cards and live casino*. The Company also plans to introduce sports betting, which is scheduled to be launched during the second quarter of 2016.

LeoVegas is a "Mobile First" company. This means that the Company's offering is fundamentally developed for mobile devices. According to LeoVegas, the Company is cutting edge when it comes to offering state-of-the-art technology to the market for mobile gaming based on proprietary technological development combined with attractive partnerships with primarily game providers. Based on an outstanding gaming experience, long-term customer relationships and the establishment of a strong brand, the Company, through innovative, effective and computerised marketing, has attracted a continuously growing customer base.

LeoVegas' operational activities and sales organisation are based in Malta, while the parent company's management (CEO, CFO and Investor Relations) and its technology development organisation are based in Sweden. The Company

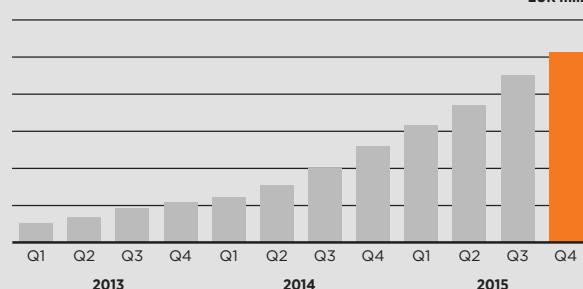
had 228 employees as of 31 December 2015, of whom 180 were based in Malta. LeoVegas offers casino games under licences from Malta and the UK.

Since LeoVegas was launched in Sweden in January 2012, the Company has grown rapidly and expanded considerably internationally. Since the launch, the Company has had total customer deposits<sup>1)</sup> exceeding EUR 450 million. During the 2015 financial year, the Company had net sales of EUR 83.0 million and more than 100,000 depositing customers during the fourth quarter.<sup>2)</sup> The Company's principal markets are currently the Nordic region and the UK, which jointly accounted for 86 percent of net sales during the fourth quarter of 2015. LeoVegas' focus on the mobile gaming experience is reflected in its net sales, with 57 percent of both total net sales and deposits for the Company in the 2015 financial year coming from mobile devices.

### REVENUE PER QUARTER

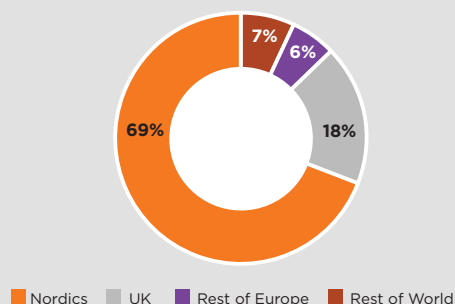
Unaudited

Q4 26.0  
EUR million



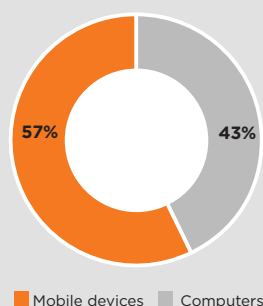
### NET GAMING REVENUE PER GEOGRAPHY IN 2015

Unaudited



### NET GAMING REVENUE FROM MOBILE DEVICES AND COMPUTERS IN 2015

Unaudited



1. A deposit is defined as a customer's depositing of money into a gaming account at LeoVegas.

2. And 248,000 active customers, defined as customers who have gambled during the past year. Accordingly, the definition also includes customers who have utilised free-of-charge offerings.

## Business concept, vision, principles and financial targets

### Business concept

The business concept behind LeoVegas is to use the mobile to create the ultimate gaming experience. LeoVegas will offer world-leading gaming entertainment through product, technology and marketing innovation.

### Vision

LeoVegas will create the ultimate gaming experience and be number one in mobile gaming.

### LEOVEGAS' WATCHWORDS IN DEVELOPING THE GAMING EXPERIENCE

In its pursuit of offering the ultimate gaming experience, LeoVegas works in accordance with three fundamental principles: "Fast", "Intuitive" and "Fun & Friendly". These principles are the cornerstones in our ambition to create an attractive mobile devices-based gaming experience for LeoVegas' customers, and to continue to operate the Company with an entrepreneurial spirit and innovation.

#### Fast

It is LeoVegas' understanding that one of the foremost factors appreciated by customers in terms of the gaming experience is speed, which is even more important on a mobile device than on a desktop. It is essential that both the mobile application and the game within the application uploads quickly without delay. LeoVegas' proprietary technological solutions have improved the speed of the Company's offering.

#### Intuitive

Most of LeoVegas' customers use LeoVegas' products on a mobile device. LeoVegas wants to offer an as engaging product as possible, and it should be as intuitive and user friendly as possible with a simple user interface.

#### Fun & Friendly

LeoVegas offers entertainment to its end customers. This should characterise every aspect of interaction with customers, from the product and brand to contact with customer service. At the same time, everything done by LeoVegas should be performed in a friendly, professional, respectful and accountable manner.

### FINANCIAL TARGETS

LeoVegas has set financial targets in relation to the Company strategy as follows:

#### Growth

- LeoVegas' target is to reach EUR 300 million in net sales in 2018.
- Long-term organic growth that outperforms the online gaming market.

#### Profitability

- LeoVegas' target is to reach an EBITDA margin of approximately 15 percent in 2018.
- Long-term EBITDA margin of no less than 15 percent assuming that 100 percent of the revenue is generated on regulated markets subject to gambling tax.

#### Dividends

- LeoVegas' dividend policy, over time, is to pay dividends of at least 50 percent of LeoVegas' profit after tax.

*LeoVegas' financial targets presented above constitute forward-looking information. The financial targets are based on a number of assumptions concerning industry trends, and the macroeconomic and regulatory environment in which LeoVegas operates, which may differ considerably and become worse than LeoVegas assumed when the above financial targets were set. As a result, LeoVegas' ability to achieve the financial targets are subject to uncertainties and eventualities, of which some are beyond the control of the Company, and there is no guarantee that LeoVegas can achieve the targets or that LeoVegas' financial position or operating income will not differ considerably from the financial targets. See also "Information to investors – Forward-looking information", "Risk factors" and "Operational and financial overview – Factors affecting LeoVegas' profit".*



### Strengths and competitive advantages

According to the Company, its primary strengths and competitive advantages are:

- LeoVegas offers the ultimate gaming experience developed for mobile devices
- The proprietary platform generates operational advantages and opportunities
- A data and analysis-driven process streamlines operations and boosts profitability
- Brand positioning and marketing
- High degree of customer loyalty and focus on long-term customer relations
- Entrepreneurial and innovative corporate culture
- Scalability of business model

### LeoVegas offers the ultimate gaming experience on mobile devices

LeoVegas is focused on giving its customers an outstanding gaming experience on mobile devices and endeavours to have the market's most diversified and largest selection of games.

- **“Mobile First”:** LeoVegas' offering is fundamentally developed for mobile devices. The Company's focus on offering the ultimate gaming experience also encompasses a mobile-built user interface that the customer perceives as intuitive and entertaining, fast and personal support from LeoVegas' customer service, and fast registration, login,

site upload and payments.

- **Broad selection of games:** Today LeoVegas offers its customers more than 450 games for mobile devices and has well elaborate processes for assessing which games will be offered to the customers. The broad selection of games is guaranteed through collaboration with more than 30 game providers whereby LeoVegas, thanks to close partnerships, is for example often offered the chance to test launch new features, and thereby has the opportunity to launch new games exclusively to its customers.
- **Continuous innovation:** Innovation is pivotal to Leo Vegas in order to offer exclusive products and services that are initially unavailable from competing operators. For example, the Company has been first to unveil several new products and technologies, such as high-quality live casino on mobile units, game-specific apps, touch log-in<sup>3)</sup> and roulette for Apple Watch.
- **Responsible gaming:** LeoVegas' offering is about entertainment for all customers. However, some people are at risk of developing gaming-related problems. The Company takes this very seriously and responsible gaming is a basis in the Company's product design and customer contacts, and ultimately provides a more positive customer experience and longer customer relationships. With all employees certified in responsible gaming, this is a basis for day-to-day activities at LeoVegas. For a description of LeoVegas' responsible gaming approach, refer to “Responsible gaming” below.

<sup>3</sup>.Facilitates customer account login since customers can use the phone's fingerprint sensors to login



### The proprietary platform generates operational advantages and opportunities

The proprietary platform, internally referred to as Rhino, was launched in June 2015 and generates new and improved opportunities for the Company to offer the best, most innovative mobile gaming experience. The benefits include:

- **Increased product control:** The Company's proprietary platform enables it to control its product development and choice of technology. For example, LeoVegas can independently choose the development areas and the games and payment providers it will use and integrate into its operations, rather than having to adapt to a third-party operated platform. The Company can also decide the countries on which to offer its products and services, and can modify its technology to local regulatory conditions.
- **Speed, flexibility and scalability:** LeoVegas can act more quickly than when the Company was dependent on a platform from a third party. It is easier for the Company to add and remove applications and features, measure the functionality of new applications and more quickly rectify any shortcomings. Launches in new countries run more smoothly since features and language modifications need not be ordered from a third party. In all, this generates higher scalability when the need for capacity increases, and thereby better cost-efficiency.
- **Closer collaboration with providers:** LeoVegas' proprietary platform enhances opportunities for close collaboration with the game and payment solution providers with whom LeoVegas has agreements and that are integrated into the platform.

### A data and analysis-driven process streamlines operations

In order to optimise LeoVegas' offering, the Company continuously and in real time measures and analyses various types of data points, such as financial KPIs, popularity of the games and usage and perception of the Company's customer service. It is the Company's understanding that this data-driven process is a strong contributor to the Company's growth, and much of the development of Rhino, LeoVegas' proprietary platform, stems from data gathering and usage.

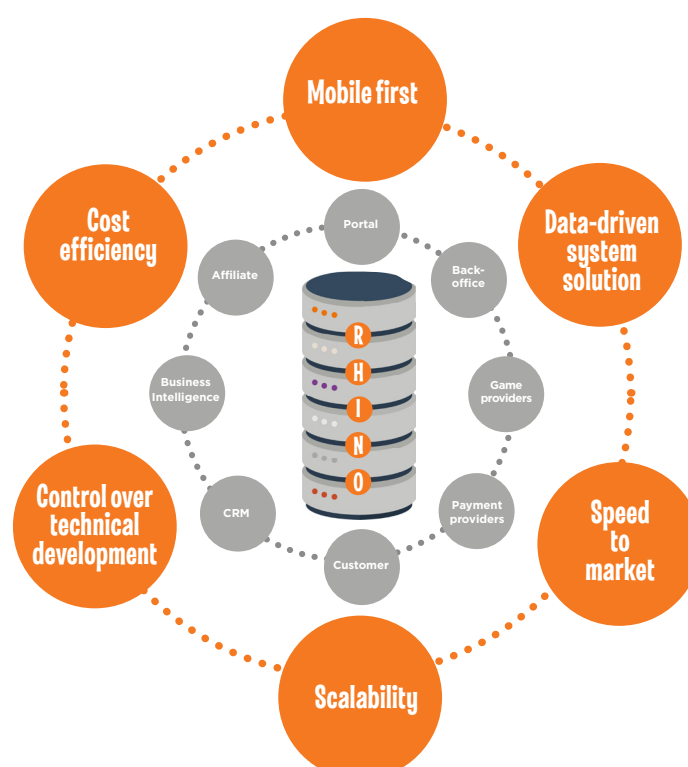
The Company uses data analysis to continuously modify its marketing and thus to optimise the financial outcome of customer activities. The Company tests, analyses and optimises its marketing channels in order to allocate resources to those channels that show favourable returns. Consequently, the Company's data and analysis-driven process, in addition to contributing to the Company's growth and customer satisfaction, limits the operational risk in the Company.

### Brand positioning and marketing

Since the Company was founded, LeoVegas has positioned itself as a mobile gaming company and believes that it has achieved a position in the Nordic countries and the UK as the leading mobile casino brand. Owing to its marketing strategy, the Company has managed to establish a distinct, well-known brand that has a strong position in markets where LeoVegas is active.



### LEOVEGAS' PROPRIETARY TECHNOLOGY PLATFORM





The Company's combination of a distinct brand position and market communication has, for example, resulted in the Company being able to refer to itself in its marketing as the "King of Mobile Casino" in the UK.<sup>4)</sup> In the Company's other markets, LeoVegas always uses associations to mobiles in its marketing; in Sweden, for example, the Company uses "Sveriges mobilcasino" (Sweden's mobile casino).

Entertainment is the focal point and LeoVegas' marketing has a playful, entertaining tone of voice that is adapted for a broad target audience. Marketing is currently the largest cost item for LeoVegas. The Company believes it has good insight into which types of marketing are most effective within its different markets and acts accordingly. The Company's marketing model allows superior flexibility to quickly upscale or downscale marketing costs in relation to sales. LeoVegas believes that it would have favourable opportunities to continue to demonstrate sound growth even with a lower marketing share in relation to net sales compared with historic levels.

### **High degree of customer loyalty and focus on long-term customer relations**

LeoVegas' customer loyalty is most clearly apparent through cohort analyses that show, among other things, that customers remain active for a long time. The Company's understanding is that this also results from focus on a long-term relationship and a positive gaming experience for the customers, coupled with a strong, credible brand. The entertainment factor, the Company's steady development of its offering and top-level service in terms of customer support are other important factors behind the high degree of customer loyalty. High customer loyalty contributes positively to LeoVegas' growth and profits, which leads to a better return on those investments made in conjunction with attracting new customers.

### **Entrepreneurial and innovative corporate culture**

The Company's executive management attaches great importance to upholding an innovative corporate culture, in which its personnel has considerable independent responsibility for improving the user experience, technology and marketing. This was one of the reasons why the Company was first to introduce interactive advertisements that enable testing of LeoVegas' casino games directly in the advertisement, and specific mobile applications for the most popular games.

As part of the Company's endeavour to uphold its entrepreneurial and innovate corporate culture, LeoVegas has recruited hand-picked, talented individuals who have deep and broad knowledge and backgrounds from other companies in the gaming industry and several other industries.

### **Scalability of the business model**

LeoVegas has invested heavily in its current organisation, with which the Company believes it can manage considerably higher net sales without having to employ personnel at the same rate as in 2015. Further, the Company has invested in the Rhino platform, designed as a way to facilitate greater operation, amongst other in terms of management of vastly more transactions than at present and the addition of features without affecting existing ones. In all, this means that the Company can increase its revenue without personnel and development costs increasing to the same extent.

## **Strategy**

LeoVegas operates in a segment of the gaming industry that is undergoing rapid growth and that has managed to grow faster than the gaming market as a whole since the Company was founded. In order to realise its vision and financial targets, the Company intends to continue to utilise its strengths and competitive advantages to continue to grow within its existing markets and expand into new markets and countries, both in Europe and in other parts of the world. The growth strategy is expected to be driven by both a leading position in mobile casino and, eventually, potential launches in other product and service segments within the gaming market.

### **Enhance existing market position**

At present, LeoVegas' largest region in relation to revenue is the Nordic region, where the Company's strategy is to continue to grow rapidly and profitably expand its market share by offering the ultimate gaming experience on mobile devices and continue to invest in marketing. The most important market outside the Nordic countries is currently the UK, where the Company set up operations in late 2013. The Company's growth in the UK since its establishment resembles the growth in the Nordic countries a couple of years earlier and suggests that the accomplishments from the Nordic markets can be repeated. The figure below shows that deposits have risen almost as quickly since the launch in the UK as they did when the Company launched in Sweden. The Company intends to focus on continued strong growth also in the UK with the long-term ambition to achieve the same market position as in the Nordic countries in mobile gaming. Today, LeoVegas is active in a number of other European markets, where LeoVegas' growth is, and is expected to remain, high due to the Company's marketing strategy. In several of these markets, affiliates are the only marketing channels used and they are profitable. The Company's strategy is to continue to use this marketing channel and then gradually gravitate to other channels as such opportunities arise.

### **Growth in new geographic markets**

In addition to the growth opportunities in existing markets, LeoVegas' ambition is to grow in markets and countries where the Company does not operate today. Particularly interesting options are those markets with high mobile penetration and widespread digital usage. The Company has identified a number of new countries for continued expansion, and its ambition is to open up LeoVegas' offering for customers in a number of new countries over the coming years.

### **Expansion of the product offering**

The Company's strategy is to continuously review opportunities and prospects for a unique mobile gaming offering and the Company may in future launch an enhanced offering involving the same and new gaming products. One example is the Company's plans to launch a sports betting offering during the second quarter of 2016. LeoVegas believes that a sports betting offering will attract more customers who are interested in sports betting to LeoVegas, thus providing potential for customers to opt to use both casino and sports betting at LeoVegas while increasing loyalty among existing customers. Even in regard to other gaming products, the Company may consider expanding its offering where it perceives there are opportunities to create a better product using the mobile than those already available.

LeoVegas has also started Independent Mobile Productions Ltd. (IMP), a wholly owned holding company based in

4. This approval was issued by Clearcast, the industry's self-regulating body for marketing

Malta where new business prospects can be driven in separate entrepreneurial companies, independent of LeoVegas' other operations. To date, the Company has made minor investments and is continuously studying new opportunities within mobile gaming. The establishment of IMP is a part of LeoVegas' ambition to promote innovation and experiment in mobile gaming experiences, but it is not expected at present to have any material impact on growth and earnings.

As of the date of the Prospectus, LeoVegas has undertaken to invest up to EUR 7 million for financing of projects placed under IMP.

### Investments in marketing

Marketing is important for LeoVegas, both to attract new

customers and to activate existing ones. The Company regards the return on its marketing as favourable, thanks to the data-driven and innovative processes it uses. This justifies the high degree of reinvestment of net sales in marketing, where marketing costs as a proportion of the net sales amounted to 54.3 percent during the full-year 2015, in line with the historical average percentage performance.

Based on the establishment of a strong brand, LeoVegas has attracted new customers through a consistent and data analysis-driven marketing strategy that includes concepts for digital advertisements which, akin to LeoVegas' services, are entertaining, effective and measurable.

LeoVegas' marketing strategy rests on the following underlying principles.

## COMPREHENSIVE MARKETING STRATEGY

**Mobile positioning:** LeoVegas has positioned itself as the Company that will offer the ultimate gaming experience on mobile devices. In Sweden, for example, the Company is associated with "Sweden's mobile casino" and in the UK as the "King of Mobile Casino", and with similar terms in the respective markets.

**Decentralisation:** LeoVegas has a "Glocal"<sup>5)</sup> marketing strategy, where the LeoVegas brand is used consistently and should always be associated with gaming on mobile devices, but permitting the marketing to be modified to accommodate customer preferences in each country. For example, LeoVegas uses local celebrities in Sweden and the Leo the Lion character in the UK.

**Data-driven:** Digital advertising in mobile devices has, above all, improved measurability of user preferences, navigation patterns and behaviour. In turn, this has given LeoVegas unique user data that is the basis for constant renewal. To see how well the marketing functions, the Company carefully measures the effects of individual marketing activities. New campaigns are regularly monitored by regional managers who decide whether the campaign should be scaled up or terminated. Detailed insight into marketing yields and effects enables LeoVegas to steer activities in line with the desired effects and strategies.

**Innovation and creativity:** LeoVegas strives for sophisticated innovation even in its marketing. The data-driven process raises the possibilities to experiment and promote innovation. The Company's encouragement of new thinking and innovation in marketing has resulted in its being at the forefront with new types of marketing, such as interactive advertisements in mobile phones and pilot games directly in mobile banners.

**Strong relations:** LeoVegas has strong relations with partners used by the Company as marketing channels. Because the Company primarily works directly with media houses and sidesteps the middleman, mutual innovation and development of the mobile business itself is possible, generating both cost benefits and more differentiation opportunities for the Company.

## LeoVegas' operations

### Important events in LeoVegas' history

**2011** Gustaf Hagman and Robin Ramm-Ericson founded LeoVegas

**2012** LeoVegas is launched simultaneously for mobile, tablet and desktop

**2013** LeoVegas wins its first award in the gaming industry (EGR Innovation Awards) for the "Innovation in Casino" category

**2014** Exceeds 100 employees

LeoVegas wins two awards at the EGR Innovation Awards, "Mobile Casino Product of the Year" and "Innovation in Mobile and Tablet"

LeoVegas secured capital in a funding round directed mainly at institutional investors

LeoVegas Gaming obtains a gaming licence in the UK

**2015** Launch of proprietary platform

A LeoVegas customer wins the largest prize ever in online mobile casino

Exceeds 200 employees

**2016** LeoVegas decides to launch sports betting

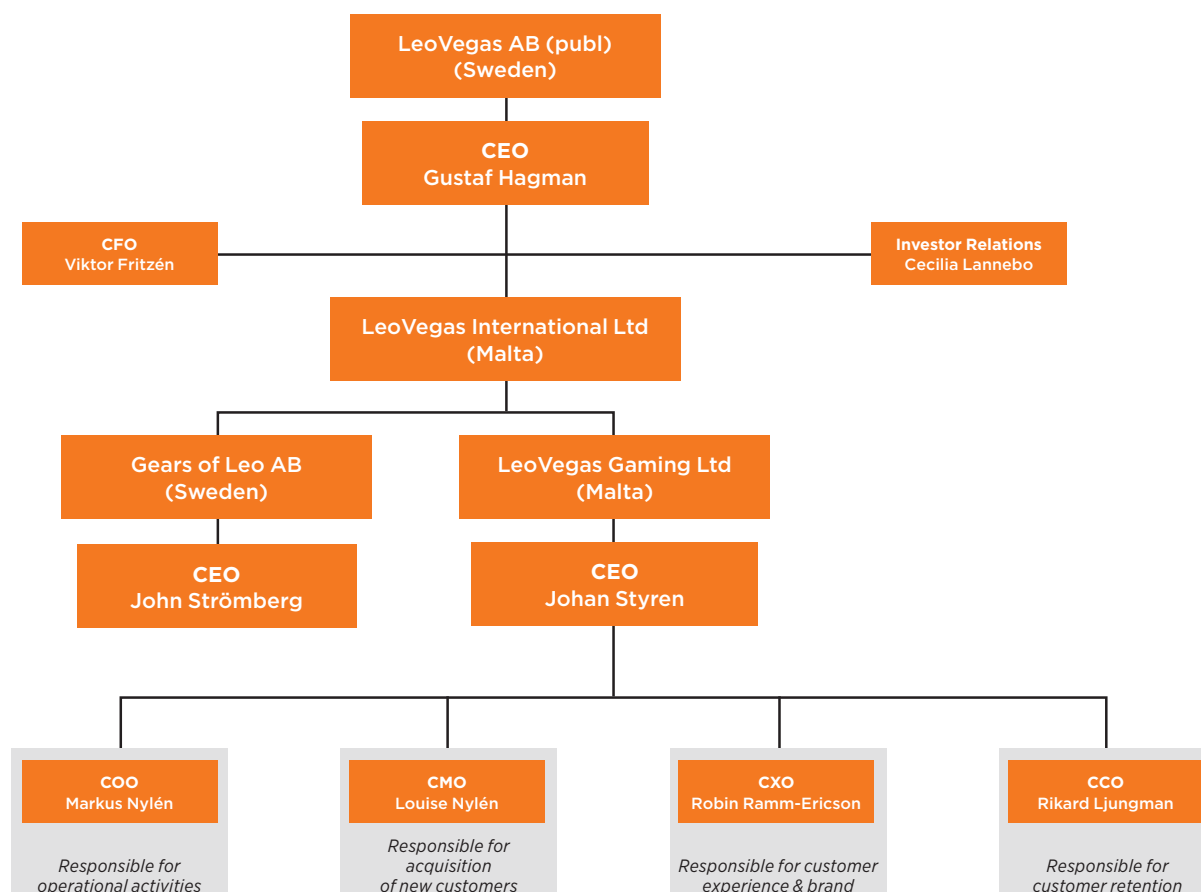
At the EGR Nordic Awards, LeoVegas won the "Mobile Operator of the Year", "Casino Operator of the Year" and the overall "Nordic Operator of the Year" categories, and at the International Gaming Awards, it was named "Casino Operator of the Year".

The Company decides to make an IPO on Nasdaq First North Premier

5. A popular, English expression characterized by something being made with both global and local considerations.

## Organisation and management structure

Only five people currently work in the parent company LeoVegas AB; CEO Gustaf Hagman, the Group's CFO and a trainee, as well as an IR function staffed by two employees. Executive management works in close cooperation with the Group's subsidiaries, which are owned through a Maltese subsidiary of LeoVegas AB, and the main business-support units are organised in the subsidiaries.



## Operational organisation and management structure

The main operational activities take place in Malta in the subsidiary LeoVegas Gaming Ltd., which is also where most of the Group's employees are stationed. The operation in Malta is divided into four main areas. Technology development is mainly conducted in the Sweden-based subsidiary Gears of Leo AB, which has 44 employees.

## Products, services and gaming development

Work on the customer experience is paramount at LeoVegas, and primarily headed by founder Robin Ramm-Ericson (Chief Experience Officer). This business area is focused on LeoVegas' casino experience and range of games (including the introduction of sports betting), LeoVegas' user interface and product values. Activities related to LeoVegas' brand and brand positioning also stem from this business area.

### Online casino

LeoVegas currently offers more than 680 online games in five categories from more than 30 game providers. Of these games, more than 450 are available on mobile devices.

### The Company plans to launch sports betting during the second quarter of 2016



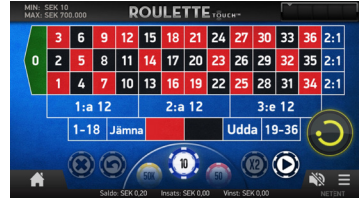

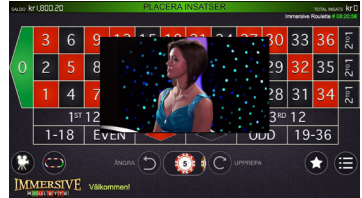
LeoVegas has identified opportunities to provide a better, more entertaining sports betting offering on mobile devices than is currently available in the market and sees vast poten-

tial in the area. The Company has therefore decided to launch a sports betting product during the second quarter of 2016. The establishment of odds will occur via a third-party provider, Kambi Sportsbook. According to LeoVegas, a sports betting offering will attract more customers who are interested in sports betting to LeoVegas, thus providing customers with potential to opt to use both casino and sports betting at LeoVegas, while increasing loyalty among existing customers.

### Gaming development and development partnerships with providers

LeoVegas endeavours to be the pioneer in product innovation and in other areas that contribute to the gaming experience. LeoVegas fosters this innovation by constantly evaluating and experimenting with new ideas based on the mindset that the gaming experience on mobile devices can become much better. The evaluation process continuously tests the gaming experience and that the game functions smoothly and flawlessly on various game consoles and also after the game has been launched on the Company's platform. LeoVegas is an innovation partner with several of its

**ONLINE CASINO GAMES OFFERED BY LEOVEGAS**

Type of game	Explanation	Example
Slots	In slots, the idea is that the player aims for a winning combination of symbols in a field that usually comprises three to five columns. Slots usually have different themes with different types of bonuses, but the underlying feature is the same.	
Jackpot	Jackpot games at LeoVegas are a type of slots. What distinguishes these from regular slots is that they use progressive jackpots where the size of the jackpot steadily rises until someone wins it.	
Roulette and table games	LeoVegas offers roulette and table games, including roulette, blackjack and baccarat, where the player gambles against the house (as opposed to e.g. poker where players gamble against each other).	
Scratch cards	The digital scratch cards that LeoVegas offer are a type of lottery ticket where the player has to scratch off a virtual layer to see if they have won a prize.	
Live casino	Live casino includes black jack or roulette which is played against a croupier in real time via a live streaming video link.	

providers, meaning that the Company also proposes new ideas for games and contributes with detailed evaluations of new ones. Other possible collaborations are when game providers choose to test launch games and new features with LeoVegas first.

Product innovation and the ambition to be first with the latest is also reflected in LeoVegas' applications and its product. Examples include LeoVegas being first among its closest competitors to offer "touch log-in<sup>6)</sup>", live casino on mobile devices, a game loader accelerator<sup>7)</sup> and roulette for Apple Watch. The Company has drafted new product innovation concepts that the Company is actively developing.

## Attracting new customers

### Marketing channels

LeoVegas' marketing channels largely comprise of interactive media such as digital advertisements on websites, mobile devices and in social media. The Company has noticed that due to cultural and local differences, the success of different types of marketing varies between different geographic markets. Consequently, LeoVegas attaches great importance to these offerings being locally modified for every market. To do so, the marketing organisation in Malta is decentralised with designated country managers. For regulatory

purposes, the Company must also adapt to the type of marketing that is permitted locally. In a regulated market such as the UK, more types of marketing are permitted than in non-regulated markets.

The Company primarily utilises the following types of marketing:

### Customer management

#### Customer Relationship Management ("CRM")

LeoVegas has a CRM department where every main market has its own CRM manager who, together with each country manager, prepares local, personal and relevant campaigns for existing customers. The campaigns are segmented and unique for each customer group. A lot of time and energy goes into creating the message in a graphically appealing and personal way. Campaigns are done several times a week and country, and in different channels, such as e-mail, text messages, messages directly into the application and social media. The CRM department is also responsible for updating LeoVegas' mobile apps and websites with relevant campaigns and graphics.

#### Customer support

LeoVegas has a loyal customer base with a large proportion

6. Facilitates customer account login since customers can use the phone's fingerprint sensors to login.

7. The customer lands on an introduction page instead of directly landing in the game, which allows the game to load in the background. It gives a faster experience.

of returning customers. An important reason for this is its well-functioning customer support. LeoVegas' customer support comprises two parts, with one part answering questions from customers and the other actively contacting customers.

The customer support is based in Malta and helps customers in seven languages. It is available for customers in Swedish and English, 24/7. For hours between 08:00 and 02:00 CET, customer support is provided in five other languages and can be contacted via e-mail, telephone and live chat. All employees in this department take a course when they are employed to learn the Company's routines and systems and, like all other employees, are trained and certified in responsible gaming. For a detailed description of LeoVegas' responsible gaming approach, refer to "Responsible gaming" further on in this section.

### **Loyalty program**

The department in charge of the loyalty program is mainly tasked with identifying, contacting and establishing a close relationship with the most loyal customers. As with CRM, the department has a dedicated manager for each market. In partnership with CRM, they prepare unique offers for different loyalty segments and maintain regular contact with their most important customers via phone, e-mail and personal meetings. The department also cooperates closely with those working in responsible gaming to quickly identify and manage players who have gaming problems.

### **Payment solutions and transaction monitoring**

In payment solutions, LeoVegas provides solutions for processing payments to and from inter alia Visa, Mastercard and PayPal. LeoVegas' customers have a variety of preferences concerning online payments, and customers feel that easy

payment methods and fast transactions are important. To the extent possible, the Company endeavours to offer payment solutions that are preferred locally in the market where the particular customer is located in order to expand the possibility for new customers to make deposits and receive payments. Preferences between payment methods differ substantially among the countries where LeoVegas' customers are located and, in its attempt to provide the ultimate customer experience, LeoVegas has agreements with some 20 different payment providers. Customers in the Company's larger markets can today make withdrawals all hours of the day.

An important aspect of payments is the Company's transaction monitoring and identity verification. To make payments as convenient as possible for the customers, the Company uses sophisticated systems and routines. Withdrawals to customers are made in the same currency and normally to the transaction source used to make the deposit. The department also investigates fraudulent behaviour from individuals who, for example, use stolen credit cards to make deposits followed by attempted withdrawals, or who dishonestly claim that they have not deposited money or gambled and therefore demand repayments, known as "charge back". According to the Company, this is central to being able to combine fast payments and compliance with low levels of charge backs due to fraudulent behaviour.

### **Responsible gaming**

LeoVegas' offering is based on gaming being fun and attractive entertainment. However, some people are at risk of developing gaming-related problems. The Company takes this very seriously and responsible gaming is a basis for the design of the Company's offerings and for customer contacts. Its standpoint is implemented primarily in that all employees, regardless of position in the Company, must be certified in

MARKETING	
<b>Traditional marketing</b> 	Brand-building marketing, intended to lead to generally higher brand awareness that can, in turn, contribute to greater inflow of customers in all marketing channels and particularly those customers not connected to any individual channel. It can be difficult to measure the direct effectiveness of traditional marketing, but this can be analysed through brand surveys, and activity in LeoVegas' services in conjunction with the launch of a marketing campaign. Within this category the Company typically uses television, newspapers and various types of events for marketing.
<b>Direct digital marketing</b> 	Marketing through channels about which LeoVegas has deep knowledge of the efficiency of marketing and of what works. Direct marketing can be measured and analysed continuously to achieve optimum effect and efficiency. All of this type of marketing is done through digital channels, such as Google Adwords, Facebook, YouTube and Aftonbladet..
<b>Affiliate CPA</b> 	Partner-driven marketing where LeoVegas pays the provider a pre-determined amount for each new depositing customer. The Company carefully evaluates this type of marketing to guarantee that the customers bought are profitable.
<b>Affiliate profit sharing</b> 	Partner-driven marketing where LeoVegas shares the profitability of a new customer with the partner through which the customer registered. The Company makes no initial payment.
EXPERIMENTAL MARKETING	
<b>Experimental marketing</b>	Marketing that for LeoVegas is previously untested and where the Company is less certain of the outcome in advance. LeoVegas spends the least amount of its marketing on this type of activities, but studies the effectiveness and results carefully to assess which of these new activities generate good results. In this category, LeoVegas' employees can test and evaluate earlier untested marketing channels. By carefully following up how well these work, the Company has found a number of the channels that are now frequently used. The Company therefore sees that this type of experimental marketing has sound long-term potential.



responsible gaming. Employee training and certification is designed in cooperation with experts from the company Sustainable Interaction AB, and cover instruction in the prevention of gaming-related problems but also in how to improve customer relations even more. The Company also has personnel dedicated to promoting responsible gaming.



The Company has implemented a number of features that identify and help potential problem gamblers, including tools to limit deposits, losses and gaming time. It is also possible to quickly and easily shut down a user account permanently if gaming risks becoming a problem. The Company also provides tools, tests and information that provide contact with experts and organisations for users and/or relatives affected by gaming issues. If the Company suspects that a customer has a problem with gaming, the customer is contacted. Customers identified as problem gamblers have their accounts closed.

In addition to the above customer tools and internal personnel training, LeoVegas works internally to make responsible gaming a part of the corporate culture. LeoVegas works continuously to promote a positive, safe gaming experience for all through dedication and knowledge.

### Evaluation of new geographical markets

The expansion in the UK has given the Company valuable experience in operating in and adapting itself to a jurisdiction that has completely regulated its gaming market. One major difference compared with unregulated markets is LeoVegas, through its UK licence, is provided access to a broad spectrum of marketing channels. In its marketing in the UK, the Company has successfully used advertising in social media such as Facebook and Instagram together with search word optimisation via Google, options not possible in the Nordic countries. These insights can be used when the Company

positions itself in new, regulated markets and in existing gaming markets in the process of being regulated.

During each expansion into a new market, LeoVegas uses a structured process that involves the following stages.



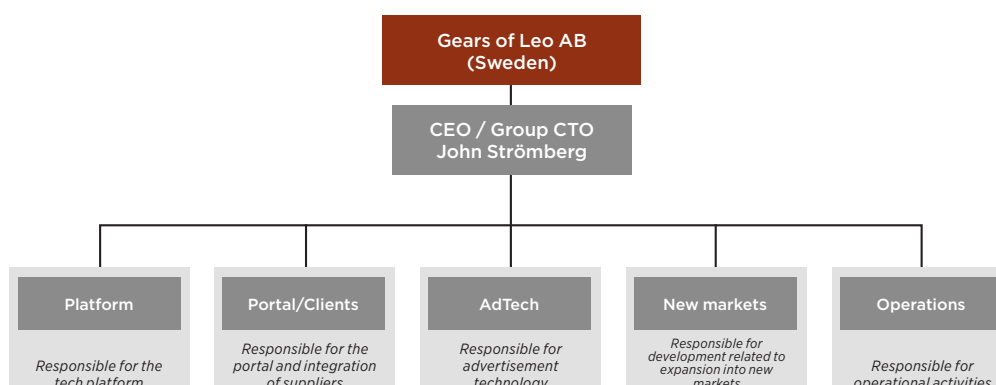
When a potential new geographical market and a clear opportunity has been identified and evaluated, a structured launch process ensues that is specifically adapted to the conditions in the new geographical market. The Company prepares the parts needed for a launch that will ultimately aim to achieve a market-leading position. This includes everything from creating an attractive local offering in terms of products and marketing, organising agreements with local payment providers, signing relevant local contracts and appointing a country-specific manager in the Malta organisation. The time frame for the implementation phase varies depending on the market. Generally, regulated geographical markets are significantly more time-consuming since requirements for documentation, systems and technical infrastructures are higher.

Subsequently, the Company can unveil its offering to customer in the new markets. Initially, this is done on a smaller scale to assess that the gaming experience conforms to the Company's high standards. Once this is assured, a larger launch occurs where marketing campaigns are used to reach as broad a customer base as possible. Measurement and follow-up of every phase of a new launch represent a key issue for LeoVegas since the Company has amassed experience in various areas to better understand local trends and consumer patterns. Areas LeoVegas considers particularly important to understand during a launch in a new geographical market are mobile usage, customers' gaming behaviour, conditions for marketing in various channels, technical implementation, customer loyalty, legal and regulatory issues, payment solutions and languages.

### Business support

#### Legal and regulatory issues

LeoVegas has a local legal department in Malta that is in charge of and, together with external consultants, provides consultation during contract negotiations and other legal issues within the Group. The legal function is also responsible for ensuring that LeoVegas complies with legal and regulatory requirements that are associated with the Group's licences. One of LeoVegas' corporate lawyers is formally appointed LeoVegas' "Key Official" in relation to LeoVegas' gaming licences.



## HR

In order for LeoVegas to continue as a product innovator and offer outstanding customer experiences, it is paramount that the Company can attract and retain motivated and competent personnel. At 31 December 2015, LeoVegas had 228 employees. Out of these, 180 of the employees were based in Malta and were part of the Group's operational activities.

At 31 December 2015, LeoVegas employees represented 10 nationalities. Approximately 35 percent of the employees are women and the average age in the Company is 31.

Average number of employees per geography	2015
Sweden	33
Malta	128
<b>Total</b>	<b>161</b>

Average number of employees per function	2015
Technology development	31
Customer support	62
Other	71
<b>Total</b>	<b>161</b>

## Technology development

For the mobile gaming company LeoVegas, technology development is a central aspect of its core operations and corporate culture. Technology development is organised in the Swedish subsidiary, Gears of Leo AB.

Strong focus is given to product innovation and continuous improvements in the customer experience, as well as ensuring that LeoVegas' platform constantly maintains top class and quality, thereby facilitating the Company's rapid expansion and agility in the face of new challenges. An important aspect is integration of new third-party providers and continuous improvement of existing integrations, particularly in the areas of payment providers and game providers. The ambition is to integrate new providers as fast as possible in order to quickly offer the latest games to LeoVegas' customers.

A part of Gears of Leo works closely with the department for New Markets in Malta in order to optimise the platform in conjunction with the introduction of LeoVegas' offering in new geographical markets. This unit is also responsible for handling issues related to compliance for new and existing licences. Gears of Leo is also responsible for implementing and integrating with new, potential business areas.

## Product development

Product development is performed in collaboration with the various departments in Malta in order to continuously improve the customer experience. A priority area is to create

the conditions for LeoVegas to offer the best gaming experience on mobile devices. Focus is on the expansion of applications in, for example, Apple's App Store, and tracking of customer flows. Within product development, testing also includes new smartphones, smartwatches and other devices that could possibly be used for LeoVegas' products.

Development also extends to support systems, such as back office for the Malta-based support function.

## IT and IT security

LeoVegas' IT department is based in Malta and, with support from Gears of Leo, is responsible for operations and some maintenance of all of LeoVegas' IT systems, both proprietary and purchased. The sphere of responsibility includes IT infrastructure, servers that the Group has in the Malta-based data centre and the infrastructure placed in cloud solutions. The operations and maintenance function has a team that monitors LeoVegas' IT systems and hardware 24/7. This team works closely with the customer support team and the development organisation in Malta to quickly respond to incidents. The IT department's responsibility also extends to IT security, including back-up solutions, storage in cloud services and disaster recovery planning.

## Awards

LeoVegas strives to have the ultimate offering and the latest technology in the mobile gaming market. With a combination of in-house developed technology and attractive partnerships, LeoVegas creates an innovative gaming experience on mobile devices. LeoVegas has been recognized several times since its launch 2012 for its innovation in the gaming industry both in Sweden and internationally, and has since its launch received more than 15 awards. In 2013 the industry body EGR (E-Gaming Review) awarded LeoVegas "Innovation in Casino". The awards followed in 2014, the Company was awarded as a winner of "Mobile Casino Product of the Year" and "Innovation of the Year in Mobile and Tablet". In 2015 LeoVegas won the awards for "Best Mobile Marketing Campaign of the year", "Affiliate Program of the Year" and "Slots Operator of the Year" from the same industry body in their yearly EGR Awards.

During the beginning of 2016 LeoVegas has won seven awards of which three were assigned at the EGR Nordic Awards. The Company was awarded "Mobile Operator of the Year", and the overall award "Nordic Operator of the Year". LeoVegas was, in the beginning of the year, also awarded "Casino Operator of the Year" at the International Gaming Awards. LeoVegas has also received international recognition outside the gaming industry, including being the winner of the Grand Prize at the GP Bullhound Summit 2015 where entrepreneurs and investors voted LeoVegas as "The most interesting and high performing tech company 2015".

## AWARD WINNING INNOVATION



LeoVegas winner of  
"Casino Operator of the Year"  
International Gaming Awards 2016



LeoVegas winner of  
"Casino Operator of the Year"  
Gaming Intelligence Awards, 2016



LeoVegas winner of  
"Honorary Award"  
- InternetWorld Top-100, 2015 and 2014



LeoVegas winner of  
"Slots App of the Year"  
Gaming App Awards, 2014



The EGR Power 50 list over the  
most influential gaming operators  
ranks LeoVegas as number one in mobile



LeoVegas winner of  
"Mobile Operator of the Year"  
"Casino Operator of the Year"  
"Nordics Operator of the Year"  
- EGR Nordics Awards, 2016



LeoVegas winner of  
"Slots Operator of the Year"  
"Affiliate Program of the Year"  
- EGR Operator Awards, 2015



LeoVegas winner of  
"Mobile Casino Product of the Year"  
- EGR Operator Awards, November 2014



LeoVegas winner of  
"Innovation in Mobile and Tablet"  
- EGR Innovation Awards, June 2014



LeoVegas winner of  
"Innovation in Casino"  
- EGR Innovation Awards, June 2013

# Selected historical financial information

The following section presents the selected historical financial information for LeoVegas for the 2015, 2014 and 2013 financial years. LeoVegas' financial statements for these periods have been prepared in accordance with International Financial Reporting Standards (IFRS) and are audited by the Company's auditor. The information in this section should be read together with the sections "Operational and financial overview", "Equity, indebtedness and other financial information", as well as the Company's audited historical financial information for the 2015, 2014 and 2013 financial years, which is contained in the section "Historical financial information for the 2015, 2014 and 2013 financial years".

The amounts stated in these sections have been rounded to EUR thousands (KEUR in tables), while the calculations have been performed with a larger number of decimals. Percentages under ten are displayed with one decimal place and are also rounded. Some calculations may appear to sum incorrectly due to rounding.

*The Prospectus contains certain alternative performance measures that have not been defined in accordance with IFRS, including but not restricted to key performance indicators such as "EBITDA", "EBITDA margin", "EBIT margin" and "growth in net sales". LeoVegas is of the opinion that these alternative performance measures (APMs) provide better understanding of the Company's financial trends. Unless stated otherwise, these financial APMs have not been audited and are not to be considered either individually or as an alternative to the key performance indicators (KPIs) that have been prepared in accordance with IFRS. Nor should such APMs, as defined by LeoVegas, be compared with other APMs with similar designations that are used by other companies. This is because the above APMs have not always been defined in the same way and because other companies may not calculate them in the same way as LeoVegas.*

## Condensed consolidated income statement

Amounts in KEUR	Audited 2015	Audited 2014	Audited 2013
<b>Revenue</b>	<b>83,018</b>	<b>36,992</b>	<b>16,065</b>
Cost of sales	-18,628	-8,604	-5,021
<b>Gross profit</b>	<b>64,390</b>	<b>28,388</b>	<b>11,044</b>
Personnel costs	-9,183	-4,345	-1,637
Capitalised development costs	1,433	646	240
Operating expenses	-9,776	-3,497	-1,128
Marketing expenses	-45,106	-19,211	-8,811
Other income and expense	-565	236	-
<b>EBITDA</b>	<b>1,193</b>	<b>2,217</b>	<b>- 292</b>
Depreciation and amortization	- 688	- 292	- 143
<b>Operating profit (EBIT)</b>	<b>505</b>	<b>1,925</b>	<b>- 435</b>
Finance income	9	3	2
Finance costs	-2	-2	-27
<b>Finance net</b>	<b>7</b>	<b>1</b>	<b>-25</b>
Income tax	- 82	- 207	- 18
<b>Net profit for the period<sup>1)</sup></b>	<b>429</b>	<b>1,719</b>	<b>- 478</b>

1. Profit for the period is entirely attributable to shareholders of the Parent Company.

## Condensed consolidated balance sheet

Amounts in KEUR	Audited 31 Dec 2015	Audited 31 Dec 2014	Audited 31 Dec 2013
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	694	303	94
Intangible assets	3,872	1,759	699
Deferred tax assets	7	-	-
<b>Total non-current assets</b>	<b>4,573</b>	<b>2,062</b>	<b>793</b>
<b>Current assets</b>			
Trade and other receivables	4,045	3,180	2,118
Other current receivables	1,813	348	91
Cash and cash equivalents	22,605	17,483	2,853
<b>Total current assets</b>	<b>28,464</b>	<b>21,012</b>	<b>5,062</b>
<b>TOTAL ASSETS</b>	<b>33,036</b>	<b>23,074</b>	<b>5,855</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	57	24	20
Share capital not yet registered	-	1	-
Share premium	17,689	16,683	5,207
Accumulated losses	-1,198	-1,627	-3,346
<b>Total equity</b>	<b>16,548</b>	<b>15,081</b>	<b>1,881</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Other non-current liabilities	906	-	-
<b>Total non-current liabilities</b>	<b>906</b>	<b>-</b>	<b>-</b>
<b>Current liabilities</b>			
Trade and other payables	7,994	4,954	1,918
Other liabilities	621	392	18
Accrued expenses	6,968	2,648	2,038
<b>Total current liabilities</b>	<b>15,583</b>	<b>7,993</b>	<b>3,974</b>
<b>Total liabilities</b>	<b>16,489</b>	<b>7,993</b>	<b>3,974</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>33,036</b>	<b>23,074</b>	<b>5,855</b>

## Condensed consolidated cash flow statement

Amounts in KEUR	Audited 2015	Audited 2014	Audited 2013
<b>Cash flow from operating activities</b>			
Operating profit	505	1,925	- 435
Adjustments for non-cash items:			
Depreciation and amortization	688	292	143
Other non-cash items	- 3	59	-
Paid income tax	- 11	-	- 2
Interest received	7	3	2
Interest paid	-	- 1	- 23
<b>Cash flow from operating activities before working capital changes</b>	<b>1,186</b>	<b>2,278</b>	<b>- 315</b>
<i>Cash flow from changes in working capital</i>			
Decrease in trade and other receivables	-2,167	-1,431	-1,294
Increase in trade other payables	7,373	3,947	2,646
<b>Cash flow from operating activities</b>	<b>6,393</b>	<b>4,794</b>	<b>1,037</b>
<b>Cash flow from investing activities</b>			
Acquisition of property, plant and equipment	- 600	- 331	- 96
Acquisition of intangible assets	-1,533	-1,230	- 446
Acquisition of subsidiaries	- 156	-	-
<b>Cash flow from investing activities</b>	<b>-2,289</b>	<b>-1,561</b>	<b>- 542</b>
<b>Cash flow from financing activities</b>			
Proceeds from issue of shares	-	10,824	1,886
Proceeds from issue of shares upon redemption of warrants	870	632	-
Premium received for warrants	134	-	24
<b>Cash flow from financing activities</b>	<b>1,004</b>	<b>11,456</b>	<b>1,910</b>
<b>Net increase in cash and cash equivalents</b>	<b>5,107</b>	<b>14,689</b>	<b>2,405</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>17,483</b>	<b>2,853</b>	<b>556</b>
Effects of exchange rate changes on cash and cash equivalents	15	- 59	- 108
<b>Cash and cash equivalents at end of period</b>	<b>22,605</b>	<b>17,483</b>	<b>2,853</b>

## The Group's key figures

Amounts in KEUR (unless otherwise stated)	Audited 2015	Audited 2014	Audited 2013
Revenue	83,018	36,992	16,065
Profit before tax	512	1,926	-460
Average number of employees	161	86	34
Number of employees at year-end	228	105	56

## Definitions of IFRS key ratios

**Revenue:** Revenues from sales less sales bonuses and discounts, after elimination of intra-Group sales.



## Alternative performance measures not defined in accordance with IFRS

The tables and calculations below have not been audited, unless otherwise stated.

Amounts in KEUR (unless otherwise stated)	2015	2014	2013
Growth in net sales, %	124.4	130.3	233.5
Operating profit (EBIT) <sup>2)</sup>	505	1,925	-435
EBITDA <sup>2)</sup>	1,193	2,217	-292
EBITDA margin, %	1.4	6.0	-1.8
Adjusted EBITDA	1,828	2,217	-292
Adjusted EBITA margin, %	2.2	6.0	-1.8
EBIT-marginal, %	0.6	5.2	-2.7
Adjusted EBIT	1,140	1,925	-435
Adjusted EBIT margin, %	1.4	5.2	-2.7
Net gaming revenue (NGR) per geography	82,813	37,480	16,383
Proportion from Nordic region, %	69.3	85.4	97.9
Proportion from UK, %	17.9	8.6	0.7
Proportion from Rest of Europe, %	6.2	4.5	1.4
Proportion from Rest of the World, %	6.6	1.5	0.0

Amounts in KEUR (unless otherwise stated)	2015	2014	2013
Operating profit (EBIT) <sup>2)</sup>	505	1,925	-435
Transaction costs related to the listing	635	-	-
<b>Adjusted EBIT</b>	<b>1,140</b>	<b>1 925</b>	<b>-435</b>

Amounts in KEUR (unless otherwise stated)	2015	2014	2013
Operating profit <sup>2)</sup>	505	1,925	-435
Depreciation of property, plant and equipment and amortisation of intangible fixed assets <sup>2)</sup>	688	292	143
<b>EBITDA</b>	<b>1,193</b>	<b>2,217</b>	<b>-292</b>
Transaction costs related to the listing	635	-	-
<b>Adjusted EBITDA</b>	<b>1,828</b>	<b>2,217</b>	<b>-292</b>

## Definitions of alternative performance measures not defined in accordance with IFRS

Unless otherwise stated, the alternative performance measures listed below have not been defined in accordance with IFRS and have not been audited.

<b>Operating profit (EBIT)</b>	Profit before financial items and tax.
<b>Growth in net sales %</b>	Percentage change in net sales between financial years.
<b>EBITDA</b>	Operating profit before depreciation/amortisation and impairment.
<b>Adjusted EBITDA, or adjusted EBIT</b>	EBITDA or EBIT adjusted for costs of EUR 635 thousand relating to the Company's preparation of the IPO during 2015 (which affects the operating costs). The adjustment has full effect in the fourth quarter of 2015.
<b>EBITDA, adjusted EBITDA, EBIT or adjusted EBIT margin</b>	EBITDA, EBIT, adjusted EBITDA or adjusted EBIT divided by net sales.
<b>Net gaming revenue (NGR)</b>	Total gross bets minus payout, jackpot and bonus costs. Differs from the recognised net sales because adjustments for changes in provisions for local jackpot and bonus costs are added.

# Operational and financial overview

The following information should be read together with the sections *"Selected historical financial information"* and LeoVegas' audited consolidated financial statements for the 2015, 2014 and 2013 financial years and related notes, which are contained in the section *"Historical financial information for the 2015, 2014 and 2013 financial years"*.

This section may contain "forward-looking statements". Such information is based on estimates and assumptions and is subject to risks, uncertainties and other factors, including those stated in the section *"Risk factors"*. These factors could cause the Company's future operating profit, financial position or cash flows to deviate significantly from the information stated or indicated in such forward-looking statements. Refer to *"Important information to investors – Forward-looking statements"* for a description of the risks associated with relying on forward-looking information.

The information below contains certain financial measurements not calculated in accordance with IFRS. For information about the implication of this and definitions of the financial measurements presented in the Prospectus that are not calculated in accordance with IFRS, refer to *"Selected historical financial information – Alternative performance measures not defined in accordance with IFRS"*.

## Overview

LeoVegas is a fast-growing mobile gaming company and strives to be the market leader in mobile casino and related gaming entertainment. LeoVegas offers primarily *slots, jackpot games, roulette and table games, scratch cards and live casino games*. The Company also plans to introduce *Sports betting*, which is scheduled to be launched during the second quarter of 2016.

LeoVegas' offering is developed for mobile devices. According to LeoVegas, it is at the cutting edge when it comes to offering state-of-the-art technology for the market for mobile gaming based on proprietary technological development combined with attractive partnerships with primarily game providers. Based on its outstanding gaming experience, long-term relationships and the establishment of a strong brand, the Company, through innovative, effective and data based marketing, has attracted a continuously growing customer base.

Since its launch in Sweden in January 2012, LeoVegas has grown by an average of 162 percent annually and expanded considerably internationally. Since the launch, the Company has had total customer deposits exceeding EUR 450 million. The Company had net sales of EUR 83 million for the 2015 financial year and more than 100,000 depositing customers in the fourth quarter of 2015.<sup>3</sup> The Company's largest markets, in terms of income, are currently the Nordic region and the UK, which jointly accounted for 86 percent of net gaming revenue in the fourth quarter of 2015. As shown above, LeoVegas has focused on the mobile gaming experience, with 57 per-

cent of both total net sales and deposits for the Company in the 2015 financial year coming from mobile devices.

LeoVegas has invested heavily in its organisation and technology over the years in order to continue supporting strong growth and further develop its operations. The Company has gone from an average of 34 full-time employees (FTEs) in 2013 to 161 (FTEs) in 2015. The Company's technical platform Rhino was developed mainly in the period 2014 to 2015. During the same period, the Company also reinvested a large portion of its net sales in marketing in order to support its growth. This resulted in deliberately limited profitability, with an EBIT margin of 0.6 percent for the 2015 financial year and 5.2 percent for the 2014 financial year. LeoVegas generates revenue from cash bets less customer winnings, bonus costs and jackpot contributions. LeoVegas' cost of sales, which are variable in nature, consist mainly of payments to games suppliers and payment service providers. LeoVegas largest cost item is the marketing expense, which consists of all forms of advertising, marketing production costs, sponsorships and payments to affiliates. LeoVegas also has operating expenses, which are to a large extent dependent on the number of employees, both directly as personnel expense but also indirectly as many costs related to premises, travel and communications are a function of the number of employees. The main items affecting growth and profitability for LeoVegas are the cash bets placed by its customers, which is driven by the number of customers being active, and the size of its marketing investments.

## Four central KPIs

The Company has defined four central key performance indicators (KPIs) that it uses to govern its operations. These four KPIs are: (i) number of new customers, (ii) number of returning customers, (iii) deposits and (iv) net gaming revenue.

Amounts in KEUR (unless stated otherwise)	Unaudited 2015	Unaudited 2014	Unaudited 2013
Number of new depositing customers (NDC)	155,007	76,135	45,405
Number of returning depositing customers (RDC)	47,491	24,610	8,878
Deposits, KEUR	243,387	123,393	54,112
Net gaming revenue (NGR) <sup>4</sup> , KEUR	82,813	37,480	16,383
Net gaming revenue (NGR) per depositing customer, EUR	409	372	302

3. And more than 248,000 active customers. An active customer is defined as a customer who has participated in gaming during the past year. Accordingly, the definition also includes customers who have utilized free-of-charge offerings. This definition is commonly used among other gaming operators in the industry.

4. Also see Alternative Performance Measures that are not defined according to IFRS in the section "Selected historical financial information"

### Number of new customers

A new customer is defined as a customer who makes his/her first deposit. The Company has seen an increase in new customers since it began operating, largely due to its marketing strategy in combination with an entertaining gaming service with a consistent mobile focus. The Company gained 46,690 new customers in the fourth quarter of 2015 and 155,007 new customers throughout the full-year 2015. The level of marketing investments and marketing effectiveness are by far the most important factors when it comes to attracting new customers.

### Number of returning customers

A returning customer is defined as a customer that makes a deposit during a given period after making his/her first deposit during a previous period. The number of returning customers increased steadily during 2014 and 2015. The Company's growth is a function of the number of new customers and the number of returning customers. The Company believes its high level of customer loyalty is attributable to efficient customer management and outstanding customer experience, which are central to the Company's offering. A total of 54,162 returning customers made deposits during the fourth quarter of 2015 and 47,491<sup>5)</sup> returning customers during full-year 2015. Of all of the Company's KPIs, the number of returning customers displayed the most consistent trend from month to month.

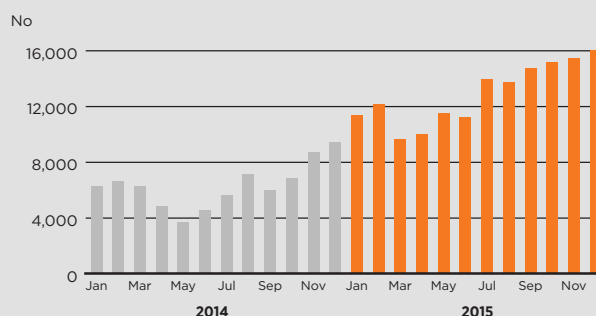
### Deposits

Deposits are defined as the total amount in EUR deposited by the Company's new and returning customers in a given period. Deposits are largely a function of the number of new and returning customers, as the average deposits for these groups are comparatively stable over time. Driven by a growing customer base, total deposits per month have increased steadily since the Company was formed. Deposits amounting to EUR 74 million were made during the fourth quarter of 2015 and the corresponding figure for full-year 2015 was EUR 243.4 million.

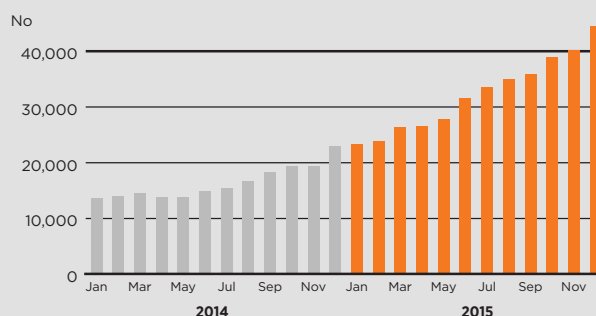
### Net gaming revenue (NGR)

Net gaming revenue defined as the total of cash wagers less all customer winnings after bonus costs and jackpot contributions. On average, net gaming revenue in 2015 amounted to 34 percent of the deposits made during the same period. In the case of LeoVegas, net gaming revenue differs only marginally from net sales and, in most quarters, the difference between net sales and net gaming revenue is approximately 1 percent<sup>6)</sup>. Net gaming revenue rose from EUR 13.3 million in the fourth quarter of 2014 to EUR 26.1 million in the corresponding quarter in 2015, representing an increase of 97 percent. Net gaming revenue for full-year 2015 totalled EUR 82.8 million, compared with EUR 37.5 million in 2014 and EUR 16.4 million in 2013. This corresponds to average annual growth of 121,0 percent compared with 2014 and 124.8 percent compared with 2013.

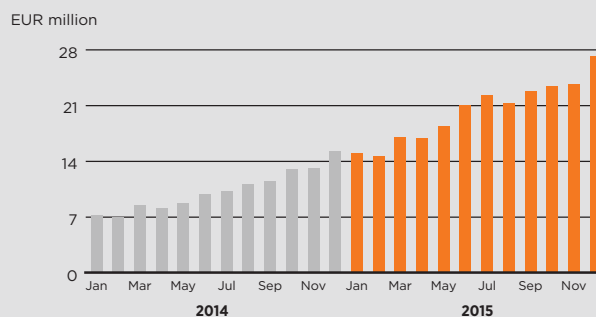
#### NUMBER OF NEW DEPOSITING CUSTOMERS MONTHLY FROM 2014 TO 2015



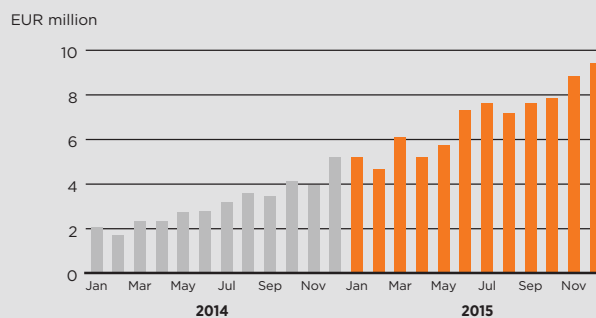
#### NUMBER OF RETURNING DEPOSITING CUSTOMER MONTHLY FROM 2014 TO 2015



#### DEPOSITS, EUR MILLION MONTHLY FROM 2014 TO 2015



#### NET GAMING REVENUE (NGR)



5. Note that the full-year figure for 2015 is lower than the quarterly figure for the fourth quarter of 2015; to be classified as a returning customer in 2015, the customer must have made his/her first deposit prior to January 1 2015

6. Net gaming revenue differs from the Company's recognized net sales because small adjustments are made for changes in local jackpots and bonuses.

## Factors affecting LeoVegas' results

According to LeoVegas, the Group's operating profit is mainly impacted by the following factors:

- Growth in the online gaming market and the ability to continue to attract existing and new customers
- Marketing expense
- Operational investments
- New jurisdictions and new products
- Regulation of new and existing market
- Seasonal variations
- Currency fluctuations

### Ability to continue to attract existing and new Growth in the online gaming market and the ability to growth to attract existing and new customers

The global market for online gaming market and primarily casino, poker and other games for mobile devices, has grown considerably in recent years. The market has increased from 4 percent, or EUR 3.1 billion, of the total European gaming market in 2005 to 17 percent in 2015, the equivalent of EUR 16.6 billion. Between 2010 and 2015, online gaming grew by an average rate of 11.2 percent annually. This growth was supported by the following trends: increasing number and use of smart phones; the continued migration of the gaming from landbased to online platforms; and technological advancements and innovation in the gaming market. See "*Market overview – Trends and drivers*". This growth in the market helped LeoVegas to increase its revenue from EUR 16.1 million in 2013 to EUR 83.0 million in 2015, an increase of 415.5%.

The online gaming market is expected to increase by an average of 9.2 percent from 2015 to 2018, and to account for 21 percent of the total European gaming market, the equivalent of EUR 21.6 billion in gross gaming revenue, by the end of this period.<sup>7</sup> LeoVegas expects to continue to benefit from the growth in online gaming in the future.

As the market grows competition within the online gaming industry has increased. Success in the market depends on brand awareness, providing a secure, fast and easy payment solution, and offering a variety of differentiated and entertaining games. Although LeoVegas has increased its revenue at a rate in excess of the overall growth of the European online gaming market in the past three years, its future growth will depend on its ability to promote its brand and to attract existing and new customers.

### Marketing expense

Marketing is vital to LeoVegas' ability to promote its brand and attract new customers and retain existing customers. LeoVegas applies a data-driven approach to marketing and assesses its expected return from its marketing spend. The Company has historically chosen to reinvest a large portion of its income in marketing – ranging from 51.9 percent to 54.8 percent of revenue in the prior three years – to support future growth. Marketing takes place through a number of main channels, such as direct digital marketing, affiliate partnerships and television marketing; refer also to "Business overview" – "LeoVegas' operations" – "Attracting new customers". It is probable that the Company will continued to have a high ratio of marketing to revenue in the future.

### Operational investments

In addition to investing in marketing, the Company has been investing in its technical platform and organization. Throughout the period covered by the financial history in the Prospectus, LeoVegas has continuously invested in building up

its Malta headquarters. From the fall of 2013 the Company invested EUR 1.1 million in developing its Rhino technical platform to facilitate faster development of the Company's offering, additional features and a more scalable system that can handle a higher number of transactions.

The Company has also expanded its workforce from 15 employees at the beginning of 2013 to 228 at the end of 2015. While these expenditures reduced profitability in the period under review, they created a scalable platform that will support a significantly larger organization and business. Consequently, LeoVegas expects that these expenditures will minimize the cost of further expansion and position the Company to benefit from higher margins on greater revenue in the future.

### New jurisdictions and new products

The Company's results are affected by the entry into new jurisdictions. The investment needed in order to enter a new jurisdiction can vary significantly. Jurisdictions that aren't yet regulated have so far not required any significant investments. Markets that are already regulated require more investments in technology development in order to make the service compliant with regulations. In addition, regulated markets allow for more marketing channels to be utilized, which can result in larger marketing spending.

The investments required in order to offer sports betting all pertain to technology development resources in-house, since the underlying service is delivered by Kambi. The investment consist of the time it takes developers to integrate the product from Kambi and develop LeoVegas' own, unique user interface. Kambi get paid on a revenue share basis so there are no other investments needed in order to offer sports betting.

### Regulation of new and existing geographical markets

The regulation of new and existing geographical markets impacts the conditions of gaming operators in various ways. In cases where online gaming is expressly permitted, increased regulation adds greater legitimacy to the online gaming market and may allow gaming operators to use other marketing channels which may increase the customer base. Regulation could also result in tax effects, increased competition and other additional costs for licensed companies, which could have an adverse impact on the earnings. Within Europe, France has permitted gaming in accordance with EU law, but has implemented a high tax on gaming transactions which is seemingly designed to discourage online gaming within the country. Any similar increase in taxation within LeoVegas' markets could effect the Company's margins and potentially its ability to operate within such markets.

### Seasonal variations

LeoVegas experiences a certain degree of seasonal variations and the Company has observed that months with public holidays are generally strong. The month of December, when many people are on Christmas holiday, is one such period, as is the summer, with strong results often reported in June, July and August. One reason for this could be that customers have more free time and are more likely to use their mobile phones for entertainment purposes. The months of February, September and November, on the other hand, tend to generate somewhat weaker seasonal results. The Company expects its planned launch of sports betting to create variations, since periods with a higher number of sporting events will see a higher level of customer activity than other periods of the year.

7. For more information, see the section "Market overview".

## Currency fluctuations

The Company has customers from a number of countries that can play using local currency. The Company's revenues are mainly generated in EUR, SEK and GBP. The exchange rates between local currencies and EUR, the Company's reporting currency, can fluctuate, which can impact the Company's financial results with no connection to the Company's operating activities. The Company does not currently hedge its currency exposure, see section *"Risk factors – Exposure to transaction and exchange-rate risk could impact LeoVegas' cash flow, income statement and balance sheet"*.

## Key items in the income statement

The following section contains descriptions of certain items in LeoVegas' consolidated income statement.

### Net sales

The Company's net sales are derived from revenue from its gaming operations and are defined as total cash bets minus cash payout, jackpot and bonus costs. Net sales also include adjustments for changes in provisions for local jackpots.

### Cost of sales

Cost of sales refers to expenses in the gaming operations for payment services for deposits and associated costs for accepting card payments, licence fees to game providers and gambling tax.

### Activated work for own account

Activated work for own account refers to the period's direct expenditure for salaries and purchased services attributable to technology development projects included as assets in the balance sheet.

### Marketing costs

The item marketing costs includes external expenses for production and distribution related to the marketing of the Group's gaming operations in various media and the expenses associated with partners and marketing partners.

### Personnel expenses

Personnel expenses relates to salaries, remuneration and social security expenses.

### Operating expenses

Operating expenses include rent, IT consultants, professional services (such as legal and financial advisors) and other costs.

### Tax

Tax in the income statement comprises the total of current tax and deferred tax. Tax is recognised in the income statement, except when tax refers to items recognised in other comprehensive income or directly in equity. Current tax liability is based on taxable profit for the year. Taxable profit differs from the net profit recognised in the income statement since it does not include income- and expense items that are not taxable or deductible, or which are taxable or deductible in years other than the current financial year.

The Group's current tax liability is calculated according to the tax rates stated on the balance sheet date or that have been announced earlier.

Deferred tax is the tax which the Company expects to pay or receive due to differences between the carrying amount of assets and liabilities and the equivalent booked value for tax purposes used in calculating taxable result.

Deferred tax is calculated according to the method for calculating deferred tax, based on temporary differences between carrying amounts and the booked values for tax purposes of assets and liabilities, using the tax rates and tax rules decided or announced as of the balance-sheet date.

Deferred tax assets relating to deductible temporary differences and losses carry forwards are only recognised to the extent that it is probable they will be utilised and result in lower future tax payments.

Deferred tax assets and liabilities are offset against each other when there is a legal right to offset current tax assets against current tax liabilities and when the deferred tax assets and tax liabilities are attributable to income taxes levied by the same tax authority from the same taxable unit or from different taxable units when there is an intention to settle receivables and liabilities on a net basis.

## Comparison between the financial years of January 1 to December 31 2015 and January 1 to December 31 2014

### Net sales

The Company's net sales for full-year 2015 amounted to EUR 83,018 thousand, an increase of EUR 46,026 thousand, or 124 percent compared with the preceding year, when they amounted to EUR 36,992 thousand. The increase in net sales essentially derived from an increase in the number of depositing customers during 2015. The increase in customers was mainly generated by increasing marketing efforts, product development and leading positioning in the high-growth mobile gaming market. Net gaming revenue<sup>8)</sup> in the Nordic region segment for full-year 2015 amounted to EUR 57,407 thousand, an increase compared with the preceding year when net gaming revenue amounted to EUR 32,009 thousand. Net gaming revenue for the UK segment for the corresponding period rose to EUR 14,853 thousand compared with EUR 3,219 thousand in 2014. The increase in other net gaming revenue in 2015 resulted from an increase of EUR 3,406 thousand in the Rest of Europe segment and of EUR 4,895 thousand in Rest of the World.

### Marketing costs

The Company's marketing costs for full-year 2015 amounted to EUR 45,106 thousand, an increase of EUR 25,895 thousand, or 135 percent, from EUR 19,211 million in 2014. The Company considers the return on its marketing activities to be favourable and has thus increased its marketing investments. As a result, the Company's profit margins are currently lower than they would normally be, but the Company's growth rate has increased significantly. According to the Company's assessment, its margins for 2015 would have been significantly higher if its marketing costs in relation to net sales had been more in line with the industry average. In relation to net sales, marketing costs amounted to 54.3 percent in 2015 and 51.9 percent in 2014.

### Personnel expenses

The Company's personnel expenses for full-year 2015 amounted to EUR 9,183 thousand, an increase of EUR 4,838

8. The difference between net gaming revenue and net sales was 1 percent. Since the difference that exists can be attributed to specific regions, net gaming revenue is a better measurement of the trend per region.



thousand or 111 percent compared with full-year 2014 when personnel expenses totalled EUR 4,345 thousand. This cost increase during the year was due to an increase in the number of employees in Malta and Sweden. The average number of full-time employees (FTEs) increased by 75, or 87 percent, to 161 FTEs for the 2015 financial year, compared with an average of 86 FTEs in the preceding financial year. The Company employed new personnel in order to manage increases in revenues and the number of customers and to position the organisation for continued growth, which has resulted in that the Company's personnel expenses increased at a faster rate than its net sales during the past quarters. In relation to net sales, personnel expenses amounted to 11.7 percent in 2014 and 11.0 percent in 2015.

### Operating expenses

The Company's operating expenses for full-year 2015, which amongst other includes rents, consultants, professional services and other costs, amounted to EUR 9,726 thousand, up EUR 6,279 thousand, or 180 percent, from EUR 3,673 thousand in the preceding financial year. In addition to the increase in personnel, certain operating expenses, which were partly or fully connected to the number of employees, also increased, such as rents for premises, office purchases, work equipment and travel expenses. Further, the Company also increased its use of consultants for the development of the technology. During the preparations for the listing of the Company's shares on Nasdaq First North Premier, the Company has commissioned external consultants, which have also impacted its operating expenses. In addition to these expenses, the item operating expenses includes several smaller purchases.

### Operating profit (EBIT)

The Company's operating profit for the full-year 2015 amounted to EUR 505 thousand, a decrease with EUR 1,420 thousand, or 74 percent, compared to the preceding financial year, where the operating profit amounted to EUR 1,925 thousand.

### Tax

The Company's tax on the result for the 2015 financial year amounted to EUR -82 thousand, an increase of EUR 125 thousand or 60 percent compared with EUR -207 thousand for the equivalent period in 2014.

### Net profit for the year

LeoVegas' net profit for the 2015 financial year amounted to EUR 429 thousand, a decrease of EUR 1,209 thousand or 75 percent compared with profit for 2014, which was EUR 1,719 million.

### Cash flow

#### Cash flow from operating activities

After changes in working capital, the Company's cash flow from operating activities rose with EUR 1,599 thousand from EUR 4,794 thousand for the financial year ending 31 December 2014 to EUR 6,393 thousand for the financial year ending 31 December 2015.

#### Cash flow from investing activities

The Company's cash flow from investing activities for full-year 2015 amounted to a EUR -2,289 thousand, a decrease of

EUR 728 thousand from EUR -1,561 thousand for full-year 2014. The decrease was mainly due to increased investments in technology and product development during the financial year ended December 31 2015, see also *Investments* below.

### Cash flow from financing activities

The Company's cash flow from financing activities for full-year 2015 amounted to EUR 1,004 thousand, a decrease of EUR 10,452 thousand from EUR 11,456 thousand for full-year 2014. This increase was entirely attributable to a new share issue in autumn 2014 and the redemption of warrants; refer to (*Share capital and ownership structure – Share capital trend*).

### Investments

The Company's investments in full-year 2015 amounted to EUR 2,289 thousand, an increase of EUR 728 thousand, or 47 percent, from EUR 1,561 thousand in full-year 2014. Of the Company's investments in the financial year ending 31 December 2015, EUR 600 thousand pertained to property, plant and equipment, which mainly consists of office space, and EUR 1,533 thousand to intangible assets, which primarily consists of balanced development costs. The EUR 156 thousand investment is related to the Company's acquisition of the subsidiary Authentic Gaming. Of the Company's investments in the financial year ending 31 December 2014, EUR 331 thousand pertained to property, plant and equipment and EUR 1,230 thousand to intangible assets.

### Comparison between the financial years of January 1 to December 31 2014 and January 1 to December 31 2013

### Net sales

The Company's net sales for full-year 2014 amounted to EUR 36,992 thousand, an increase of EUR 20,927 thousand, or 130 percent, from EUR 16,065 thousand in the preceding year. The increase during the year was mainly attributable to continued strong expansion in primarily the Nordic region and to establishment in the UK, which generated a larger number of active customers. Net gaming revenue in the Nordic region segment during 2014 rose to EUR 32,009 thousand, compared with EUR 16,047 thousand in 2013. The UK segment increased from EUR 108 thousand in 2013 to EUR 3,219 thousand in 2014. The increase in other net gaming revenue resulted from an increase of EUR 1,479 thousand in the Rest of Europe segment and of EUR 545 thousand in Rest of the World.

### Marketing costs

The Company's marketing costs for full-year 2014 amounted to EUR 19,211 thousand, an increase of EUR 10,400 thousand, or 118 percent, from EUR 8,811 thousand for full-year 2013. In relation to net sales, marketing costs amounted to 51.9 percent in 2014 and 54.8 percent in 2013. Most of the absolute cost increase was attributable to the Company's increased focus on the Nordic and UK markets. In the Nordic region, the Company continued to invest in all marketing channels. In connection with its entrance into the UK market, the Company mainly invested in experimental marketing, which is primarily digital in nature, as well as affiliate marketing.

## Personnel expenses

The Company's personnel expenses for full-year 2014 amounted to EUR 4,345 thousand, or 11.7 percent, an increase of EUR 2,708 thousand or 165 percent compared with full-year 2013 when personnel expenses totalled EUR 1,637 thousand. In relation to net sales, personnel costs amounted to 11.7 percent in 2014 and 10.2 percent in 2013. The average number of employees (FTEs) increased by 52, or 153 percent, to 86 FTEs for the 2014 financial year, compared with an average of 34 FTEs in the preceding financial year. These cost increase during the year was attributable to an increase in the number of employees in Malta and Sweden. The Company's expanded customer base resulted in a need for a larger organisation, particularly within customer service in Malta. Besides this, the cost increase was primarily attributable to the Company's continued investments in expanding the organisation in order to prepare for further expansion.

## Operating expenses

The Company's operating expenses for full-year 2014, which included rent, consultants, professional services and other costs, amounted to EUR 3,497 thousand, an increase of EUR 2,368 thousand, or 210 percent, compared with full-year 2013 when the corresponding costs totalled EUR 1,128 thousand. In relation to net sales, operating expenses amounted to 9.5 percent in 2014 and 7.0 percent in 2013. This increase was primarily attributable to higher consultancy fees related to technical and product development, as well as consultancy fees related to raising additional capital in 2014. The remainder of the cost increase was primarily attributable to the new establishment of offices in Malta and Sweden and an increase in travel expenses for personnel.

## Operating profit (EBIT)

The Company's operating profit for the full-year 2014 amounted to EUR 1,925 thousand, an increase with EUR 2,360 thousand, or 534 percent, compared to the preceding financial year, where the operating profit amounted to EUR -435 thousand.

## Tax

The Company's tax on net profit for full-year 2014 totalled EUR -207 thousand, an increase of EUR 189 thousand from EUR -18 thousand for full-year 2013. This increase was mainly attributable to the fact that the Company reported taxable profit of EUR 1,926 thousand for 2014, compared with a loss of EUR 460 thousand before tax for the financial year ending 31 December 2013.

## Net profit for the year

Net profit for full-year 2014 amounted to EUR 1,719 thousand, an increase of EUR 2,197 thousand compared with EUR -478 thousand for full-year 2013.

## Cash flow

### Cash flow from operating activities

The Company's cash flow from operating activities for full-year 2014 amounted to EUR 4,794 thousand, an increase of EUR 3,757 thousand from EUR 1,037 thousand in the preceding financial year. The increase was primarily due to a rise in operating profit and cash flows generated from operations

during the period, as well as adjustments for depreciation of property, plant and equipment included in operating profit.

### Cash flow from investing activities

The Company's cash flow from investing activities for full-year 2014 amounted to a EUR -1,561 thousand, a decrease of EUR 1,019 thousand from EUR -542 thousand for full-year 2013. The decrease was mainly due to an increase in investments pertaining to technical and product development during the financial year ending 31 December 2014; see *Investments* below.

### Cash flow from financing activities

The Company's cash flow from financing activities for full-year 2014 amounted to EUR 11,456 thousand, up EUR 9,546 thousand from EUR 1,910 thousand for full-year 2013. This increase was entirely attributable to a new share issue in autumn 2014 and the redemption of warrants; refer to (*Share capital and ownership structure – Share capital trend*).

## Investments

The Company's investments in full-year 2014 amounted to EUR 1,561 thousand, an increase of EUR 1,019 thousand, or 188 percent, from EUR 542 thousand in the preceding year. Of the Company's investments in the financial year ending 31 December 2014, EUR 331 thousand pertained to property, plant and equipment, mainly comprising new equipment, and EUR 1,230 thousand to intangible assets attributable to the development of the technical platform as well as product development. Of investments during the financial year ending 31 December 2013, EUR 96 thousand pertained to property, plant and equipment, which primarily consisted of investments in offices and EUR 446 thousand to intangible assets which consisted of balanced development costs.

## Property, plant and equipment

The Company's property, plant and equipment mainly comprise equipment. The Company has no significant material property, plant and equipment.

## Intangible assets

The Company's intangible assets primarily comprise capitalised development expenditure attributable to, for example, the technical platform Rhino. The Company also capitalises development expenditure that could be financially favourable in the future; refer to the section "*Investments*" in the above comparisons between the financial years 2015 and 2014, and the financial years 2014 and 2013 above.

## Ongoing, approved and future investments

The board of directors of LeoVegas has decided to allocate up to EUR 7 million to development projects in the subsidiary Independent Mobile Productions Ltd. As of the publication date of the Prospectus, the Company had allocated resources to two ongoing projects. These investments are financed through the Company's existing funds.

The Company plans to launch a new offering in sports betting during the second quarter of 2016. This investment in sports betting consists entirely of capitalised development expenditure for the resources involved in the development of the new technology and platform, and is being financed through the Company's existing funds.

**Financial risk management**

Through its operations, LeoVegas is exposed to a variety of different financial risks: market risk (including exchange-rate risk, interest-rate risk and price risk), credit risk and liquidity risk. All of these risks are managed in accordance with LeoVegas' financial policy. The Company's overall strategy focuses on reducing potential unfavourable effects on the Company's financial earnings. For more information on financial risk management, refer to Note 29 in the section *"Historical financial information for the 2015, 2014 and 2013 financial years"*.

**Significant changes concerning LeoVegas' financial situation and market position after December 31 2015**

The Company plans to launch sports betting during the second quarter of 2016. The Company has also decided to apply for a listing of the LeoVegas share on Nasdaq First North Premier. Apart from this, no material changes in the Company's financial or market positions have occurred after December 31 2015.

# Capitalization, indebtedness and other financial information

## Capital structure

### Capitalization and Indebtness

As of December 31, 2015, LeoVegas had no interest-bearing liabilities and all of the Company's debt was related to the business such as accounts payable.

The value of the equity capital has in recent years increased by an amount corresponding to the net profit and share issues. As of December 31, 2015, the Company's equity amounted to EUR 16.5 million corresponding to a ratio of equity/assets of approximately 50 percent.

The table below summarize LeoVegas capital structure as of December 31, 2015, prior to the Offering. The table only includes interest bearing debts.

KEUR	31 December 2015
<b>Current interest-bearing debt</b>	
Guaranteed	0
Secured	0
Unguaranteed/Unsecured	0
<b>Total current interest-bearing debt</b>	<b>0</b>
<b>Long-term interest-bearing debt</b>	
Guaranteed	0
Secured	0
Unguaranteed/Unsecured	0
<b>Total long-term interest-bearing liabilities</b>	<b>0</b>
<b>Equity</b>	
Share capital	57
Other contributed capital	17,689
Other reserves	0
Earnings/losses brought forward	-1,198
<b>Total equity</b>	<b>16,548</b>

### Capital expenditures

The Company's current plan does not foresee any material changes in capital expenditures in the near term, which has historically been around 2 percent of revenue.

### Net indebtedness

The Company has no interest-bearing debt and is financed by cash flows generated from its operations. Due to strong cash flows from its operations the Company anticipates no need for external financing in the near future.

The table below summarize LeoVegas net indebtedness, including non-interest bearing debt, as of December 31, 2015, prior to the Offering. The table only includes interest bearing debts.

KEUR	31 December 2015
<b>(A) Cash</b>	<b>0</b>
(B) Cash equivalents	22,605
(C) Trading securities	0
<b>(D) Liquidity (A) + (B) + (C)</b>	<b>22,605</b>
<b>(E) Current financial receivable</b>	<b>5,858</b>
(F) Current bank debt	0
(G) Current portion of non current debt	0
(H) Other current financial debt	0
<b>(I) Current financial debt (F) + (G) + (H)</b>	<b>0</b>
<b>(J) Net current financial indebttness (I) - (E) - (D)</b>	<b>-28,403</b>
(K) Non-current bank loans	0
(L) Bonds issued	0
(M) Other non current loans	0
<b>(N) Non current financial indebtedness (K) + (L) + (M)</b>	<b>0</b>
<b>(O) Net financial indebtedness (J) + (N)</b>	<b>-28,403</b>

### Working capital statement

In the opinion of the Company the existing working capital is sufficient for the Group's present requirements during the coming 12-month period as of the date of the Prospectus. As of December 31, 2015, the Company's cash and cash equivalents amounted to EUR 19,359 thousand excluding customer balances.

LeoVegas benefits from a self-funded working capital model. LeoVegas' revenue comes from gaming transactions in which cash is pre-deposited in the Company's accounts. However, LeoVegas does not use the cash to finance its operations. The customers' funds are held at accounts separate from LeoVegas own cash. LeoVegas expect cash generated from operations to continue to be its principal source of liquidity in the future.

# Share capital and ownership structure

## General information

Pursuant to the Company's articles of association, the share capital may not be less than EUR 1,100,000 and not exceed EUR 4,400,000 and the number of shares may not be less than 60,000,000 and not exceed 240,000,000. As at the date of this Prospectus, the Company's share capital amounted to EUR 1,126,220.64, distributed on 93,851,720 shares. The shares are denominated in EUR and each share has a quota value of EUR 0.0120.

Provided that the Offering is fully subscribed, through the new share issue with deviation from the existing shareholders' preferential rights, the number of shares outstanding will increase by between 5,843,750 and 6,675,571 to a total of between 99,695,470 and 100,530,291 shares and share capital will increase by EUR 70,125.00 and EUR 80,142.85 to EUR 1,196,345.64 and EUR 1,206,363.49. If all newly issued shares are subscribed, this will entail dilution of between 5.9 and 6.6 percent for the existing shareholders.

The shares in the Company have been issued in accordance with Swedish law. All issued shares have been fully paid and will be freely transferable on the date of the IPO. The ISIN code for the LeoVegas share is SE0008091904.

The offered shares are not subject to a mandatory bid, redemption rights or sell-out obligation. No public takeover-bid has been submitted regarding the offered shares during the current or preceding financial year.

## Certain rights associated with the shares

The offered shares are of the same class. The rights associated with the shares issued by the Company, including those following from the articles of association, may only be amended in accordance with the procedures stated in the Swedish Companies Act (2005:551).

## Voting rights

Each share included in the Offering entitles the holder to one vote at shareholders' meetings and each shareholder is entitled to a number of votes corresponding to the shareholder's number of shares in the Company.

## Preferential rights to new shares

If the Company issues new shares, warrants or convertibles in a cash issue or a set-off issue, shareholders, according to the Companies Act (2005:551), generally have preferential rights to subscribe for such securities proportionally to the number of shares held prior to the issue.

## Dividends and dividend policy

### General

All shares carry equal rights to dividends and to the Company's assets and any surpluses in the event of liquidation. Resolutions regarding dividends in limited liability companies are made by the shareholder's meeting. Right to dividends accrues to those who, on the record date resolved by the shareholder's meeting, are registered in the share register maintained by Euroclear Sweden as holders of shares. Dividends are normally paid to the shareholders as a cash amount per share through Euroclear Sweden, although payment may also be made in a form other than cash (cash-in-kind dividend). Should a shareholder not be reachable through Euroclear Sweden, the shareholder's claim against the Company concerning the dividend amount will remain

during a period limited by rules regarding ten year statute of limitation. Upon the expiry of the period of limitation, the dividend amount accrues to the Company.

There are no restrictions on dividend rights in respect of shareholders resident outside Sweden. Shareholders who are not subject to taxation in Sweden are normally subject to Swedish withholding tax; refer also to "*Tax considerations in Sweden*".

### Dividend policy

LeoVegas' dividend policy is to pay dividends over time of at least 50 percent of LeoVegas' profit after tax. The board will be able to propose payment of a dividend prior to the 2017 annual general meeting at the earliest.

The Company has not previously paid any dividends. For more information about the Company's financial targets, see the section "*Business overview – Financial targets*".

### Dividend currency

Dividends will be denominated in EUR but the Company's shareholders may choose to receive dividends in SEK or EUR. An official exchange rate will be published to the extent any dividends are paid.

## Central securities depository

LeoVegas' shares are registered in a central securities depository register in accordance with the Central Securities Depositories and Swedish Financial Instruments Accounts Act (1998:1479). The register is maintained by Euroclear Sweden AB, Box 7822, SE-103 97 Stockholm. No share certificates have been issued for the Company's shares. The account operator is Euroclear Sweden.

## Convertibles, warrants, authorisation to issue securities, etc.

At the annual general meeting on 28 May 2015, the Company resolved to issue a maximum of 500,000 warrants (which, adjusted for the resolution on a 1:4 share split, resolved at the extraordinary general shareholder's meeting on 4 February 2016 entitles each holder of a warrant to subscribe for four new shares) with deviation from the shareholders preferential rights. Only the Company's wholly owned subsidiary LeoVegas International Ltd. was entitled to subscribe for the warrants, where the subsidiary has the right to transfer the warrants to individuals employed by the Company or another company in the Group and to other key individuals (including external consultants) at a price that is not less than the current market value of the warrants in accordance with the Black & Scholes valuation model and otherwise on the basis of the same terms and conditions as the warrant issue. All of the warrants were subscribed for the subsidiary and registered with the Swedish Companies Registration Office on 22 June 2015. Each warrant entitles the holder to subscribe for four new shares in the Company at a subscription price of EUR 1.75 per share during the period between 1 May 2018 and 31 May 2018. The purpose of issuing the warrants is to achieve increased alignment between the interests of the Company's shareholders and its key individuals to work and strive towards the Company achieving the best possible business and value development. If the warrants are fully exercised it will lead to a dilution of 1.99 percent<sup>1)</sup> of the share capital and votes in the Company in relation to the outstanding number of shares after the Offering.

All of the warrants have been transferred from LeoVegas International Ltd. to employees of the Company, including

1. Provided highest number of newly issued shares in the Offering.



Gustaf Hagman (in his capacity as CEO) and Robin Ramm-Ericson (in his capacity as Chief Experience Officer) at a price per unit of EUR 0.27, which corresponds to a market valuation in accordance with the Black & Scholes valuation model. In connection with the sale, each warrant holder has signed a warrant agreement containing standard terms and conditions for this type of agreement, including provisions on repurchase rights, first refusal rights and duty of confidentiality.

On 4 February 2016, the extraordinary general shareholder's meeting resolved to authorize the board, at one occasion during the period until the next annual general meeting, to decide to issue a maximum of 20,000,000 shares, with or without preferential rights for the shareholders, up to an

amount within the limits stipulated in the articles of association, to be paid in cash or by set off. The authorisation does not apply to issuance of shares payable in-kind.

### Share capital trend

The Company has decided on new share issues on four occasions (in 2011, 2012, 2013 and 2014) since it was formed. The table below shows the registrations (divided into sub-registrations with the Swedish Companies Registration Office where appropriate) related to the historical trend in these new share issues and other events pertaining to the Company's share capital since 2010.

Registration date	Event	Number of shares		Share capital (EUR/SEK)	
		Change	Total	Change	Total
23 March 2016 <sup>2)</sup>	New share issue	6 233 333	100,085,053	74,800.00 EUR	1,201,020.64 EUR
12 Feb 2016	1:4 share split	70,388,790	93,851,720	-	1,126,220.64 EUR
12 Feb 2016	Capitalisation issue	-	-	1,069,309.28 EUR	1,126,220.64 EUR
10 July 2015	Warrants	788,000	23,462,930	1,911.36 EUR	56,911.36 EUR
22 June 2015	1:10 share split	20,407,437	22,674,930	-	55,000.00 EUR
22 June 2015	Capitalisation issue	-	-	29,603.17 EUR	55,000.00 EUR
30 May 2015	Warrants	20,000	2,267,493	224.01 EUR	25,396.83 EUR
1 April 2015	Warrants	3,200	2,247,493	35.84 EUR	25,172.82 EUR
3 Feb 2015	Warrants	60,000	2,244,293	672.02 EUR	25,136.98 EUR
3 Feb 2015	Warrants	60,000	2,184,293	672.02 EUR	24,464.96 EUR
21 Jan 2015	New share issue	15,705	2,124,293	175.09 EUR	23,792.93 EUR
19 Dec 2014	New share issue	293,685	2,108,588	3,289.39 EUR	23,617.03 EUR
7 Jan 2014	Currency conversion	-	-	20,327.64 EUR	20,327.64 EUR
13 June 2013	New share issue	275,000	1,814,903	27,500.00 SEK	181,491.30 SEK
31 May 2012	New share issue	362,671	1,539,903	36,267.10 SEK	153,991.30 SEK
15 May 2012	New share issue	93,865	1,177,232	9,386.50 SEK	117,724.20 SEK
31 Oct 2011	New share issue	166,667	1,083,367	16,667.70 SEK	108,427.70 SEK
23 Sep 2011	New share issue	416,700	916,700	41,670.00 SEK	91,670.00 SEK
8 Dec 2010	New formation	-	500,000	50,000.00 SEK	50,000.00 SEK

### Ownership structure

In the table below, LeoVegas' ownership structure is described immediately prior to the approval of the Prospectus and directly after the Offering has been implemented, before a potential increase of the Offering. As of the date of the

Prospectus, the Company had 154 shareholders. All the Selling Shareholders may be reached at the Company's business address.

Shareholder (including related parties)	Number of shares	Sales in connection with Offering <sup>3)</sup>	Number of shares after the Offering <sup>3)</sup>	Share- holding (%)	Shareholding after the Offering(%) <sup>3)</sup>
Aggregate Media Fund V KB <sup>4)</sup>	9,574,720	6,000,000	3,574,720	10.2	3.6
Gustaf Hagman	8,840,000	840,000	8,000,000	9.4	8.0
Robin Ramm-Ericson	8,220,560	1,375,000	6,845,560	8.8	6.8
SEB-Stiftelsen, Skand Enskilda	5,480,000	5,480,000	-	5.8	0.0
SBH Group Aktiebolag	4,171,200	-	4,171,200	4.4	4.2
Torsten Söderberg	3,040,000	-	3,040,000	3.2	3.0
Grafte Holding AB	2,880,000	880,000	2,000,000	3.1	2.0
Charles Ashley Heppenstall	2,713,680	1,085,472	1,628,208	2.9	1.6
Matterhorn Advisors AB	2,356,640	589,160	1,767,480	2.5	1.8
Jonas Nordlander	2,256,640	789,824	1,466,816	2.4	1.5
<b>Total ten largest shareholders</b>	<b>49,533,440</b>	<b>17,039,456</b>	<b>32,493,984</b>	<b>52.8</b>	<b>32.5</b>
<b>Board of directors and management (in addition to the above)</b>					
Per Brillioth	1,366,680	683,340	683,340	1.5	0.7
Viktor Fritzén	688,000	88,000	600,000	0.7	0.6
Mårten Forste	380,000	-	380,000	0.4	0.4
Other current shareholders	41,883,600	8,691,180	33,192,420	44.6	33.2
Other new shareholders <sup>5)</sup>	-	-	32,735,309	-	32.7
<b>Total</b>	<b>93,851,720</b>	<b>26,501,976</b>	<b>100,085,053</b>	<b>100.0</b>	<b>100.0</b>

3. Based on the assumption that the new share issue within the framework of the Offering is completed at a subscription price corresponding to the midpoint of the price range, full subscription of the shares offered under the Offering and that the Over-allotment Option is fully exercised, as well as in accordance with the undertakings of the Cornerstone Investors.

4. Controlled by the management company Aggregate Stockholm AB of which the board member in LeoVegas, Patrik Rosén, is CEO.

5. Including the new shares in the new share issue (6,233,333 shares) and the sold shares by the Selling Shareholders in connection with the Offering if the up-sizing and the Over-allotment option are fully exercised, based on the assumption that the Offering is completed at a subscription price corresponding to the midpoint of the price range.

**Lock-up arrangements, etc.**

Selected Selling Shareholders and certain other shareholders have, or will undertake not to sell their respective remaining holdings during the Lock-up Period, which in total represent approximately 90 percent of the existing shares in the Company excluding shares that are sold in the Offering. The Lock-up Period for the selected Selling Shareholders, who are not board members, people with an insider position or employees of the Company and its subsidiaries, will be 180 days under the provision that each Selling Shareholder will be free to sell a number of shares that multiplied by the Offering Price corresponds to a total of SEK 1 million during the Lock-up Period. The Lock-up Period is 360 days for Selling Shareholders who are board members, people with an insider position and employees of the Company and its subsidiaries. Following the expiration of the respective Lock-up Period, the shares may be offered for sale, which could impact the market price of the share. The Joint Global Coordinators may also grant exceptions from said undertakings. The Com-

pany also intends to enter into a lock-up arrangement, which involves the Company's undertaking not to issue any shares or other securities in the Company. Also refer to *"Legal considerations and supplementary information – Agreement concerning placement of shares"*.

**Shareholders' agreement**

Shareholders representing approximately 90 percent of the shares and votes in LeoVegas are party to a shareholders' agreement as of the date of the Prospectus. In accordance with the provisions of the shareholders' agreement, the agreement will cease to apply in connection with the listing of the shares on Nasdaq First North Premier.

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

# Board of directors, senior executives and auditor

## Board of directors

LeoVegas' board of directors consists of six members elected at the annual general meeting, including the chairman of the board, who have been elected for the period up until the end of the 2016 annual general meeting. A description of the board members, their position, the year in which they were

elected for the first time and whether they are regarded as independent vis-à-vis the Company and senior executives and vis-à-vis shareholders who hold 10 percent or more of the shares in the Company is presented in the table below.

Name	Position	Member since	Independent in relation to:	
			The Company and Company management	Major shareholder
<b>Robin Ramm-Ericson</b>	Chairman of the Board	2011	No	Yes
<b>Per Brilioth</b>	Board member	2015	Yes	Yes
<b>Barbara Canales Rivera</b>	Board member	2015	Yes	Yes
<b>Mårten Forste</b>	Board member	2012	Yes	Yes
<b>Anna Frick</b>	Board member	2015	Yes	Yes
<b>Patrik Rosén</b>	Board member	2011	Yes	No



**Robin Ramm-Ericson (born 1975)**  
**Chairman of the board and member since 2011**

**Education/background:** Robin Ramm-Ericson holds a Master of Science in Business and Economics from the Stockholm School of Economics, and has also studied at Stanford University. Robin Ramm-Ericson is one of the founders of LeoVegas and his previous experience includes serving as CEO of Payson AB, Nordic Manager of Neteller & Optimal Payments Ltd and Head of Product Development at ATG.

**Current assignments:** None

**Completed assignments (past five years):** Board member and deputy board member of Design by Anna Ramm-Ericson AB and deputy board member of Design by Anna Ramm-Ericson AB.

**Holdings in the Company:** On the publication date of the Prospectus, Robin Ramm-Ericson owns 8,220,560 shares and 60,000 warrants, with the right to subscribe for 240,000 shares, in the Company.



**Per Brilioth (born 1969)**  
**Board member since 2015**

**Education/background:** Per Brilioth graduated with a degree in Business Administration from Stockholm University and holds a Master's degree in Finance from London Business School. Per Brilioth has experience from Vostok New Ventures Ltd., a company listed on Nasdaq Stockholm, where he currently serves as CEO and Chairman. He has previous experience as the Chairman of Black Earth Farming Ltd, a company listed on Nasdaq Stockholm.

**Current assignments:** CEO and Chairman of Vostok New Ventures Ltd. Chairman of Pet Sounds AB, Gavalld Holdings AB, Pomegranate Investment AB, Vostok Emerging Finance Ltd. and Pet Sounds Digitalt AB. Board member of Tethys Oil AB, X5 Group AB, Kontakt East Holding AB, RusForest AB, Vlården AB, RusForest Holding AB, Svenska Fotografiska Museet AB, Fotografiska International AB and Avito AB. Deputy board member of Avito Holding AB, Digital Agency Ryssland AB.

**Completed assignments (past five years):** Chairman of Cortus Energy AB, Black Earth Farming Ltd and Vosvik AB. Board member of Bukowski Strandvägen Auktions Aktiebolag, Aktiebolag H Bukowskis Konsthandel, Bukowskis Market AB, Bukowskis Real Estate AB, Konsthannels Aktiebolaget Nybroviken, Avito Holding AB. Board member and deputy board member of Kalasbitten AB. Board member and Deputy CEO of Johan Örtengren AB. Deputy board member of Smallroom AB and Avitohi JV AB.

**Holdings in the Company:** On the publication date of the Prospectus, Per Brilioth owns 1,366,680 shares, via companies, and no warrants in the Company.

**Barbara Canales Rivera (born 1990)****Board member since 2015**

**Education/background:** Barbara Canales has studied International Sales and Marketing at the Sälj och Marknadshögskolan. Barbara Canales is currently the Marketing Manager at Uber in New York, US.

**Current assignments:** Marketing Manager at Uber Technologies Inc.

**Completed assignments (past five years):** None.

**Holdings in the Company:** On the publication date of the Prospectus, Barbara Canales owns no shares or warrants in the Company.

**Anna Frick (born 1968)****Board member since 2015**

**Education/background:** Anna Frick holds a Master of Science in Business and Economics from the Stockholm School of Economics. She has been a board member of Nordnet Bank AB, which is listed on Nasdaq Stockholm, since 2009.

**Current assignments:** Board member of Nordnet Bank AB (publ), Nordnet AB, Garbergs Reklambyrå AB. Deputy board member of Vendo Ekonomi AB.

**Completed assignments (past five years):** Deputy CEO and deputy board member of Martin Frick AB.

**Holdings in the Company:** On the publication date of the Prospectus, Anna Frick owns no shares or warrants in the Company.

**Mårten Forste (born 1971)****Board member since 2012**

**Education/background:** Mårten Forste holds a Master of Laws from Lund University. Mårten Forste currently works as the COO of Meetic/Match.com Europe in Paris and has previous experience as the Country Manager at Expekt.com.

**Current assignments:** Chief Operations Officer at Meetic/Match.com Europe.

**Completed assignments (past five years):** Board member of Stingerfish AB and Forste Management AB.

**Holdings in the Company:** On the publication date of the Prospectus, Mårten Forste owns 380,000 shares and no warrants in the Company.

**Patrik Rosén (born 1967)****Board member since 2011**

**Education/background:** Patrik Rosén holds a Master of Science in Business and Economics from the Stockholm School of Economics.

**Current assignments:** CEO and board member of Aggregate Stockholm AB and FORM Capital AB. Board member of POP Invest AB, Corporate Classifieds AB, Lo Cilo Ci AB, Hyesdata i Sverige AB, Eventbook AB. Deputy board member of Crew Communications Scandinavia (crewcom) AB.

**Completed assignments (past five years):** Board member of Compricer AB, Headweb AB, Svenska Topref AB and andmotion AB.

**Holdings in the Company:** On the publication date of the Prospectus, Patrik Rosén is CEO of the management company Aggregate Stockholm AB, which in turn is controlled by the Company Aggregate Media Fund V KB that owns 9,574,729 shares in the Company. Patrik Rosén owns no warrants in the Company.

## Senior executives



### Gustaf Hagman (born 1974)

#### Co-founder of LeoVegas and CEO since 2015

Gustaf Hagman has studied Economics at Stockholm University and Södertörn University. Gustaf Hagman is one of the co-founders of LeoVegas and has previous experience from the gaming companies Net Gaming and Eurobet. Gustaf Hagman was also CEO of the Company during the period 2011-2013.

**Current assignments:** None.

**Completed assignments (past five years):** CEO and board member of Net Gaming © AB. Deputy board member of IC Inter Credit AB.

**Holdings in the Company:** On the publication date of the Prospectus, Gustaf Hagman owns 8,840,000 shares and 60,000 warrants, with the right to subscribe for 240,000 shares, in the Company.



### Viktor Fritzén (born 1985)

#### CFO since 2012

Viktor Fritzén holds a Master in Finance from the Stockholm School of Economics. He has previous experience as an analyst at GP Bullhound and Goldman Sachs in London.

**Current assignments:** None.

**Completed assignments (past five years):** None.

**Holdings in the Company:** On the publication date of the Prospectus, Viktor Fritzén, privately or through related parties, owns 688,000 shares and 30,000 warrants, with the right to subscribe for 120,000 shares, in the Company.



### Cecilia Lannebo (born 1973)

#### Head of IR since 2015

Cecilia Lannebo has a BSc in Business and Economics from Mälardalen University. Cecilia Lannebo has previous experience as the head of IR at companies such as Eniro AB and Hakon Invest AB.

**Current assignments:** CEO of i-Core Communications AB. Deputy board member of Zubizuri AB.

**Completed assignments (past five years):** Deputy board member of Fondprinsen AB.

**Holdings in the Company:** On the publication date of the Prospectus, Cecilia Lannebo owns no shares or warrants in the Company.

## Other information on the board of directors and senior executives

No board members or members of executive management have any family ties to other board members or members of executive management. There are no conflicts of interest or potential conflicts of interest between the undertakings of the board members and senior executives in relation to LeoVegas and their private interests and/or other undertakings (however, a number of board members and senior executives have certain financial interests in LeoVegas due to their direct or indirect shareholdings and/or holdings of warrants in the Company).

Apart from what is stated above, none of the board members or senior executives has, over the past five years, been (i) a representative of any company, apart from the positions specified for the various board members and senior executives, (ii) been convicted in fraud-related court cases, (iii) represented a company that has been declared bankrupt or that has entered into compulsory liquidation, (iv) been accused by a government authority or organisation that represents a certain professional grouping and is governed via public sector law, or (v) been banned from taking part in trading.

The board and senior executives of LeoVegas can be contacted at the address of LeoVegas provided at the end of this Prospectus.

## Auditor

The auditor of LeoVegas is PricewaterhouseCoopers AB ("PwC"), with Alexsander Lyckow (born 1980) as responsible auditor since the 2015 annual general meeting. Alexsander Lyckow is an authorised public accountant and a member of FAR. Alexsander Lyckow's office address is Torsgatan 21, SE-113 97 Stockholm.

Between 21 June 2011 and 30 June 2014, authorised public accountant Jimmy Nybom was the Company's auditor and for the period between 30 June 2014 and 22 June 2015 Grant Thornton AB was the Company's auditor, with authorised public accountant Lars Anders Meyer as auditor in charge. In parallel with Grant Thornton AB, which was the auditor of LeoVegas AB (publ), the Company engaged PwC as the auditor for the companies situated in Malta. The former auditors are members of FAR. In order to use the same auditor for the entire Group, the Company decided to change the auditor of LeoVegas AB (publ) to PwC at the 2015 annual general meeting.

Jimmy Nybom's office address is Slottsgatan 27, SE-722 11 Västerås, Sweden, and Grant Thornton AB's office address is Box 7263, SE-103 94 Stockholm, Sweden.



# Corporate governance

LeoVegas is a Swedish public limited liability company. Prior to the listing at Nasdaq First North Premier, the Company's corporate governance was based on Swedish law and internal rules and instructions. Once the shares of the Company are listed at Nasdaq First North Premier, the Company will also comply with Nasdaq First North's Rule Book for Issuers and will also apply the Swedish Corporate Governance Code (the "**Code**"). The Code applies to all Swedish companies having shares listed on a regulated market in Sweden. Since Nasdaq First North Premier is not a regulated market, the Company has voluntarily undertaken to apply the Code. Companies do not have to comply with all of the rules in the Code, instead these Companies have the possibility of choosing alternative solutions that they consider better suited to their particular circumstances, provided that any deviations are presented, that the alternative solution is described and that the reasons are explained in the corporate governance report (the "comply or explain principle").

Any deviations from the Code will be reported in the Company's corporate governance report, which the Company will prepare for the first time in connection with the annual report for the financial year 2015. At the present time, the Company has not identified any deviations from the Code.

## General shareholders' meetings

The general shareholders' meetings are, in accordance with the Swedish Companies Act, the highest decision-making body of the Company, and at the general meetings the shareholders exercise their voting rights on key issues, including inter alia decisions regarding adoption of income statements and balance sheets, allocation of the Company's results, discharge from liability for the board of directors and the CEO, election of directors of the board and auditor and remuneration to the board of directors and auditor.

In addition to the annual general meeting (AGM), extraordinary general shareholders' meetings (EGM) may be convened. In accordance with LeoVegas' articles of association, notice of the AGM and EGMs shall be made by announcement in the Official Swedish Gazette and by posting the notice on LeoVegas' website. An announcement that the notice has been issued is published in Svenska Dagbladet.

## Right to attend general shareholders' meetings

All shareholders who are directly registered in the share register, maintained by Euroclear Sweden five week-days before the general shareholders' meeting, and have notified the Company of their intention to participate (including any assistants) at the general meeting, no later than on the date stated in the notice of the general meeting, have the right to attend the general meeting and vote for the number of shares they hold. Shareholders may attend the general shareholders' meeting in person or by proxy and may also be accompanied by a maximum of two assistants. Shareholders can normally register for the general shareholders' meetings in several different ways, as stated in the notice of the general meeting.

## Shareholder initiatives

Shareholders who wish to have a matter addressed at the general shareholders' meeting must submit a written request to the board of directors. The request must normally have

been received by the board of directors no later than seven weeks before the general shareholders' meeting.

## Nomination Committee

The nomination committee, that was elected at the EGM on 4 February 2016, has been assigned with the task to prepare proposals regarding candidates for the post of chairman and other directors of the board, fees and other remuneration to each director, fees and remuneration to the auditor and to evaluate the work of the board. The nomination committee's proposals are presented in the notice of the AGM.

According to the principles for establishing a nomination committee, that was adopted by the EGM on 4 February 2016, the nomination committee shall comprise of three members, of whom two shall be representatives of the Company's largest shareholders and the third shall be the chairman of the board. The Nomination Committee currently comprises Anders Fast (chairman), Robin Ramm-Ericson and Erik Åfors.

The procedure for electing members of the nomination committee is that the chairman of the board, as soon as possible after the end of the third quarter, contacts the two largest shareholders at that time and requests that they submit a proposal regarding the person that they wish to appoint as member of the nomination committee. The chairman of the nomination committee shall represent the Company's largest shareholder. The chairman of the board shall never be the chairman of the nomination committee.

The shareholders are entitled to submit proposals to the nomination committee regarding nominations to the board of directors.

## Board of directors

The board of directors is the highest decision-making body following the general shareholders' meeting and the Company's highest executive body.

In accordance with the Swedish Companies Act, the board is responsible for the management and organisation of the Company, which means that the board is responsible for, among other tasks, establishing goals and strategies, ensuring that procedures and systems are in place for the evaluation of decided goals, continuously evaluating LeoVegas' financial position and result, and evaluating the executive management. The board is also responsible for ensuring that the annual report, consolidated financial statements of the group and interim reports are prepared on time. The board also appoints the CEO.

The directors of the board are elected every year at the AGM for the period until the end of the next AGM. According to the Company's articles of association, the board of directors, insofar as it is elected by the AGM, shall consist of at least three directors and no more than ten directors.

The chairman of the board is elected by the AGM and has a specific responsibility to lead the board of directors' work and shall ensure that the work is well organized and carried out efficiently.

The board of directors follows written rules of procedure, which are revised annually and adopted by the inaugural meeting with the board of directors every year. Among other matters, the rules of procedure stipulates practises of the board of directors, functions and the division of work between the directors of the board and the CEOs and the established

committees. In connection with the inaugural meeting with the board of directors, the board of directors also establishes instructions for the financial reporting and the CEO.

The board of directors hold meetings according to an annual schedule established in advance. In addition to these meetings, additional meetings can be convened to address issues which cannot be postponed until the next scheduled meeting. In addition to the board meetings, the chairman of the board and the CEO continuously discuss the management of the Company.

The board of directors of the Company's currently consists of six directors elected at the shareholders' meeting, who are presented in greater detail in the section *"Board of directors, senior executives and auditor"*.

## Board committees and committee work

### Remuneration committee

On 28 May 2015, in connection with the inaugural meeting, the Company's board of directors has established a remuneration committee, which shall comprise of at least three members, of whom one shall be chairman. The tasks of the committee are to prepare the board of directors' resolutions regarding matters involving principles for remuneration, remuneration and other employment terms and conditions for the executive management of the Company. The committee shall also monitor and evaluate ongoing, or during the particular year, completed programmes of variable remuneration for the executive management, as well as monitor and evaluate the application of guidelines for remuneration to senior executives resolved on by the AGM. Minutes shall be kept at all meetings of the remuneration committee and the minutes shall be presented to the board of directors, together with an oral debriefing, in connection with decisions made by the board of directors. On the publication date of the Prospectus, the remuneration committee comprises of Mårten Forste (chairman), Anna Frick and Barbara Canales.

### Audit committee

On 28 May 2015, in connection with the inaugural meeting, the board of directors established an audit committee, which shall comprise of at least three members, of whom one shall be chairman. The committee is responsible for inter alia monitoring of the Company's financial reporting and the preparation of the board of directors' work in respect of quality control of this reporting, monitoring the Company's internal control, internal audit and risk management as regards the financial reporting, as well as establishing guidelines for the procurement of supplementary services from the Company's auditor. The committee shall also assist the nomination committee in preparing proposals regarding decisions on the election of auditor and the fees to be paid for auditing services and meet the Company's auditor on an ongoing basis. Minutes shall be kept at all meetings of the audit committee and the minutes shall be presented to the board of directors, together with an oral debriefing, in connection with decisions made by the board of directors. On the publication date of the Prospectus, the audit committee comprises of Robin Ramm-Ericson (chairman), Patrik Rosén and Per Brilioth.

## Internal control

The Company has not established a separate internal audit function, this task is instead performed by the board of directors.

The internal control includes control over LeoVegas' organisation, procedures and actions. The aim is to ensure that a reliable and accurate financial reporting takes place, that

the Company's and the Group's financial reporting is prepared in accordance with law and applicable accounting standards and that other requirements are fulfilled. The system for internal control also aims to monitor compliance with LeoVegas' policies, principles and instructions. In addition, monitoring takes place to ensure that the Company's assets are protected and that the Company's resources are utilised cost-efficiently and appropriately. Moreover, internal control takes place through implemented information and business systems and through the analysis of risks.

## Chief Executive Officer

The CEO is appointed by the board and has the primary responsibility for the day to day management of the Company and the daily operations. The division of work between the board and the CEO is set forth in the rules of procedure for the board and the instructions for the CEO. The CEO is also responsible for preparing reports and compiling information from the executive management for the meetings with the board of directors and for presenting such materials at the meetings.

According to the instructions for financial reporting, the CEO is responsible for the financial reporting of the Company and shall, accordingly, ensure that the board of directors receives adequate information to enable the board of directors to continuously evaluate LeoVegas' financial position.

The CEO must continuously keep the board of directors informed of the development of LeoVegas' operations, the amount of sales, the Company's financial position and result, the liquidity and credit situation, important business events and other circumstances that cannot be presumed to have an insignificant importance to the Company's shareholders for the board of directors to be aware of (such as material disputes, cancellation of agreements that are important to LeoVegas and significant circumstances concerning LeoVegas' facilities).

The CEO and other senior executives are presented in greater detail in the section *"Board of directors, senior executives and auditor"*.

## Remuneration to the board of directors, CEO and other senior executives

### Guidelines for remuneration to the CEO and senior executives

The chairman of the board and other directors of the board receive remuneration in accordance with resolutions approved by the shareholders' meeting. Remuneration to the CEO and other senior executives consists of a basic salary, variable remuneration, other benefits and pension. The term "other senior executives" refers to the two persons who together with the CEO constitute the executive management. For the composition of executive management, refer to the section *"Board of directors, senior executives and auditor - Senior executives"*.

The CEO and other senior executives are paid a market competitive monthly salary and receive ordinary employment benefits. Variable remuneration is not paid.

The board of directors intends, in conjunction with the annual general meeting, to guidelines for remuneration to senior executives of the parent company, LeoVegas AB (publ), in accordance with the remuneration committee's proposal. The guidelines include principles concerning the relationship between fixed salary and variable remuneration, pension benefits and limitations in respect of severance pay and fixed salary during periods of notice.

Individual remuneration to the CEO and the individual remuneration to other senior executives is approved by the

## Remunerations in 2015

The table below presents an overview of the remuneration to the current board members, the CEO and other senior executives in the financial year 2015.

Amounts in KEUR	Basic salary/ board remuneration	Variable remuneration	Other benefits	Pension costs	Total
<i>Board of directors</i>					
<b>Robin Ramm-Ericson</b>	215 <sup>3)</sup>	-	-	-	215
<b>Per Brilioth</b>	26	-	-	-	26
<b>Barbara Canales Rivera</b>	20	-	-	-	20
<b>Mårten Forste</b>	20	-	-	-	20
<b>Anna Frick</b>	26	-	-	-	26
<b>Patrik Rosén</b>	26	-	-	-	26
<b>Total board</b>	<b>333</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>333</b>
Amounts in KEUR	Basic salary/ board remuneration	Variable remuneration	Other benefits	Pension costs	Total
<i>CEO and other senior executives</i>					
<b>Gustaf Hagman</b>	181	-	-	5	186
Other senior executives	171	-	-	45	216
<b>Total senior executives</b>	<b>352</b>	<b>0</b>	<b>0</b>	<b>50</b>	<b>402</b>
<b>Total board of directors and senior executives</b>	<b>685</b>	<b>0</b>	<b>0</b>	<b>50</b>	<b>735</b>

board of directors, after approval from the remuneration committee. All decisions regarding individual remuneration to senior executives are within the remuneration policy approved by the board of directors.

### Remuneration to directors of the board

Remuneration to directors of the board and senior executives, and other remuneration to directors elected by the shareholders' meeting, including the chairman, is established by the AGM. At the AGM on 28 May 2015 it was resolved that the remuneration to each of the elected directors shall amount to SEK 175,000. In addition, directors who participate in work on the audit committee or remuneration committee are each entitled to SEK 15,000 in remuneration for the work performed in the respective committee. Moreover, each director who has participated in work connected to the listing of the Company's shares at First North Premier is entitled to a non-recurring remuneration amounting to SEK 50,000.

Entitlement to benefits ceases as soon as any director of the board of the Company resigns as director. As of the date of the Prospectus no remuneration has been paid to the board of directors. Remuneration to the board of directors will for the first time be paid in May 2016. Robin Ramm-Ericson has as Chief Experience Officer in LeoVegas Gaming Ltd. received compensation of EUR 215,000 for the financial year 2015.

### Current employment contract for the CEO and agreements with other senior executives

The current level of remuneration and terms of employment for LeoVegas' CEO have been resolved on by the board of directors.

According to his employment contract, the CEO is entitled to a monthly remuneration of SEK 140,000 and is not entitled to any variable remuneration. No provisions is made for pension premiums.

Both LeoVegas and the CEO shall observe a four-month period of notice. If notice is served by LeoVegas, LeoVegas is entitled to immediately relieve the CEO of his duties and deny him access to LeoVegas' premises and property. In addition to the period of notice, the CEO is entitled to severance pay cor-

responding to four monthly salaries, calculated on the basis of the CEO's fixed monthly salary, provided that it is LeoVegas that has terminated the employment contract and that the CEO has not been dismissed. The CEO is subject to customary terms of employment.

Other employed senior executives are not entitled to any variable remuneration. LeoVegas shall observe period of notice in accordance with the Employment Protection Act and senior executives shall observe the same period of notice, although no longer than three months.

In addition to this, other senior executives are not entitled to any remuneration in connection with termination of their employment. The other senior executives are subject to customary terms of employment.

In addition to the above employment contracts, the Company has entered into a consultancy agreement with the Company's IR Manager, Cecilia Lannebo, amounting to 20 hours per week. The period of notice is two months for both parties. The earliest date for terminating the consultancy agreement is exactly nine months after the first day of trading of the Company's shares on Nasdaq First North Premier, whereby the agreement will cease to apply at the end of a period of notice of three months.

### Auditing

The auditor shall review the Company's annual reports and financial statements, as well as the management of the board and CEO. Following each financial year, the auditor shall submit an audit report and a consolidated audit report to the AGM.

According to the Company's articles of association, the Company shall appoint no more than two auditors with or without a maximum of two deputies, or a registered public accounting firm. The auditor of LeoVegas is PricewaterhouseCoopers AB ("PwC"), with Alexander Lyckow as responsible auditor. The Company's auditor is presented in greater detail in the section "Board of directors, senior executives and auditor".

In 2015, remuneration of the Company's auditors amounted to EUR 450 thousand.

3. Constitute basic salary for his position as Chief Experience Officer in LeoVegas Gaming Ltd.



# Articles of association

Articles of Association for LeoVegas AB (publ)  
Reg. no. 556830-4033  
Adopted at the extra general meeting 4 February 2016

## § 1 Name of the company

The name of the company is LeoVegas AB (publ).

## § 2 Registered office of the company

The registered office of the company shall be in Stockholm.

## § 3 Objects of the company

The company shall own and manage chattels and provide administrative services to the company group and carry out any other business incidental or related to the foregoing activities.

## § 4 Share capital

The share capital shall be at least EUR 1,100,000 and no more than EUR 4,400,000.

## § 5 Number of shares

The number of shares shall be at least 60,000,000 and no more than 240,000,000.

## § 6 Accounting currency

The company's accounting currency shall be Euro.

## § 7 Board of directors

The board of directors shall consist of at least three and no more than ten directors.

## § 8 Auditors

For the purposes of auditing and reviewing the company's annual accounts and the financial statements and the administration report of the board of directors and the managing director one or two auditors with or without deputy auditor shall be appointed, or a registered audit firm.

## § 9 Notice to general meetings

Notice of general meetings shall be made by announcement in the Official Swedish Gazette and by posting the notice on the company's website. At the time of the notice, an announcement with information that the notice has been issued shall be published in Svenska Dagbladet.

Notice of the annual general meeting and extraordinary general meeting where an amendment of the articles of association will be considered shall be given no earlier than six weeks and no later than four weeks prior to the general meeting. Notice of other extraordinary general meetings shall be issued no earlier than six and no later than three weeks before the general meeting.

## § 10 Participation at general meetings

A shareholder that wishes to participate in a general meeting must notify the company, of its, and any assistants, intention to attend the meeting, no later than on the date stated in the notice of the meeting. Such a date may not be a Sunday, other public holiday, Saturday, Midsummer Eve, Christmas Eve or New Year's Eve and may not occur earlier than five weekdays prior to the general meeting. Proxies does not have to give notice of the number of assistants. The number of assistants may not be more than two.

## § 11 Matters for the annual general meeting

The annual general meeting shall be held annually within six months after the end of the financial year. At the annual general meeting, the following matters shall be considered:

1. Election of chairman of the meeting
2. Preparation and approval of the voting list
3. Election of one or two persons to certify the minutes
4. Determination of whether the general meeting has been duly convened
5. Approval of the agenda
6. Presentation of the annual report and auditor's report and, if any, the group annual report and the group auditor's report
7. Decision regarding:
  - a) adoption of income statement and balance sheet and, if any, the group income statement and the group balance sheet
  - b) the profit or loss of the company in accordance with the adopted balance sheet
  - c) discharge from liability for the board of directors and the managing director
8. Determining the fees for the board of directors and the auditor
9. Election of board of directors and auditor
10. Election of chairman of the board of directors
11. Decision regarding adoption of principles for the nomination committee
12. Decision on principles for the determination of remuneration to the management of the company
13. Any other matter which have been referred to the general meeting according to the Companies Act (2005:551) or the articles of association.

## § 12 Central Securities Depository Clause

The shares of the company shall be registered in a Central Securities Depository Register in accordance to the Financial Accounts Act (1998:1479).

## § 13 Financial year

The company's financial year shall be 1/1-31/12.



# Legal considerations and supplementary information

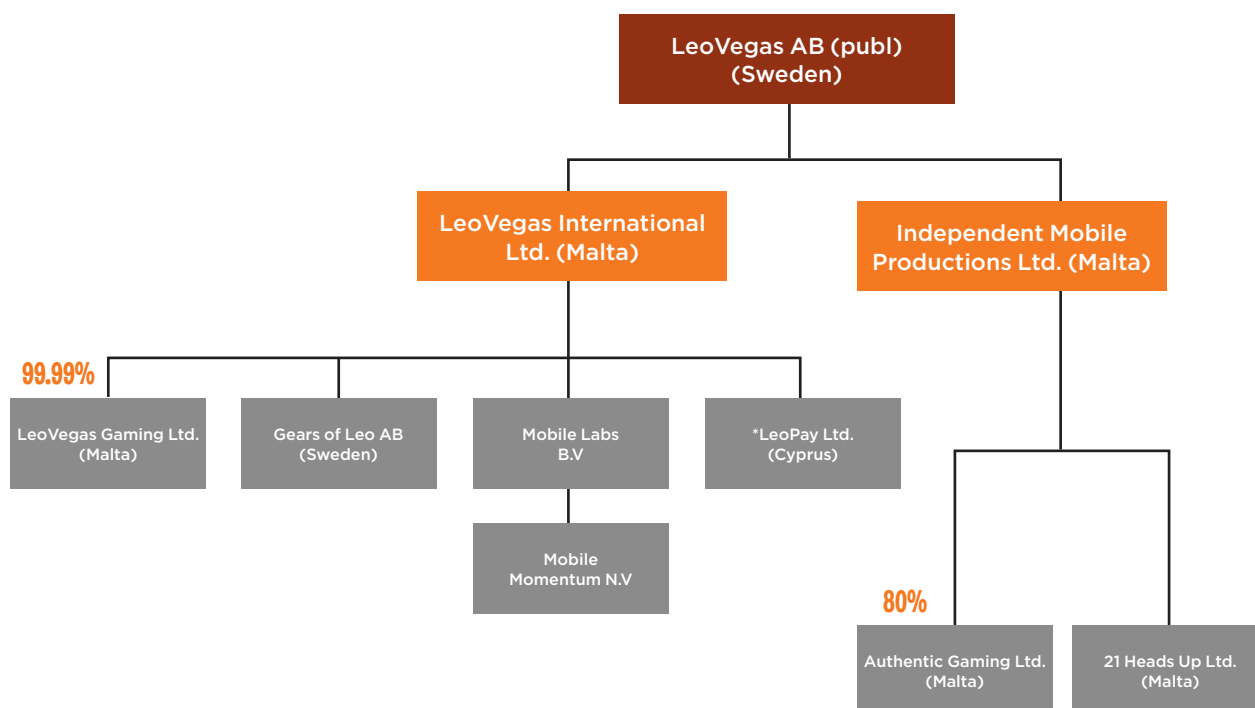
## Legal Group structure

LeoVegas AB (publ) (Reg. no. 556830-4033) is a Swedish public limited liability company that was formed in Sweden on 3 December 2010 and registered at the Swedish Companies Registration Office on 8 December 2010. The Company is registered in Stockholm. The Company's operations are governed by the Swedish Companies Act (2005:551) (Sw. Aktiebolagslagen).

The Company's registered name (also its commercial name) is LeoVegas AB (publ), which was adopted by the annual general meeting held on 28 May 2015. The Company's former name was Universeleo AB.

LeoVegas AB (publ) is currently the parent company of seven wholly owned subsidiaries and two partially owned subsidiaries, owned to 99.9 and 80 percent, respectively which are domiciled in Sweden on Malta, Cyprus and on Curaçao. The figure below illustrates the Group's legal structure.

The Group's operational activities are conducted from Malta, while most of the technical developments is carried out in Sweden. Other companies in the Group have primarily been established for managing financing and the provision of games.



\* LeoPay Ltd. is in liquidation.

## Material agreements

### Agreements regarding payment services

LeoVegas Gaming Ltd. has entered into two agreements, one with a Dutch and one with a Maltese company, regarding the management of payments to and from customers. These agreements regulate matters such as payment processes and certain standardized fraud checks. The agreements are based on variable remuneration structures that are based on either managed payment volumes or on the number of transactions. One of the agreements is valid until further notice with a two-month mutual period of notice of termination and the other agreement is valid for a period of one year

with a three-month mutual period of notice.

### Agreements with game providers

LeoVegas' Maltese subsidiary has entered into agreements with more than 30 providers of online casino games, with most of the games provided by Net Entertainment Malta Ltd. ("NetEnt") and NYX Interactive Malta Ltd. ("NYX"). The agreements entitle LeoVegas to provide online casino games to customers. The licences are normally non-exclusive and are not transferable. The agreements are customised to meet the regulatory requirements of the Group's gaming licences. The providers are normally paid under royalty solutions that are normally subject to minimum fees. The agreements are normally valid for a limited period of time and are subse-

quently automatically extended for a limited period unless they are terminated at an earlier date. The agreement with NetEnt can be terminated by NetEnt before it expires if, for example, LeoVegas allows players in US territory to register as customers, if LeoVegas is prosecuted for a matter pertaining to the content or purpose of the agreement, or if NetEnt perceives that there is a legal threat affecting NetEnt's brand or reputation due to NetEnt potentially being deemed to be party to unlawful activities. NetEnt is also entitled to terminate the agreement if a third party claims that software licenced to LeoVegas is infringing intellectual property rights and NetEnt decides not to replace or modify the piece of software that is committing an infringement.

The Group has also signed an agreement with Evolution Gaming Malta Limited ("Evolution Gaming"), under which Evolution Gaming provides live casino services to LeoVegas Gaming Ltd. These services are non-exclusive and may not be transferred or licenced on to a third party. Remuneration is paid under royalty solutions that are also subject to minimum fees. The agreement is valid until further notice with a six-month period of notice for both parties and is regulated under UK law.

LeoVegas Gaming Ltd. has signed an agreement with Oakwood Limited which conducts operations under the name Microgaming Networks ("MN") that entitles LeoVegas to provide online casino games to customers. The licence is non-exclusive and is not transferable. Each party may terminate the agreement, without specifying a reason, subject to a 30-day period of notice. MN may also terminate the agreement if, for example, LeoVegas receives bets from players who are located in the US or if LeoVegas uses the licenced platform or the games in an unlawful manner. Furthermore, MN may terminate the agreement in the event of a change of owner of LeoVegas Gaming Ltd. LeoVegas Gaming Ltd. has also entered into an agreement with Microgaming © Limited ("MGE") for the use of MGE's Maltese class 4 licence to use MN's casino system.

LeoVegas Gaming Ltd. has signed an agreement with Play'n GO Malta Ltd. ("PG"), entitling LeoVegas to provide online casino games. The licence is non-exclusive and is not transferable. The agreement has a period of notice of three months.

### Agreements with operational service providers

Mobile Labs B.V. and Arnold Media Limited ("Arnold Media") have entered into an agreement under which Arnold Media licences software for managing parties that direct Internet traffic to Mobile Lab B.V.'s website and offers hosting, maintenance and support for the software. The licence is non-exclusive and may not be transferred. The licence is valid until 7 June 2016 and is then renewed for periods of one year at a time, unless it is terminated one month prior to scheduled renewal.

LeoVegas Gaming Ltd. and Basefarm AB ("Basefarm") have entered into an agreement under which Basefarm undertakes to manage features of the operation of Rhino, LeoVegas Gaming Ltd.'s technical platform in Malta. Basefarm provides IT hardware, hosting services, operational services and software licences. Basefarm is not responsible for the software of game providers or the functions of such software. The agreement has a period of notice of three months.

LeoVegas Gaming Ltd. and Continent 8 Technologies PLC ("Continent 8") has entered into an agreement under which Continent 8 provides physical service premises, Internet access and related services. The agreement was initially valid for one year from the installation date and is then renewed for periods of one year unless LeoVegas Gaming Ltd. notifies Continent 8 of termination in writing minimum 60 days prior to end of the contract period.

### Agreements regarding provision of third-party solutions for sports betting

LeoVegas Gaming Ltd. has entered into two framework agreements regarding sports betting services, one with Kambi Sports Solutions (Alderney) Limited and one with Kambi Malta Limited (jointly referred to as "Kambi"), under which Kambi provides sports betting services for integration with LeoVegas' technical platform. Under the agreements, LeoVegas Gaming Ltd. receives a licence to make sports betting services available on the technical platform. The licence is non-exclusive, non-transferable and may not be sub-licensed. Payment for the service is mainly provided on a commission basis. The agreement has an initial contract period that expires on 21 January 2018 and is then valid until further notice with a mutual period of notice of 365 days.

### Intra-Group agreement

LeoVegas Gaming Ltd. and Gears of Leo AB have signed an agreement under which Gears of Leo AB licences front-end and platform software and provides support and maintenance to LeoVegas Gaming Ltd. The licence is non-exclusive and may not be transferred. The payment is based on a royalty solution plus fees for upgrades, support, maintenance and other services. The agreement has an initial contract period that expires on 1 June 2016 and is then valid until further notice with a mutual period of notice of three months.

### Acquisition agreements

On 20 October 2015, LeoVegas International Ltd. acquired 80 percent of the shares in the Maltese company Authentic Gaming Ltd. The shares have subsequently been transferred to Independent Mobile Gaming (IMP). IMP has an option to acquire the remaining shares in the company to a predetermined price.

### Regulatory issues and licences

#### General

The Group's licences to conduct online gaming operations are described below. The licences issued in the UK below include all gaming operations targeted to players in the UK. The licences issued in Malta cover games offered to players outside the UK through the providers stated below. The licence issued in Curaçao includes games offered to players outside the UK that are not offered through the providers stated below. LeoVegas is dependent on its licences in order to conduct its current business operations.

#### LeoVegas Class 1 Remote Gaming Licence (LeoVegas Gaming)

On 10 December 2015, the Malta Gaming Authority ("MGA") issued five Class 1 on 4 Remote Gaming Licences to the subsidiary LeoVegas Gaming Ltd. that are valid for five years, in accordance with Article 7 of the Remote Gaming Regulations stipulated in the 2001 "Lotteries and Other Games Act".

These five licences relate to the following companies and game providers:

- Evolution Gaming Malta Ltd.;
- Microgaming © Ltd.;
- Play'n Go Malta Ltd.;
- Relax Gaming Ltd. (e.g. Quickspin) and
- Yggdrasil Gaming Ltd.

The Company also holds another two Class 1 on 4 Remote Gaming Licences previously issued by the MGA on 6 December 2013, which relate to the companies and game providers Net Entertainment Ltd. and NYX Interactive Malta Ltd. (and hence obtaining licences on seven game providers in total).

The conditions of the licences include that: (i) the operations are conducted solely together with the company to which each specific licence refers and as stated above, (ii) a main contactor is appointed to manage undertakings under the licence, (iii) this main contactor informs the MGA when changes are made to gaming software or systems, (iv) LeoVegas Gaming Ltd. informs the MGA of intended intermediaries and partners, and (v) the operations solely comprise of remote gaming.

### **LeoVegas Remote Gaming Licence (Gears of Leo)**

On 3 March 2015, the UK Gambling Commission issued a Remote Gaming Licence to the subsidiary Gears of Leo AB, to manufacture, provide, install and/or adapt software for online games in accordance with Section 5 of the 2005 Gambling Act. The conditions of the licence, which was amended on 23 June 2015, include that: (i) Gears of Leo AB's annual sales amount to less than GBP 6,600,000 and (ii) a number of terms as stipulated by the Gambling Commission are fulfilled in accordance with the 2005 Gambling Act regarding, for example, corporate social responsibility (CSR), qualified individuals working in the organisation and personal licences, technical standard, procedures for managing third parties, etc., anti-money laundering and marketing.

### **LeoVegas Remote Operating Licence (LeoVegas Gaming)**

On 23 July 2015, the UK Gambling Commission issued the full Remote Gaming Licence permitting casino operations to the subsidiary LeoVegas Gaming Ltd (subsequent to the initial continuation licence valid from 1 November 2014). The licence was issued by the UK Gambling Commission in accordance with Section 5 of the 2005 Gambling Act. The licence is subject to the following conditions, including: (i) that the annual gross return from games amounts to less than GBP 25,000,000, (ii) that measures are introduced in accordance with the 2007 Money Laundering Regulations Act insofar as these regulations pertain to casino operations, and (iii) compliance with several provisions as established by the UK Gambling Commission and the 2005 Gambling Act, including conditions for software for online games, provisions for separation of deposited funds, conditions for protecting children and other vulnerable groups, information requirements pertaining to fair gaming terms and conditions and rules for and monitoring of online games.

### **Mobile Lab's sub-licence for Master Gaming Licence (Mobile Labs)**

Mobile Labs holds a sub-licence issued by C.I.L. Curacao Interactive Licensing N.V. to conduct online gaming operations in Curaçao in accordance with the Master Gaming Licence 5536/JAZ.

### **Policies**

The Company has prepared and complies with different policies required by the gaming licences described above. These include policies to counteract money laundering, to handle personal data and IT security.

## **Disputes**

The Company is not, nor has it, during the past 12 months, been a party to any legal proceedings or settlement proceedings (including not yet determined matters or such matters that the Company is aware may arise) that have recently had or could have a material impact on the Group's financial position or profitability.

### **Decision from the Swedish Advertising Ombudsman and ongoing marketing case with Sweden's ethical board for direct marketing**

The Company's subsidiaries have been reported to the Swedish Advertising Ombudsman on two occasions. One case referred to outdoor advertising campaign that took place in Solna, Sweden. It was reported by the Swedish national youth organisation for gaming control (Sw. Riksförbundet Spelkontroll), which believed that the campaign that included a picture of Frank Andersson was sexist and that the claims of free spins and welcome bonuses were misleading.

The Advertising Ombudsman found that the campaign was misleading regarding the claims of free spins and welcome bonuses, however the campaign was not found sexist. The second case was reported by a private individual and referred to an advertisement in the Swedish newspaper *Aftonbladet* that contained claims of welcoming bonuses. The Advertising Ombudsman found that the campaign was misleading.

The Company has an ongoing case with Sweden's ethical board for direct marketing (Sw. DM-nämnden). The case was reported by a private individual who claims that he received advertising via a text message on his mobile phone despite not having agreed to any such direct advertising. The Company submitted its response to DM-nämnden at the start of November 2015 in which it stated that the individual reporting this case had actually agreed to receive advertising via a text message and provided information about when and by what means such consent was given. DM-nämnden had not issued a decision in this case on the publication date of the Prospectus.

## **Intellectual property rights**

The Company's registered brands are held by LeoVegas Gaming Ltd. The Company's logo is registered within the EU and in Norway. LeoVegas Gaming Ltd. also has pending trademark applications for its logotype in several countries including Canada and the US, as well as pending applications for the word LeoVegas in the EU. In January 2016, the Company was granted a registration of the brand LeoVegas as a work mark within the EU.

LeoVegas Gaming Ltd. holds more than 250 domain names. "leovegas" is registered in the most common top-level domain names, the main ones being: ".se", ".com", ".net" and ".nu." Several of the domain names also include the word "leovegas" with various additions related to games. LeoVegas Gaming Ltd also holds the domain name "leovegas-group.com." In addition, LeoVegas Gaming Ltd. has successfully transferred the domain names "leovegascasino.net", "leovegascasino.com" and "leovegascasino.se" to the Company through alternative dispute resolution.

LeoVegas also considers that it holds the copyright and other intellectual property rights to its proprietary technical platform Rhino (which is partly based on open source application software). Refer also to the section "*Risk factors - Intellectual property rights*".

The Company does not have any patents approved or ongoing patent applications.

## Insurance

The Company has signed standard corporate insurances for both its operations in Sweden and for the subsidiaries that conduct business abroad. The Company has also signed a professional indemnity insurance for the board and CEO covering all companies within the Group.

The Company is of the opinion that its insurances are adequate and cover matches that of other companies in the same industry and that the insurance cover is adequate in respect of the risks to which the operations are normally exposed. According to LeoVegas, however, no guarantees can be made that LeoVegas will not incur losses in addition to the risks covered by these insurance policies.

## Transactions with related parties

Related parties refer to all subsidiaries in the Group and senior executives in the Group, meaning the board of directors and executive management, and members of their families. Transactions with related parties concern to the transactions of these individuals with the Group as described in *“Legal consideration and supplementary information - Legal group structure”*. The governing principles for what constitutes transactions with related parties are stated in IAS 24. For complete information concerning related-party transactions during 2015, 2014 and 2013, see F-24 Note 27.

Apart from the remuneration of the board and senior executives described in the section *“Board of directors, senior executives and auditor – Remuneration of the board of directors, CEO and other senior executives”* and the transactions described below, no other transactions between board members or other related parties and the subsidiaries occurred during the period from 1 January to 31 December 2015, 2014 and 2013, up to the publication date of the Prospectus. The transactions were conducted at market terms.

## Placing agreement

In accordance with the terms and conditions of an agreement concerning the placement of shares, which is intended to be concluded on or about 16 March 2016 between the Company, the Main Shareholders who will offer shares in the Offering and the Joint Global Coordinators (the **“Placing Agreement”**), the Company undertakes to issue the shares included in the Offering to the buyers referred by the Joint Global Coordinators and that are not sold by the Selling Shareholders. The Main Shareholders and SEB Foundations also intend/intends to provide an Over-allotment Option, representing an undertaking, at the request of the Joint Global Coordinators, not later than 30 days from the first day of trading in the Company's shares, to sell an additional maximum 15 percent of the number of shares included in the Offering. The Over-allotment Option may only be exercised in order to cover over-allotment in the Offering.

Through the Placing Agreement, the Company provides conventional data, guarantees and undertakings to the Joint Global Coordinators, primarily to the effect that the information in the Prospectus is correct, that the Prospectus and the Offering fulfil requirements of laws and regulations, and that there are no legal or other obstacles preventing the Company from entering into the agreement or that would prevent completion of the Offering. In accordance with the Placing Agreement, the Joint Global Coordinators' undertaking to refer buyers or, should the Joint Global Coordinators fail to do so, itself acquire the shares encompassed by the Offering is subject to conditions, such as that the data and guarantees provided by the Company are correct. In accordance with the Placing Agreement, the Company undertakes,

subject to customary conditions, to indemnify the Joint Global Coordinators in respect of certain requirements under certain circumstances.

According to the Placing Agreement, the Company also undertakes not to (i) issue, offer, pledge, sell, undertake to sell or in any other way transfer or dispose of, directly or indirectly, any shares in the Company or any other securities that can be converted to or exchanged for such shares, or (ii) purchase or sell warrants or other instruments or enter into swap agreements or other arrangements that would transfer, in full or in part, the financial risk associated with ownership of the Company to another party prior to 360 days after the day when trading commences on Nasdaq First North Premier. However, the Joint Global Coordinators may permit exceptions from these limitations.

## Stabilization

In connection with the Offering, the Joint Global Coordinators may implement transactions designed to stabilize or keep the price of the shares at levels that might otherwise not prevail in the market. The stabilization measures will not be implemented at a price that is higher than the established price per share in the Offering. The purpose of this stabilization will be to support the market price of the shares and the measures may be undertaken during a period starting on the first day of trading in the Company's shares on Nasdaq First North Premier and ending 30 calendar days thereafter. As a result of such stabilization measures, the market price of the Company's shares may be higher than it would otherwise be in the market.

There is no guarantee that stabilisation measures will be implemented and, in the event that they are implemented, they may be suspended at any time. Within a week after the period of stabilisation measures ends, the Joint Global Coordinators will announce whether stabilisation measures have been taken, the date when the stabilisation measures were taken, the date when the last stabilisation measure was taken and each date on which stabilisation occurred, as well as the price range within which the stabilisation measures were taken.

## Subscription undertakings of the Cornerstone Investors

The Cornerstone Investors, which are all included in the table below, undertook in relation to the Joint Global Coordinators and LeoVegas to, directly or indirectly via subsidiaries, as part of the Offering and on the same terms and conditions as other investors, acquire shares in the Company for SEK 400 million corresponding to 40.7 percent of the total number of shares and votes of Company. Provided that the Offering is fully subscribed and that the Offering is completed at a subscription price corresponding to the midpoint of the range. The Offering is thus underwritten at a rate of between approximately 38.6 and 43.1 percent<sup>2)</sup>. The Cornerstone Investors will not receive any compensation for their respective undertakings and the Cornerstone Investors' investments will be made on the same terms and conditions as those of other investors in the Offering.

The Joint Global Coordinators and the Company's board of directors deem the credit rating of the Cornerstone Investors to be satisfactory and thus believe that they will be able to fulfil their respective undertakings. However, the undertakings of the Cornerstone Investors have not been secured by means of bank guarantees, restricted funds, or pledging or any similar arrangement. The undertakings of the Cornerstone Investors are subject to certain conditions. Each undertaking of the Cornerstone Investors is subject, inter alia, to: (i) listing of the shares such that the first day of trading in

2. Based on the assumption that a complete over-subscription has taken place and that the Over-subscription option has been fully used.

the Company's shares occurs not later than 31 March 2016; (ii) said Cornerstone Investor being allocated in full the shares encompassed by said undertaking; and (iii) the final Offering Price not exceeding SEK 32 per share. If any such condition is not satisfied, the Cornerstone Investors will not be bound by their undertakings and will not be required to acquire shares.

Cornerstone Investors	Subscription undertaking (SEK million)	Minimum no. of shares	Maximum no. of shares	Per cent of the Offering <sup>6)</sup>
Catella Fondförvaltning AB	80	2,500,000	2,857,143	7.53 - 8.83
Handelsbanken Fonder AB	80	2,500,000	2,857,143	7.53 - 8.83
Swedbank Robur Fonder AB	80	2,500,000	2,857,143	7.53 - 8.83
Carnegie Asset Management	50	1,562,500	1,785,714	4.71 - 5.52
Keel Capital	50	1,562,500	1,785,714	4.71 - 5.52
Fonden Alcur	30	937,500	1,071,429	2.83 - 3.31
AMF Fonder AB	30	937,500	1,071,429	2.83 - 3.31
<b>Total</b>	<b>400</b>	<b>12,500,000</b>	<b>14,285,715</b>	<b>37.67 - 44.17</b>

## Description of Cornerstone Investors

### The fund Alcur

The fund ALCUR is managed by Consafe Capital Advisors AB which is a separate and independent asset management company. The fund manages capital for private individuals and institutions with the goal to generate as high a return as possible. The fund has a research-driven investment process and focuses on equity-related instruments in the Nordic market.

### Catella Fondförvaltning AB

Catella Funds, founded in 1997, and is an active manager focusing on the Nordic markets. Catella manages equity funds, alternative funds, balanced funds and credit funds. Catella Fonder currently has approximately SEK 45 billion under management.

### Handelsbanken Fonder AB

Handelsbanken Fonder is a wholly owned subsidiary of Svenska Handelsbanken and is a significant fund manager in Scandinavia. Handelsbanken Fonder offers funds that are targeted towards private individuals as well as institutional clients.

### Swedbank Robur Fonder AB

Robur is one of Scandinavia's largest fund manager and a wholly owned subsidiary of Swedbank. Robur offers savings products for individuals and institutional clients through investment funds and discretionary investment management.

### Carnegie Asset Management

Carnegie Asset Management is a focused and independent asset manager. Our objective is to deliver consistent, long term asset growth for our clients through active investments in listed equities on global stock exchanges.

### Keel Capital AB

Keel Capital was founded in 2009 and is regulated in Sweden as an Alternative Investment Fund Manager by the Swedish Financial Supervisory Authority (Finansinspektionen). The investment strategy is based on fundamental analysis and has a focus on risk management. Investments are made in listed Nordic equities.

## AMF Fonder AB

AMF Fonder is an asset manager and a wholly owned subsidiary to AMF. AMF manages approx. SEK 518 billion (2015-09-30) in assets for approximately 4 million customers. AMF Fonder manages securities funds available for pension- and direct savings.

## Interests of the advisors

LeoVegas' financial advisors in connection with the Offering and the listing are the Joint Global Coordinators, comprising Carnegie and SEB. The Joint Global Coordinators (and their related companies) have provided, and may in the future provide, services within the framework of their ordinary course of business and in connection with other transactions for LeoVegas for which the Joint Global Coordinators have or may receive remuneration.

GP Bullhound - GP Bullhound Asset Management Limited and Per Roman are affiliates of GP Bullhound AB, a company that has provided, and may in the future provide, the Company with advisory services. In connection with this Offering, an advisory fee is payable to GP Bullhound AB, acting as placing agent. GP Bullhound Sidecar 2011 Ltd (an affiliate of GP Bullhound AB), and GP Bullhound Sidecar 3 LP (a Jersey based fund to which GP Bullhound Asset Management Limited is appointed as Investment Adviser), are both Selling Shareholders pursuant to this prospectus, whereas Per Roman is not a Selling Shareholder pursuant to this prospectus.

## Certified Adviser

The Company's Certified Adviser is Avanza Bank AB.

## Costs associated with the Offering

As remuneration for the Joint Global Coordinators providing financial counselling and other services to LeoVegas and the Main Shareholders in connection with the Offering, they will receive a fee from the Company corresponding to between 4.3 and 5.0 percent of the income from the sale of shares in the Offering. In addition, the Company may choose to pay a customary discretionary fee to the Joint Global Coordinators, in which case this will be determined after the end of the stabilisation period. The total remuneration that will be received will depend on the success of the Offering.

LeoVegas' costs in connection with the listing on Nasdaq First North Premier and the Offering are expected to amount to approximately SEK 65 million. In addition to the payment of commission to the Joint Global Coordinators, these costs mainly pertain to costs for auditors, attorneys, printing of the Prospectus and costs related to company presentations. LeoVegas will not receive any share of the proceeds from the sale of shares that the Selling Shareholders sell in the Offering.

## Documentation available for inspection

The following documents are available at the Company's head office on weekdays during office hours and on the Company's website, [www.leovegasgroup.com](http://www.leovegasgroup.com):

1. The Company's Articles of Association
2. The Company's and its subsidiaries<sup>3)</sup> audited annual reports for the 2015, 2014 and 2013 financial years and
3. The Prospectus.

3. Based on full increase of the Offering and that the Over-subscription option has been fully used.

4. The subsidiaries' annual reports will not be made available on the Company's website.



# Tax considerations in Sweden

*Below is a summary of certain Swedish tax issues related to the Offering and the admission for trading of the shares in the Company on Nasdaq First North Premier for private individuals and limited liability companies that are residents of Sweden for tax purposes, unless otherwise stated. The summary is based on current legislation and is intended to provide general information only regarding the shares in the Company as from the admission for trading on Nasdaq First North Premier.*

*The summary does not cover:*

- *situations where shares are held as current assets in business operations;*
- *situations where shares are held by a limited partnership or a partnership;*
- *the special rules regarding tax-free capital gains (including non-deductible capital losses) and*
- *dividends that may be applicable when the investor holds shares in the Company that are deemed to be held for business purposes (for tax purposes);*
- *the special rules which in certain cases may be applicable to shares in companies which are or have been so-called close companies or to shares acquired by means of such shares;*
- *the special rules that may be applicable to private individuals who make or reverse a so-called investor deduction (Sw. investeraravdrag);*
- *foreign companies conducting business through a permanent establishment in Sweden; or*
- *foreign companies that have been Swedish companies.*

*Further, special tax rules apply to certain categories of companies. The tax consequences for each individual shareholder depend to some extent on the holder's particular circumstances. Each shareholder is advised to consult an independent tax advisor as to the tax consequences that could arise from the Offering and the admission for trading of the shares in the Company on Nasdaq First North Premier, including the applicability and effect of foreign tax legislation (including regulations) and provisions in tax treaties for the avoidance of double taxation.*

## Private individuals

For private individuals resident in Sweden for tax purposes, capital income such as interest income, dividends and capital gains is taxed in the capital income category. The tax rate in the capital income category is 30 percent.

Capital gains or losses equal the difference between the proceeds, after reduction for sales costs, and the purchase price. The aggregate purchase price for all shares of the same kind and class is divided on the number of shares. As an alternative rule, applicable on listed shares, the purchase price may be calculated to 20 percent of the proceeds, after reduction for sales costs.

Capital losses on listed shares may be fully offset against taxable capital gains the same year on shares, as well as on listed securities taxed as shares (however not mutual funds, (Sw. värdepappersfonder), or hedge funds, (Sw. specialfond-er) or containing Swedish receivables only, (Sw. räntefond-er)). Capital losses not absorbed by these set-off rules are deductible at 70 percent in the capital income category.

Should a net loss arise in the capital income category, a reduction is granted of the tax on income from employment and business operations, as well as national and municipal property tax. This tax reduction is 30 percent of the net loss that does not exceed SEK 100 thousand and 21 percent of any remaining net loss. A net loss cannot be carried forward to future tax years.

For private individuals resident in Sweden for tax purposes, a preliminary tax of 30 percent is withheld on dividends. The preliminary tax is normally withheld by Euroclear Sweden or, in respect of nominee-registered shares, by the nominee.

Private individuals who own shares through investment savings account (Sw. investeringssparkonto) are not taxed on capital gain on sale or dividend on such shares. Consequently, losses are not deductible. Tax is levied on a standard income, based on an assessed capital value of the investment savings account multiplied with the government loan interest, regardless of whether the investment savings account bears profit or loss. As of 1 January 2016, the imposed standard tax is based on a capital base multiplied by the government borrowing rate increased by 0,75 percentage points, however, at least 1,25 percent of the capital base.

## Limited liability companies

For limited liability companies (Sw. aktiebolag) all income, including taxable capital gains and taxable dividends, is taxed as income from business operations at a rate of 22 percent. Deductible capital losses on shares may only offset taxable capital gains on shares and other securities taxed as shares. A net capital loss on shares that cannot be utilized during the year of the loss, may be carried forward (by the limited liability company that has suffered the loss) and offset taxable capital gains on shares and other securities taxed as shares in future years, without any limitation in time. If a capital loss cannot be deducted by the company that has suffered the loss, it may be deducted from group taxable capital gains on shares and other securities taxed as shares from another legal entity within the same company group, provided that the companies are entitled to tax consolidation (through so-called group contributions) and both companies request this for a tax year having the same income tax return filing date for each company (or, if one of the companies' accounting liability ceases, would have had the same income tax return filing date). Special tax rules may apply to certain categories of companies or certain legal persons, e.g. investment companies.

## Shareholders with limited tax liability in Sweden

For shareholders not resident in Sweden for tax purposes that receive dividends on shares in a Swedish limited liability company, Swedish withholding tax is normally withheld. The same withholding tax applies to certain other payments made by a Swedish limited liability company, such as payments as a result of redemption of shares and repurchase of shares through an offer directed to all shareholders or all holders of shares of a certain class. The tax rate is 30 percent. The tax rate is, however, generally reduced through tax treaties for the avoidance of double taxation. In Sweden, withholding tax deductions are normally carried out by Euroclear Sweden or, in respect of nominee-registered shares, by the nominee.

Shareholders not resident in Sweden for tax purposes – which are not conducting business through a permanent establishment in Sweden – are normally not liable for capital gains taxation in Sweden upon disposals of shares. Shareholders may, however, be subject to taxation in their state of residence. According to a special rule, private individuals not resident in Sweden for tax purposes are, however, subject to Swedish capital gains taxation upon disposals of shares in the Company, if they have been residents of Sweden or have had a habitual abode in Sweden at any time during the calendar year of disposal or the ten calendar years preceding the year of disposal. In a number of cases though, the applicability of this rule is limited by tax treaties for the avoidance of double taxation.

# Certain U.S. Federal income tax considerations

Holders are hereby notified that : (a) any discussion of U.S. Federal tax issues in this offering circular is not intended or written to be relied upon , and cannot be relied upon , by holders for the purpose of avoiding penalties that may be imposed on holders under the internal revenue code of 1986, as amended (the “U.S. Code”); (b) such discussion is included herein by the company in connection with the promotion or marketing by the company of the transactions or matters addressed herein ; and (c) holders should seek advice based on their particular circumstances from an independent tax adviser

The following is a description of certain U.S. federal income tax consequences that may be relevant with respect to the receipt, exercise and disposition of the shares by a U.S. Holder (as defined below). This summary deals only with initial purchasers of shares in the Offering, who use the U.S. dollar as their functional currency and will hold the shares as capital assets.

This description does not purport to address all material U.S. tax consequences of the receipt, exercise and disposition of the shares and does not address aspects of U.S. federal income taxation that may be applicable to investors that are subject to special tax rules, including without limitation:

- Certain financial institutions;
- dealers or certain traders in securities;
- real estate investment trusts, regulated investment entities or grantor trusts;
- persons holding shares as part of a straddle, wash sale, conversion transaction or integrated transaction or persons entering into a constructive sale with respect to the shares;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- persons who receive shares as compensation for the performance of services;
- persons who are resident in or have a permanent establishment in Sweden;
- tax-exempt entities;
- certain U.S. expatriates;
- “dual resident” corporations;
- persons that own or are deemed to own 10% or more of the Company’s voting stock; or
- persons holding shares in connection with a trade or business outside the United States.

Further, this description does not address state, local, foreign or other tax laws, nor does it address the 3.8% U.S. federal Medicare tax on net investment income, the alternative minimum tax or the U.S. federal gift and estate tax consequences of the receipt, exercise and disposition of the shares. This description is based on the U.S. Internal Revenue Code of 1986, as amended (U.S. Code), its legislative history, existing and proposed regulations promulgated thereunder, published rulings and court decisions, as well as on the Income Tax Convention Between the United States of America and Sweden (the “**Treaty**”), in each case as in effect on the date of this Offering, all of which are subject to change (or to changes in interpretation), possibly with retroactive effect. The Company has not requested, and does not intend to request, a ruling from the U.S. Internal Revenue Service (the “**IRS**”) with respect to matters addressed herein.

## U.S. Holders

You are a “U.S. Holder” for purposes of this discussion if for U.S. federal income tax purposes you are a beneficial owner of the Company’s shares and are:

- a citizen or individual resident of the United States;
- a corporation created or organized in or under the laws of the United States, any state therein or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if (i) a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of the substantial decisions of such trust, or (ii) such trust has a valid election in effect to be treated as a U.S. person for U.S. federal income tax purposes.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds shares, the tax treatment of the partnership and a partner in such partnership will generally depend on the status of the partner and the activities of the partnership. Such a partner or partnership should consult its tax adviser as to the U.S. federal income tax consequences of acquiring, holding, or disposing of the shares.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE HOLDERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

## Taxation of distributions

Subject to the PFIC rules discussed below, distributions paid on the shares (including the amount of any Swedish taxes withheld), other than certain pro rata distributions of shares to all shareholders, will be treated as dividends to the extent paid out of the Company’s current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Because the Company does not maintain calculations of its earnings and profits under U.S. federal income tax principles, it is expected that distributions generally will be reported to you as dividends.

Subject to applicable limitations, if you are a non-corporate U.S. Holder, dividends paid to you may be eligible for taxation as “qualified dividend income” and therefore may be taxable at favorable rates. Dividends will be treated as qualified dividends (a) if certain holding period requirements are satisfied, (b) if the Company is eligible for the benefits of a comprehensive income tax treaty with the United States that the IRS has

approved for the purposes of the qualified dividend rules, and (c) provided that the Company was not, in the year prior to the year in which the dividend was paid, and is not, in the year in which the dividend is paid, a PFIC. The Treaty has been approved for the purposes of the qualified dividend rules. The Company does not believe it was a PFIC in 2015 and does not expect to be a PFIC for 2016. However, its status in the current year and future years will depend upon its use of the funds from the Offering, as well as its income and assets (which for this purpose depends in part on the market value of the Company's shares) in those years. See the discussion below under "Passive foreign investment company rules." You should consult your tax advisor regarding the availability of the reduced tax rate on qualified dividends.

Dividends will generally be included in your income on the date of receipt. Dividends will not be eligible for the dividends-received deduction generally available to U.S. corporations under the U.S. Code. The amount of any dividend income paid in SEK will be the USD amount calculated by reference to the spot rate in effect on the date of receipt, regardless of whether the payment is in fact converted into USD. If the dividend is converted into USD on the date of receipt, you should not be required to recognize foreign currency gain or loss in respect of the amount received. You may have foreign currency gain or loss if the dividend is converted into USD after the date of receipt, and any such gain or loss will be U.S.-source ordinary income or loss.

Dividends will be treated as foreign-source dividend income for foreign tax credit purposes. Subject to applicable limitations, some of which vary depending upon your circumstances, Swedish income taxes withheld from dividend payments on shares at a rate not exceeding any applicable Treaty rate will be creditable against your U.S. federal income tax liability. Swedish income taxes withheld in excess of the applicable Treaty rate will not be eligible for credit against your U.S. federal income tax liability. The rules governing foreign tax credits are complex, and you should consult your tax advisor regarding the creditability of foreign taxes in your particular circumstances. In lieu of claiming a foreign tax credit, you may elect to deduct foreign taxes, including any Swedish taxes, in computing your taxable income, subject to applicable limitations. An election to deduct foreign taxes instead of claiming foreign tax credits applies to all foreign taxes paid or accrued in the relevant taxable year.

### Sale or other taxable disposition of shares

Subject to the PFIC rules discussed below, you generally will recognize taxable gain or loss on a sale or other taxable disposition of the shares equal to the difference between the amount realized on the sale or disposition and your tax basis in the shares, each as determined in USD. This gain or loss will generally be capital gain or loss, and will be long-term capital gain or loss if at the time of sale or disposition the shares have been held for more than one year. Any gain or loss will generally be U.S.-source for foreign tax credit purposes. The deductibility of capital losses is subject to limitations.

If you receive SEK (or other currency other than USD) upon a sale, exchange or other disposition of the shares, the amount realized generally will be the USD value of the payment received determined on (a) the date of receipt of payment in the case of a cash basis U.S. Holder and (b) the date of disposition in the case of an accrual basis U.S. Holder. If the shares are traded on an "established securities market", a cash basis taxpayer or, if it so elects, an accrual basis taxpayer, will determine the USD value of the amount realized by translating the amount received at the spot rate of exchange on the settlement date of the sale. A U.S. Holder will have a tax basis in the foreign currency received equal to the USD

amount realized. Any currency exchange gain or loss realized on a subsequent conversion of the foreign currency into USD for a different amount generally will be treated as ordinary income or loss from sources within the United States. However, if such foreign currency is converted into USD on the date received by the U.S. Holder, a cash basis or electing accrual basis U.S. Holder should not recognize any gain or loss on such conversion.

### Passive foreign investment company rules

A non-U.S. corporation will be classified as a "passive foreign investment company", or a PFIC, for U.S. federal income tax purposes in any taxable year in which, after applying certain look-through rules, either at least:

- 75.0% or more of its gross income is "passive income"; or
- 50.0% or more of the quarterly average value of its gross assets is attributable to assets that produce "passive income" or are held for the production of passive income.

Passive income for this purpose generally includes, among other things, dividends, interest, royalties, rents and gains from commodities and securities transactions and from the sale or exchange of property that gives rise to passive income. However, rents and gains derived in the active conduct of a trade or business in certain circumstances are considered active income. In determining whether a non-U.S. corporation is a PFIC, a proportionate share of the income and assets of each corporation in which it owns, directly or indirectly, at least a 25.0% interest (by value) is taken into account.

The Company does not believe that it was a PFIC for U.S. federal income tax purposes for its most recent taxable year and does not expect to be a PFIC for the current tax year. However, the determination of PFIC status is a factual determination that must be made annually at the close of each taxable year and, therefore, there can be no certainty as to the Company's status in this regard until the close of the current or any future taxable year. The Company's status could change depending, among other things, upon a decrease in the trading price of the shares, how quickly the Company makes use of the proceeds from the Offering, as well as changes in the composition and relative values of its assets, and the sources of its income. Moreover, the rules governing whether certain assets are active or passive are complex and in some cases their application can be uncertain. If the Company were a PFIC in any year during a U.S. Holder's holding period for the shares, the Company would ordinarily continue to be treated as a PFIC for each subsequent year during which the U.S. Holder owned the shares.

If the Company were a PFIC for a taxable year during a U.S. Holder's holding period for the shares, U.S. Holders generally would be subject to additional taxes (including taxation at ordinary income rates and an interest charge) on any "excess distributions" received from the Company and on any gain realized from a sale or other disposition of the shares. A U.S. Holder would have an excess distribution to the extent that distributions on the shares during a taxable year exceed 125% of the average amount received during the three preceding taxable years (or, if shorter, the U.S. Holder's holding period). To compute the tax on excess distributions or any gain, (i) the excess distribution or gain would be allocated ratably over the U.S. Holder's holding period, (ii) amounts allocated to the current taxable year and any year before the Company became a PFIC would be taxed as ordinary income in the current year, (iii) amounts allocated to other taxable years would be taxed at the highest applicable marginal rate in effect for each such year (i.e., at ordinary income tax rates), and (iv) an interest charge would be im-

posed to recover the deemed benefit from the deferred payment of the tax attributable to each year described in (iii). Gain on the disposition of the shares will be subject to taxation in the same manner as an excess distribution, described immediately above.

These adverse tax consequences may be mitigated if the U.S. Holder is eligible to and does elect to annually mark-to-market the stock. If the U.S. Holder makes a mark-to-market election, such holder will generally include as ordinary income the excess, if any, of the fair market value of the stock at the end of each taxable year over adjusted basis, and will be permitted an ordinary loss in respect of the excess, if any, of the adjusted basis of the stock over their fair market value at the end of the taxable year (but only to the extent of the net amount of income previously included in income as a result of the mark-to-market election). Any gain recognized on the sale or other disposition of stock will be treated as ordinary income. The mark-to-market election is available only for “marketable stock,” which is stock that is traded in other than de minimis quantities on at least 15 days during each calendar quarter on a qualified exchange or other market, as defined in the applicable U.S. Treasury regulations. A qualified exchange includes a non-US securities exchange that is regulated or supervised by a governmental authority of the country in which the securities exchange is located and meets certain trading, listing, financial disclosure and other requirements set forth in U.S. Treasury regulations. It is unclear whether MTF Nasdaq First North Premier Stockholm would be treated as a “qualified exchange” for these purposes.

A U.S. Holder’s adjusted tax basis in the stock will be increased by the amount of any income inclusion and decreased by the amount of any deductions under the mark-to-market rules. If a U.S. Holder makes a mark-to-market election it will be effective for the taxable year for which the election is made and all subsequent taxable years unless the stock are no longer regularly traded on a qualified exchange or the IRS consents to the revocation of the election. The mark-to-market election would be inapplicable to any subsidiaries of the Company that were PFICs since their shares would not be marketable stock. U.S. Holders are urged to consult their tax advisors about the availability of the mark-to-market election, and whether making the election would be advisable in their particular circumstances.

Some of the adverse PFIC tax consequences can also be minimized if a U.S. Holder in a PFIC is eligible and timely makes a valid qualified electing fund (“**QEF**”) election. In order for a U.S. Holder to be able to make a QEF election, the Company would be required to provide such U.S. Holder with certain information. As the Company does not expect to provide U.S. Holders with the required information, pro-

spective investors should assume that a QEF election will not be available.

If you own the Company’s shares during any year in which the Company is a PFIC, you must file IRS Form 8621 with respect to the Company, generally with your federal income tax return for that year.

You should consult your tax adviser regarding whether the Company is a PFIC and the potential application of the PFIC rules to your ownership of shares for any taxable year.

### Backup withholding and information reporting

Payments of dividends and sales proceeds that are made within the United States or through U.S. or certain U.S.-related financial intermediaries will generally be subject to information reporting and backup withholding, unless (i) you are an exempt recipient or (ii) in the case of backup withholding, you provide a correct taxpayer identification number and certify that you are not subject to backup withholding. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your U.S. federal income tax liability, provided that the required information is timely furnished to the IRS. You may be required to report information relating to non-U.S. accounts through which the shares are held (or information regarding the shares if the shares are not held through any financial institution). You should consult your tax advisor regarding your reporting obligations with respect to the shares.

Certain individual U.S. Holders (and under proposed Treasury regulations, certain entities) may be required to report to the IRS information with respect to their investment in the shares not held through an account with a U.S. financial institution. U.S. Holders who fail to report required information could become subject to substantial penalties. U.S. Holders are encouraged to consult with their own tax advisors regarding foreign financial asset reporting requirements with respect to their investment in the shares.

U.S. Holders who acquire any of the shares for cash may be required to file an IRS Form 926 (Return by a U.S. Transferor of Property to a Foreign Corporation) with the IRS and to supply certain additional information to the IRS if (i) immediately after the transfer, the U.S. Holder owns directly or indirectly (or by attribution) at least 10.0 percent of the Company’s total voting power or value or (ii) the amount of cash transferred to the Company in exchange for the shares when aggregated with all related transfers under applicable regulations, exceeds US\$100,000. Substantial penalties may be imposed on a U.S. Holder that fails to comply with this reporting requirement. Each U.S. Holder is urged to consult with its own tax advisor regarding this reporting obligation.



# Transfer restrictions

The shares in the Offering have not been, and will not be, registered under the United States Securities Act of 1933, as amended, or with any securities regulatory authority of any state of the United States, and may not be offered or sold, except in a transaction not subject to, or pursuant to an exemption from, the registration requirements of the Securities Act. In addition, until the end of the 40th calendar day after the closing of the Offering, an offer or sale of shares within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act.

## Rule 144A shares

Each purchaser of shares in the Offering within the United States purchasing pursuant to Rule 144A under the Securities Act or another exemption from the registration requirements of the Securities Act will be deemed to have represented, agreed and acknowledged that:

- (i). it has received a copy of the Offering Circular and such other information as it deems necessary to make an informed investment decision;
- (ii). the shares in the Offering have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state of the United States, may not be offered or sold, except in a transaction not subject to, or pursuant to an exemption from, the registration requirements of the Securities Act and are subject to significant restrictions on transfer;
- (iii). it (a) is a QIB as that term is defined by Rule 144A under the Securities Act, (b) is aware that, and each beneficial owner of such shares has been advised that, the sale to it is being made in reliance on Rule 144A under the Securities Act or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, (c) is acquiring such shares in the Offering for its own account or for the account of a QIB and (d) if it is acquiring such shares for the account of one or more QIBs, has sole investment discretion with respect to each such account and has full power to make the representations, agreements and acknowledgements herein on behalf of each such account;
- (iv). the shares in the Offering are being offered in the United States in a transaction not involving any public offering in the United States within the meaning of the Securities Act;
- (v). if, in the future, it decides to offer, resell, pledge or otherwise sell shares in the Offering, such shares may be offered, sold, pledged or otherwise transferred only (a) to a person whom the beneficial owner or any person acting on its behalf reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, or (c) in accordance with Rule 144 under the Securities Act (if available), in each case in accordance with any applicable securities laws of any state of the United States or any other jurisdiction;
- (vi). the shares in the Offering are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act and no representation is made as to the availability of the exemption provided by Rule 144 for the re-

sale of any shares;

- (vii). it will not deposit or cause to be deposited the shares in the Offering into any depository receipt facility established or maintained by a depository bank other than a Rule 144A restricted depository receipt facility, for so long as such shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act;
- (viii). the Company and the Joint Bookrunners and their respective affiliates, and others will rely upon the truth and accuracy of the foregoing representations, agreements and acknowledgements; and
- (ix). the Company shall not recognize any offer, sale, pledge or other transfer of the shares made otherwise than in compliance with the above stated restrictions.

PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT SELLERS OF THE SHARES PURCHASED WITHIN THE UNITED STATES PURSUANT TO RULE 144A MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A UNDER THE SECURITIES ACT.

## Regulation S shares

Each purchaser of the shares in the Offering purchasing pursuant to Regulation S will be deemed to have represented, agreed and acknowledged that (terms used in this paragraph that are defined in Regulation S are used herein as defined therein):

- it has received a copy of the Offering Circular and such other information as it deems necessary to make an informed investment decision;
- the shares in the Offering have not been, and will not be, registered under the Securities Act, or with any securities regulatory authority of any state of the United States;
- it and the person, if any, for whose account or benefit it is acquiring the shares in the Offering was located outside the United States at the time of the offer to it of the shares and at the time that the buy order for the shares was originated for the purposes of Rule 903 of Regulation S under the Securities Act;
- if it is acquiring shares as a fiduciary or agent for one or more investor accounts, it has sole investment discretion with respect to each such account and it has full power to make the representations, agreements and acknowledgements herein on behalf of each such account;
- the shares in the Offering are being offered outside the United States pursuant to Regulation S and, subject to certain exceptions, such shares may not be offered or sold within the United States;
- it is aware of the restrictions on the offer and sale of the shares in the Offering pursuant to Regulation S described in this Offering Circular;
- the Company and the Joint Bookrunners and their respective affiliates, and others will rely upon the truth and accuracy of the foregoing representations, agreements and acknowledgements; and

the Company shall not recognize any offer, sale, pledge or other transfer of the shares made otherwise than in compliance with the above stated restrictions.



# Definitions

## **The Company/LeoVegas**

LeoVegas AB (publ), Corporate Registration Number 556830-4033, or the Group in which LeoVegas AB (publ) is the parent company.

## **GDP**

Gross domestic product.

## **CCI**

Consumer Confidence Index.

## **Deposit**

A deposit is defined as a customer's depositing of money into a gaming account at LeoVegas.

## **The Offering**

The Offering to acquire shares in LeoVegas in accordance with the Prospectus.

## **EUR**

Euro.

## **Euroclear Sweden**

Euroclear Sweden AB, Corporate Registration Number 556112-8074.

## **EU**

The European Union.

## **FTE**

Full-time equivalents.

## **The Main Shareholders**

Aggregate Media Fund V KB, Gustaf Hagman and Robin Ramm-Ericson.

## **Joint Global Coordinators**

Carnegie Investment Bank AB and Skandinaviska Enskilda Banken AB (publ)

## **The Code**

The Swedish Corporate Governance Code.

## **Lock-up Period**

The period after trading has commenced on Nasdaq First North Premier during which all shareholders not selling shares in the Offering have undertaken not to sell their respective remaining holdings, in accordance with the Placing Agreement.

## **MGA**

Malta Gaming Authority.

## **NGR**

Net gaming revenue.

## **The Placing Agreement**

The agreement concerning the placement of shares that will be entered into prior to the listing of LeoVegas shares.

## **The Prospectus**

This prospectus, which has been prepared in connection with the Offering, and the admission of LeoVegas shares to trading on Nasdaq First North Premier.

## **RNG games**

Random number-generated games, such as slots, which are not skill games.

## **SEB Foundations**

Includes SEB-Stiftelsen, Skand Enskilda and CBLUX-SEB S.A. Client assets AIF

## **The Selling Shareholders**

The Main Shareholders and 54 other shareholders.

## **USD**

US dollar.

## **The Over-allotment Option**

The Main Shareholders and SEB Foundations undertaking to sell, at the request of the Joint Global Coordinators, an additional maximum of 4,006,767 shares, corresponding to 15 percent of the shares in the Offering, before any potential increase of the Offering.

# Historical financial information for the financial years 2015, 2014 and 2013

## Group Consolidated income statement

Amounts in KEUR	Notes	Audited 2015	Audited 2014	Audited 2013
Revenue	7	83,018	36,992	16,065
Cost of sales		-18,628	-8,604	-5,021
<b>Gross profit</b>		<b>64,390</b>	<b>28,388</b>	<b>11,044</b>
Personnel costs	8	-9,183	-4,345	-1,637
Capitalised development costs		1,433	646	240
Operating expenses	9,10	-9,776	-3,497	-1,128
Marketing expenses		-45,106	-19,211	-8,811
Other income and expense	11	- 565	236	-
<b>EBITDA</b>		<b>1,193</b>	<b>2,217</b>	<b>- 292</b>
Depreciation and amortisation		- 688	- 292	- 143
<b>Operating profit (EBIT)</b>		<b>505</b>	<b>1,925</b>	<b>- 435</b>
Finance income	12	9	3	2
Finance costs	12	-2	-2	-27
<b>Finance net</b>		<b>7</b>	<b>1</b>	<b>-25</b>
Income tax	13	- 82	- 207	- 18
<b>Net profit for the period<sup>1)</sup></b>		<b>429</b>	<b>1,719</b>	<b>- 478</b>
<b>Other comprehensive income</b>		-	-	-
Items that may be reclassified to profit or loss		-	-	-
Exchange rate differences in the translation to EUR as the presentational currency		-	-	- 9
<b>Total comprehensive income for the year</b>		<b>429</b>	<b>1,719</b>	<b>- 487</b>
<b>Earnings per share</b>				
- Before dilution	14	0.02	0.77	0.27
- After dilution	14	0.02	0.73	0.27

1. Profit for the period is entirely attributable to shareholders of the Parent Company.

## Group Consolidated balance sheet

Amounts in KEUR	Notes	Audited 2015	Audited 2014	Audited 2013
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	15	694	303	94
Intangible assets	16	3,872	1,759	699
Deferred tax assets	13	7	-	-
<b>Total non-current assets</b>		<b>4,573</b>	<b>2,062</b>	<b>793</b>
<b>Current assets</b>				
Trade and other receivables	19	4,045	3,180	2,118
Prepaid expenses and accrued income	20	1,813	348	91
Cash and cash equivalents	21	22,605	17,483	2,853
<b>Total current assets</b>		<b>28,464</b>	<b>21,012</b>	<b>5,062</b>
<b>TOTAL ASSETS</b>		<b>33,036</b>	<b>23,074</b>	<b>5,855</b>
<b>EQUITY AND LIABILITIES</b>				
Share capital	22	57	24	20
Share capital not yet registered		-	1	-
Share premium		17,689	16,683	5,207
Accumulated losses		-1,198	-1,627	-3,346
<b>Equity attributable to owners of the Parent Company</b>		<b>16,548</b>	<b>15,081</b>	<b>1,881</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Other non-current liabilities	23	906	-	-
<b>Total non-current liabilities</b>		<b>906</b>	<b>-</b>	<b>-</b>
<b>Current liabilities</b>				
Trade and other payables	24	7,994	4,954	1,918
Other liabilities		621	392	18
Accrued expenses	25	6,968	2,648	2,038
<b>Total current liabilities</b>		<b>15,583</b>	<b>7,993</b>	<b>3,974</b>
<b>Total liabilities</b>		<b>16,489</b>	<b>7,993</b>	<b>3,974</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>33,036</b>	<b>23,074</b>	<b>5,855</b>

Shareholders' equity is entirely attributable to the owners of the Parent Company. There have been no transfers between levels of the fair value hierarchy used in measuring fair value of financial instruments. No significant effects come from revaluation of financial assets and liabilities and no such assets are valued based on non-observable inputs.

**Group Consolidated statement of changes in equity**

Amounts in KEUR	Share capital	Share capital not yet registered	Share premium	Retained earnings	Total equity
<b>Balance at 1 January 2013</b>	<b>18</b>	<b>-</b>	<b>3,444</b>	<b>-2,875</b>	<b>587</b>
Loss for the year	-	-	-	-487	-487
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>- 487</b>	<b>- 487</b>
<b>Transactions with shareholders in their capacity as owners:</b>					
Issue of ordinary shares, incl. Issue costs	2	-	1,883	-	1,885
Translation difference in equity in change of presentation currency	-	-	-120	16	-104
	<b>2</b>	<b>-</b>	<b>1,763</b>	<b>16</b>	<b>1,781</b>
<b>Balance at 31 December 2013</b>	<b>20</b>	<b>-</b>	<b>5,207</b>	<b>-3,346</b>	<b>1,881</b>
<b>Balance at 1 January 2014</b>	<b>20</b>	<b>-</b>	<b>5,207</b>	<b>-3,346</b>	<b>1,881</b>
Profit for the year	-	-	-	1,719	1,719
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,719</b>	<b>1,719</b>
<b>Transactions with shareholders in their capacity as owners:</b>					
New share issue	4	-	10,717	-	10,721
New share issue in progress, incl. issue costs	-	1	735	-	736
Premium received for warrants	-	-	25	-	25
	<b>4</b>	<b>1</b>	<b>11,477</b>	<b>-</b>	<b>11,482</b>
<b>Balance at 31 December 2014</b>	<b>24</b>	<b>1</b>	<b>16,683</b>	<b>-1,627</b>	<b>15,081</b>
<b>Balance at 1 January 2015</b>	<b>24</b>	<b>1</b>	<b>16,683</b>	<b>-1,627</b>	<b>15,081</b>
Profit for the year	-	-	-	429	429
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>429</b>	<b>429</b>
<b>Transactions with shareholders in their capacity as owners:</b>					
New share issue through exercise of warrants	3	-1	900	-	903
Capitalisation issue	30	-	-30	-	-
Premium received for warrants	-	-	135	-	135
	<b>33</b>	<b>- 1</b>	<b>1,005</b>	<b>-</b>	<b>1,038</b>
<b>Balance at 31 December 2015</b>	<b>57</b>	<b>-</b>	<b>17,689</b>	<b>-1,198</b>	<b>16,548</b>

There are no non-controlling interests (minority interests) in the Group; all equity is therefore attributed to owners of the Parent Company.

**Group Consolidated statement of cash flows**

Amounts in KEUR	Notes	Audited 2015	Audited 2014	Audited 2013
<b>Cash flow from operating activities</b>				
Operating profit		505	1,925	- 435
Adjustments for non-cash flow items:				
Depreciation and amortisation	15, 16	688	292	143
Other non-cash items		- 3	59	-
Paid income tax		- 11	-	- 2
Interest received		7	3	2
Interest paid		0	- 1	- 23
<b>Cash flow from operating activities before working capital changes</b>		<b>1,186</b>	<b>2,278</b>	<b>- 315</b>
<i>Cash flow from changes in working capital</i>				
Decrease in trade and other receivables		-2,167	-1,431	-1,294
Increase in trade and other payables		7,373	3,947	2,646
<b>Cash flow from operating activities</b>		<b>6,393</b>	<b>4,794</b>	<b>1,037</b>
<b>Cash flow from investing activities</b>				
Acquisition of property, plant and equipment		- 600	- 331	- 96
Acquisition of intangible assets		-1,533	-1,230	- 446
Acquisition of subsidiaries		- 156	-	-
<b>Cash flow from investing activities</b>		<b>-2,289</b>	<b>-1,561</b>	<b>- 542</b>
<b>Cash flow from financing activities</b>				
Proceeds from issue of shares		-	10,824	1,886
Proceeds from issue of shares upon redemption of warrants		870	632	-
Premium received for warrants		134	-	24
<b>Cash flow from financing activities</b>		<b>1,004</b>	<b>11,456</b>	<b>1,910</b>
<b>Net increase in cash and cash equivalents</b>		<b>5,107</b>	<b>14,689</b>	<b>2,405</b>
Cash and cash equivalents at the beginning of the period		17,483	2,853	556
Effects of exchange rate changes on cash and cash equivalents		15	- 59	- 108
<b>Cash and cash equivalents at end of period</b>	21	<b>22,605</b>	<b>17,483</b>	<b>2,853</b>



**Parent Company Income statement, condensed**

Amounts in KEUR	Notes	Audited 2015	Audited 2014	Audited 2013
<b>Continuing operations</b>				
Revenue	7	69	71	955
Capitalised development costs		-	-	188
Other operating income	11	-	-	43
Marketing expenses		-	-	-50
Operating expenses		-843	-423	-206
Personnel costs	8	-292	-120	-750
<b>EBITDA</b>		<b>-1,066</b>	<b>-472</b>	<b>180</b>
Depreciation and amortisation		-	-	-93
<b>EBIT</b>		<b>-1,066</b>	<b>-472</b>	<b>86</b>
Financial income		493	300	244
Financial costs		-	-	-4
<b>Finance net</b>	12	<b>493</b>	<b>300</b>	<b>240</b>
<b>Loss/Profit before tax</b>		<b>-572</b>	<b>-172</b>	<b>326</b>
Income tax expense	13	-	-	-
<b>Loss/Profit for the year</b>		<b>-572</b>	<b>-172</b>	<b>326</b>

Profit for the year is equivalent to the Total comprehensive income for the relevant period.

## Parent Company Balance sheet

Amounts in KEUR	Notes	Audited 2015-12-31	Audited 2014-12-31	Audited 2013-12-31
<b>ASSETS</b>				
<b>Non-current assets</b>				
Participations in group companies	17	236	1	1
Receivables from group companies	18	8,082	4,387	4,525
<b>Total non-current assets</b>		<b>8,318</b>	<b>4,388</b>	<b>4,526</b>
<b>Current assets</b>				
Receivables from group companies	18	1,449	299	183
Other receivables	19	113	46	29
Prepaid expenses and accrued income	20	21	-	13
Cash and cash equivalents	21	7,321	11,800	352
<b>Total current assets</b>		<b>8,905</b>	<b>12,145</b>	<b>577</b>
<b>TOTAL ASSETS</b>		<b>17,223</b>	<b>16,533</b>	<b>5,103</b>
<b>EQUITY</b>				
<i>Restricted equity</i>				
Share capital	22	57	24	20
Non-registered share capital		-	1	-
		<b>57</b>	<b>25</b>	<b>20</b>
<i>Unrestricted equity</i>				
Share premium		17,689	11,451	1,874
Accumulated losses/Retained earnings		-1,007	4,797	3,070
		<b>16,682</b>	<b>16,248</b>	<b>4,944</b>
<b>Total equity</b>		<b>16,738</b>	<b>16,273</b>	<b>4,964</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Liabilities to group companies		-	-	8
<b>Total non-current liabilities</b>		<b>-</b>	<b>-</b>	<b>8</b>
<b>Current liabilities</b>				
Trade and other payables	24	346	153	62
Accrued expenses	25	138	107	69
<b>Total current liabilities</b>		<b>485</b>	<b>260</b>	<b>131</b>
<b>Total liabilities</b>		<b>485</b>	<b>260</b>	<b>139</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>17,223</b>	<b>16,533</b>	<b>5,103</b>
<b>Pledged assets and contingent liabilities</b>				
Pledged assets	26	None	None	None
Contingent liabilities	31	9,531	4,686	4,708

## Parent Company Statement of changes in equity

Amounts in KEUR	Restricted equity		Unrestricted equity		
	Share capital	Share capital not yet registered	Share premium	Retained earnings	Total equity
<b>Balance at 1 January 2013</b>	<b>18</b>	<b>-</b>	<b>1,782</b>	<b>961</b>	<b>2,761</b>
Profit for the year	-	-	-9	327	317
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-9</b>	<b>327</b>	<b>317</b>
<b>Transactions with shareholders in their capacity as owners:</b>					
New share issue, incl. issue costs	2	-	1,883	-	1,885
Transfer to retained earnings	-	-	-1,782	1,782	-
	<b>2</b>	<b>-</b>	<b>101</b>	<b>1,782</b>	<b>1,885</b>
<b>Balance at 31 December 2013</b>	<b>20</b>	<b>-</b>	<b>1,874</b>	<b>3,070</b>	<b>4,964</b>
<b>Balance at 1 January 2014</b>	<b>20</b>	<b>-</b>	<b>1,874</b>	<b>3,070</b>	<b>4,964</b>
Loss for the year	-	-	-	-172	-172
<b>Total shareholders income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-172</b>	<b>-172</b>
<b>Transactions with shareholders in their capacity as owners:</b>					
New share issue	4	-	10,717	-	10,721
New share issue in progress, incl. issue costs	-	1	734	-	735
Premium received for warrants	-	-	-	25	25
Transfer to retained earnings	-	-	-1,874	1,874	-
	<b>4</b>	<b>1</b>	<b>9,577</b>	<b>1,899</b>	<b>11,481</b>
<b>Balance at 31 December 2014</b>	<b>24</b>	<b>1</b>	<b>11,451</b>	<b>4,797</b>	<b>16,273</b>
<b>Balance at 1 January 2015</b>	<b>24</b>	<b>1</b>	<b>11,451</b>	<b>4,797</b>	<b>16,273</b>
Loss for the year	-	-	-	-572	-572
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-572</b>	<b>-572</b>
<b>Transactions with shareholders in their capacity as owners:</b>					
New share issue	3	-1	900	-	902
Transfer from retained earnings	-	-	5,231	-5,231	-
Capitalisation issue	30	-	-30	-	-
Premium received for warrants	-	-	135	-	135
	<b>33</b>	<b>-1</b>	<b>6,237</b>	<b>-5,231</b>	<b>1,037</b>
<b>Balance at 31 December 2015</b>	<b>57</b>	<b>-</b>	<b>17,689</b>	<b>-1,008</b>	<b>16,738</b>

## Parent Company Statement of cash flows

Amounts in KEUR	Notes	Audited 2015	Audited 2014	Audited 2013
<b>Cash flows from operating activities</b>				
Operating loss/profit		-1,066	-472	86
Adjustments for non-cash flow items:				
Depreciation and amortisation		-	-	93
Interest received		493	183	326
<b>Cash flow from operating activities before working capital changes</b>		<b>-573</b>	<b>-289</b>	<b>505</b>
<i>Cash flow from changes in working capital</i>				
Increase/decrease in trade and other receivables		-173	5	238
Increase/decrease in trade and other payables		149	145	-107
<b>Cash flow from operating activities</b>		<b>-597</b>	<b>-139</b>	<b>636</b>
<b>Cash flow from investing activities</b>				
Acquisition of intangible assets		-	-	-318
Proceeds from the disposal of intangible assets		-	-	587
Acquisition of subsidiary		-15	-	-
<b>Cash flow from investing activities</b>		<b>-15</b>	<b>-</b>	<b>269</b>
<b>Cash flows from financing activities</b>				
Proceeds from issue of shares		-	10,824	1,886
Proceeds from issue of shares upon redemption of warrants		870	632	-
Premium received for warrants		-	-	33
Repayment of borrowings		2,470	1,042	370
Loan advances to subsidiaries		-7,207	-911	-2,803
<b>Cash flow from financing activities</b>		<b>-3,866</b>	<b>11,587</b>	<b>-514</b>
<b>Net cash flow for the period</b>		<b>-4,478</b>	<b>11,448</b>	<b>391</b>
Cash and cash equivalents at beginning of the period		11,800	352	56
Effects of exchange rate changes on cash and cash equivalents		-	-	-95
<b>Cash and cash equivalents at end of period</b>		<b>7,322</b>	<b>11,800</b>	<b>352</b>

**NOTE 1 Reporting entity**

LeoVegas AB (publ) ("LeoVegas", the "parent company" or the "Company"), corporate identity number 556830-4033, is a public limited liability company registered in Sweden and domiciled in Stockholm. The Company's registered office is Sveavägen 59, 113 59, Stockholm, Sweden. These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "Group").

**About LeoVegas Mobile Gaming Group**

LeoVegas' vision is to create the greatest gaming experience and be number one in mobile gaming entertainment. The Mobile Gaming Group LeoVegas holds a leading market position in mobile casino gaming. LeoVegas is characterised by award winning innovation and strong growth. The operations of LeoVegas are based in Malta while the technology development is in Sweden. The ultimate parent company LeoVegas AB (publ) invests in companies operating in gaming on mobile and other online devices, as well as companies developing related technology. LeoVegas has internationally been recognised and has won several awards.

These consolidated financial statements were authorised for issue by the board of directors on 11 February 2016.

**NOTE 2 Summary of significant accounting policies**

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

**2.1 Basis of preparation****Statement of compliance**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as well as the interpretation statements of the International Financial Reporting Interpretations Committee (IFRIC), as approved by the European Commission for application within the EU. The Swedish Annual Accounts Act and the Swedish Financial Reporting Board's Recommendation (RFR) RFR 1 "Supplementary Accounting Rules for Groups" has also been applied.

The preparation of the financial statements in conformity with IFRS requires the use of certain accounting estimates. It also requires the directors to exercise their judgement in the process of applying the Company's accounting policies (see Note 3 – Critical accounting estimates and judgements).

The Company prepares its annual financial statements in accordance with the Swedish Annual Accounts Act (1995:1554) and RFR 2 "Accounting for Legal Entities". RFR 2 entails that the parent company shall apply all EU-approved IFRS 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 financial statements of the parent company 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.

2014 was the first year LeoVegas presented consolidated financial statements and used IFRS and IFRIC interpretations, RFR 1 "Supplementary Accounting Rules for Groups". Before 2014, the Company did not present consolidated financial statements pursuant to Chapter 7, section 3 of the Swedish Annual Accounts Act.

**Standards, amendments and interpretations to be published standards effective in 2015**

In 2015, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning 1 January 2015. The adoption of these revisions to the requirements of IFRSs did not result in substantial changes to the Group's accounting policies.

**Standards, amendments and interpretations to published standards that are not yet effective**

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2015 and earlier application is permitted. However, the Group has not been early applied in the following new or amended standards in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

**IFRS 9 Financial Instruments**

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance

on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.

**IFRS 15 Revenue from contracts with customers**

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 Revenue and IAS 11 Construction contracts and related interpretations. IFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

**IFRS 16 Leases**

In January 2016, IASB issued a new lease standard that will replace IAS 17 Leases and the related interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires assets and liabilities arising from all leases, with some exceptions, to be recognized on the balance sheet. This model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. The accounting for lessors will in all material aspects be unchanged. The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted. EU has not yet adopted the standard. The group has not yet assessed the impact of IFRS 16.

**2.2 Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis.

**2.3 Principles of consolidation**

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

**Subsidiaries**

Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights, variable returns from its involvement with the entity and has the ability to affect those returns through its power 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.

The acquisition method of accounting is used to account for business combinations by the Group.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transactions provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

**2.4 Foreign currency translation****(a) Functional and presentation currency**

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

All amounts have been rounded to the nearest thousand, unless otherwise indicated.

On 1 January 2014, LeoVegas changed its presentation currency from SEK to EUR. Comparative figures for the financial year 2013 were recalculated in accordance with the principles in 2.5.b.

**(b) Transactions and balances**

The results and financial position of all group entities that have a functional cur-



rency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet are translated at the closing rate
- Revenues and expenses for each of the income statements are translated at the rate of the transaction date
- All foreign exchange differences are recognized in other comprehensive income

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within operating expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

## 2.5 Segment reporting

The parent company, has no external revenues. All of the Group's external revenues are derived from the gaming business generated by its subsidiaries. The Group recognises one operating segment.

## 2.6 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the supply of services in the ordinary course of the Group's activities.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met.

Gaming transactions that are not deemed to be financial instruments, where the Company's revenues stem from winnings that are subject to a fixed percentage, are recorded in accordance with IAS 18 Revenue.

Revenue arising from online casino is recognised net after the deductions of player's winnings, and certain related costs mainly comprising bonus costs and jackpot contributions.

## 2.7 Work performed by the Company for its own use and capitalised

Work performed by the Company for its own use and capitalised refers to direct expenditure for the year on salaries, other payroll-related costs and services purchased and attributed to development projects. These are recorded as assets in the statement of financial position.

## 2.8 Cost of sales

Cost of sales comprise service provider charges, royalty fees for third party software, fees paid to payment providers for payment processing, gaming taxes and the cost of chargebacks. The cost of gaming taxes and licensing fees for those games reported as financial instruments are calculated based on the outcome of the game and are deducted from the revenue reported from the game. LeoVegas currently has no games reported as financial instruments.

## 2.9 Marketing expenses

Marketing expenses includes external production costs and costs for the distribution of marketing material for the Group, as well as the costs associated with collaboration partners and affiliates. Payment to certain affiliates is volume-related and reflects the volume of the end customers' mediated gaming transactions.

## 2.10 Pension expenses

Group payments concerning defined contribution pension plans are charged to profit or loss during the period in which the employee renders the services to which the contribution relates.

## 2.11 Leases

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease. At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

Leases of property, plant and equipment, where the Group, as lessee, has

substantially all of the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance lease is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

## 2.12 Finance income and finance costs

Finance income includes interest income which is recognised in profit or loss for all interest-bearing instruments as it accrues, on a time-proportion basis using the effective interest method, unless collectability is in doubt.

Finance costs includes interest expense which is recognised in profit or loss using the effective interest method and exchange differences arising from ordinary operations.

## 2.13 Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income directly in equity, respectively.

### 2.13.1 Current tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It established provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities are offset only if certain criteria are met.

### 2.13.2 Deferred tax

Deferred tax is recognised, using the liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax is calculated according to the method for calculating latent tax, based on temporary differences between carrying amounts and amounts for tax purposes of assets and liabilities, using the tax rates and tax rules decided or announced at the statement of financial position date.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised.

Deferred tax assets and liabilities are offset when there is a legal enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## 2.14 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises:

- The fair value of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair value at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

## 2.15 Property, plant and equipment

Property, plant and equipment, comprising leasehold improvements, fixtures, furniture and fittings and equipment, are initially recorded at cost and are subsequently stated at historical cost less accumulated depreciation and any accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amounts or recognised as a separate asset, as appropriate only when it is probable that future economic benefits associate with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight line method to allocate their cost or revalue amounts to their residual values over their estimated useful lives, as follows:

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

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

## 2.16 Intangible assets

Intangible assets comprise capitalised software development costs and acquired software and domain names.

### 2.16.1 Capitalised software development costs

Capitalised software development costs are costs for developing gaming platforms (software) to provide the best gaming experience for mobile gaming. They are recognised at acquisition cost including salaries and other personnel-related expenses that may be attributed to the asset in a reasonable and consistent manner, less any accumulated amortisation and any accumulated impairment. These costs have a finite useful life and are amortised over their estimated useful lives of five years on a straight line basis. The Group also assesses at the end of each reporting period whether there is indications of impairment that the capitalised software development costs are impaired.

Capitalised development expenditure for gaming platforms that are not yet complete and which are deemed to have an unknown useful life are not subject to amortisation but they are annually tested for impairment, irrelevant of whether or not there was any indication thereof.

Expenditure arising as part of the development phase of gaming platforms

is capitalised. Costs associated with maintaining the gaming platforms are recognised as an expense as incurred.

Development expenditure that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use, sell or license it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- the expenditure attributable to the software will generate probable future economic benefits;
- the expenditure attributable to the software during its development can be reliably measured;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Research expenditure and development expenditure that do not meet the above criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

### 2.16.2 Acquired software licenses and domain names

Acquired software licenses and domain names are shown at historical cost including expenditure for the commencement of the software less any accumulated amortisation and any accumulated impairment. These costs have a finite useful life and are amortised over their estimated useful life of five years on a straight line basis. The Group also assesses at the end of each reporting period whether there is indications of impairment that the acquired software licenses and domain names are impaired.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

### 2.16.3 Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

## 2.17 Financial assets

### 2.17.1 Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed determinable payments that are not quoted in an active market. They arise when the Company provides money or services directly to a debtor with no intention of trading the asset. They are included under current assets, except for maturities greater than twelve months, after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

### 2.17.2 Recognition and measurement

The Group recognises a financial asset in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Loans and receivables are initially recognised at fair value plus transaction costs. They are subsequently carried at amortised cost using the effective interest method.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or been transferred and the Group has transferred substantially all risks and rewards of ownership or has not retained control of the financial asset.

### 2.17.3 Impairment of assets

The Group assesses at the end of each reporting period whether there is indications that a financial asset or a group of financial assets is impaired. A financial

asset or a group of financial assets is impaired and impairment losses are incurred only if there is indications of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The criteria that the Group uses to determine that there is indications of impairment include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as default or delinquency in interest or principal payments;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation.

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

#### **2.17.4 Trade and other receivables**

Trade receivables are amounts due from third parties for services performed in the ordinary course of business. If collection of the amounts is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised costs using effective interest method, less provision for impairment (Note 2.18.3). The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against profit or loss.

#### **2.17.5 Cash and cash equivalents**

Cash and cash equivalents are carried at face value in the statement of financial position. In the statement of cash flows, cash and cash equivalents comprise deposits held at call with banks and financial intermediaries. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Cash and cash equivalents include balances held on behalf of customers, which however are held separately and distinct from the funds of the Company, and whose use is restricted. Further information on this split is contained in Note 21 where the full impact is assessed.

#### **2.18 Contributed equity**

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

#### **2.18.1 Dividends**

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

#### **2.18.2 Earnings per share**

##### **Basic earnings per share**

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares;
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for ordinary shares issued during the year.

##### **Diluted earnings per share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of warrants takes place as expected.

#### **2.18.3 Rounding of amounts**

All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand Euro unless otherwise stated.

#### **2.18.4 Comparative information**

Comparative figures disclosed in the Company's statement of comprehensive income and its statement of financial position have been reclassified to conform with the current year's presentation format for the purpose of fairer presentation. In the comparison figures for 2014, a reclassification has been made in the amount of EUR 0.3 m from operating expenses to personnel costs compared with the 2014 Annual Report. The reclassification pertains to costs for certain, full-time consultants who are working closely with the company and have therefore been classified as personnel cost instead of other operating expenses. A move has also been made of the lines capitalised development costs and other revenue from total sales to after gross profit, which has reduced total sales but leaves EBITDA and items under it unchanged. The adjustment has been made to bring reported revenues closer to the actual gaming revenue and to apply industry practice for presentation of capitalised development costs. With respect to current assets, a reclassification has been made of cash and cash equivalents in e-wallets from other current assets to cash and cash equivalents. This also affects the cash balance in the statement of cash flows. In the quarterly figures, the same adjustment has been made as in the shareholder updates for the first and second quarters of 2015. The adjustment has been made because the balance in e-wallets is classified as cash and cash equivalents that is directly available to the company and should therefore be treated as a liquid asset. In the statement of cash flows, the currency effect on liquid assets has been stripped from adjustments for non-cash items to a separate line for all historical periods.

#### **2.19 Financial liabilities**

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

Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost.

The Group derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

#### **2.19.1 Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within thirty days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within twelve months after the reporting period. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### **2.20 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, are of a related nature, or realise the asset and settle the liability simultaneously.

#### **2.21 Provisions**

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

#### **2.22 Signification accounting policies for the parent company**

The parent company applies the same policies as the Group, with the exception that the financial statements parent company are presented in accordance with RFR 2, "Accounting for Legal Entities" and statements from the Swedish Financial Reporting Board.

There are differences in the accounting policies of the consolidated financial statements and the parent company's financial statements. The consolidated financial statements are prepared in accordance with IFRS, on the other hand, the parent company prepares its annual financial statements in accordance

with the Swedish Annual Accounts Act and RFR 2 "Accounting for Legal Entities". The differences in the accounting policies arose since RFR 2, which is applied by the parent company, entails that the parent company shall apply all EU-approved IFRSs and statements to the extent possible within the bounds of the Swedish Annual Accounts Act whilst the consolidated financial statements apply IFRS to its full extent.

### 2.23 Group companies

Participations in group companies are recognised in the parent company at acquisition cost less any impairment.

The value of subsidiaries is tested when there is an indication of a decline in value. Dividend received from subsidiaries is recognised as financial income. Transaction expenses in connection with company acquisitions are recognised as part of the acquisition cost.

### 2.24 Breakdown of restricted and unrestricted equity

In the statement of financial position of the parent company, equity is broken down into restricted and non-restricted equity pursuant to the Swedish Annual Accounts Act.

### 2.25 Share options issued to employees

During December 2015, LeoVegas AB issued 500,000 options to employees of the Group. The options were issued at an initial fair value cost to the employee of EUR 0.27 and with a fair value strike price EUR 7 per share exercisable during May 2018. The monies received for the said warrants is recognised in the Statement of changes in equity as Premium received for warrants.

### 2.26 Non-current liabilities

Non-current liabilities are recorded at fair value through profit and loss and are discounted at a rate of 2% to represent time value of money where future obligations will arise. The amounts recognised as non-current liabilities are shown at discounted values. The corresponding fair value adjustments are recognised in the Statement of Comprehensive income.

## NOTE 3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

The area that comprises a high degree of judgements, which are complex or which assumptions and estimates are of material significance, are assumptions associated with the impairment testing of intangible assets (Note 2.18).

With regards to accounting of deferred tax there are primarily two types of assumptions and assessments impacting reported deferred tax. These are assumptions and assessments to establish the reported value of various assets and liabilities, as well as those relating to future taxable profits, to the extent that future utilization of reported and non-reported deferred tax assets are dependent on such profits, in addition to existing deferred tax liabilities.

Estimates of the useful life of intangible assets has been set at 5 years. This after taking into consideration the pace and nature of changes and technology developments within the Group and the industry as a whole.

## NOTE 4 Significant risks and factors of uncertainty

LeoVegas operations is subject to several risks that could influence the company's financial position and results. A couple of main risks related to LeoVegas operations and markets have been identified. LeoVegas is dependent on official approval in terms of licenses. If LeoVegas is unable to maintain these licenses the company's results and financial position would be substantially affected. The online gaming industry is furthermore characterised by a varying degree of legal regulation and the future legal development of the industry is highly uncertain. A jurisdiction in Europe that is considering re-regulating and implementation of a licensing system to adjust legislation to become compliant with EU's requirements and fundamental principles regarding the free movement of services, is the Netherlands. The legal situation of the online gaming market in the Netherlands is currently uncertain. A jurisdiction outside the EU that prohibits foreign operators from allowing people in its jurisdiction to participate in online casino gaming is Australia. The Company does not conduct marketing activities or have any assets or operations in Australia which belongs to the accounting segment "Rest of the World" which accounted for less than 5 percent of the Group's deposits in 2015. Future developments and their consequences for the online gaming market are uncertain. LeoVegas' assessment is that both re-regulation and the introduction of legislation, both within and outside the EU, or changes in national legislation regarding stakes,

marketing, restrictions regarding online gaming or taxes, etc., in jurisdictions in which LeoVegas' online games could be made available could entail a material adverse impact on LeoVegas' operations, financial position and earnings. Violations of existing legislation could also lead to significant fines for LeoVegas which may impact financial results and position negatively with regards to taxes/penalties or similar. The legal and technical solutions, as well as restraints on marketing, LeoVegas apply in order to limit user's access and use in certain jurisdiction may prove to be insufficient. In jurisdiction where LeoVegas' offering is forbidden this can cause major damages to LeoVegas financial results. The directors are of the view that any potential exposure due to unpaid taxes is not material. The Group also faces significant competitive risks since the market is composed of a number of players, and barriers to enter the market are not significant. LeoVegas is also exposed to certain risks related to its IT-system. Errors in the IT-system could cause material negative consequences. Lastly, the company is also dependent on key personnel with high level of technical knowledge and significant experience from the industry. Inability to keep those key personnel may cause material impact on LeoVegas results. Note that these risks are considered to be the main risks and do not intended to fully cover all possible risks related to LeoVegas operations.

## NOTE 5 Definitions

**Revenue.** Revenue from gaming business is reported after payment of players' winnings after deducting jackpot contributions and bonuses.

**Gross profit.** Net result after deducting service provider charges, royalty software fees, fees paid to payment providers, gaming taxes and the cost of fraud and chargebacks from revenue as defined above.

**Average capital employed.** The balance sheet total less non-interest bearing liabilities at the end and at the beginning of the financial year, divided by two.

**Average equity.** Equity at the beginning of the financial year plus equity at the end of the financial year added and divided by two.

**Return on equity.** Profit after tax for the year divided by average equity during the year.

**Profit margin.** Income after financial items in relation to the revenue for the period.

**EBIT (Earnings before interest and taxes)** Profit before finance net and tax.

**EBITDA (Earnings before interest, taxes, depreciation and amortisation)** Profit before depreciation/amortisation, financial income/costs and tax.

**Quick ratio.** Current assets in relation to current liabilities.

**Equity/assets ratio.** Equity at the end of the period as a percentage of the balance sheet total at the end of the period.

**Average number of employees.** Number of employees expressed as full-time equivalent (full year's work).

**Earnings per share.** Income after tax in relation to the average number of outstanding shares during the period.

**Earnings per share after dilution.** Income after tax, divided by the weighted average number of outstanding shares during the year, adjusted for additional number of shares for options with dilution effect.

**Dividend per share.** Actual/proposed dividend.

**NOTE 6 Segment reporting**

LeoVegas AB, the parent company, has no external revenues. All of the Group's external revenues are derived from the gaming business generated by its subsidiaries. The breakdown of revenues in the Group and parent company by service is set out in Note 7, and by geographic region in the table below.

The Group only recognises one operating segment. The Group's highest executive decision-making body (CEO) reviews the internal management reports on a weekly basis.

KEUR	2015	2014	2013
<b>NGR</b>			
Nordics	57,407	32,009	16,047
UK	14,853	3,219	108
Rest of Europe	5,110	1,704	226
Rest of World	5,443	548	3
<b>Total</b>	<b>82,813</b>	<b>37,480</b>	<b>16,383</b>

NGR is defined as Net Gaming Revenue after costs for jackpot contributions and bonuses. NGR is closely related to revenue as it amounts to 99.75% of revenue for 2015. From revenue, unconverted bonuses and jackpot provisions are also deducted in order to arrive at the net gaming revenue.

Out of the Group's intangible assets, 96% (2014: 95%) is attributable to Sweden and out of the Group's property, plant and equipment, 25% (2014: 7%) is attributable to Sweden.

**NOTE 7 Revenue**

The group derives the following types of revenue:

KEUR	2015	2014	2013
<b>Group</b>			
Revenue from gaming operations	83,018	36,992	16,065
Royalty fees	-	-	-
Management fees	-	-	-
<b>Total revenue from continuing operations</b>	<b>83,018</b>	<b>36,992</b>	<b>16,065</b>
<b>Parent company</b>			
Revenue from gaming operations	-	-	-
Royalty fees	-	-	948
Management fees	69	71	7
<b>Total revenue from continuing operations</b>	<b>69</b>	<b>71</b>	<b>955</b>

Services between Group companies are carried out on an arm's length basis.



**NOTE 8 Employees****Average number of employees**

	2015	of whom are men	of whom are women	2014	of whom are men	of whom are women	2013	of whom are men	of whom are women
<b>Parent company</b>									
Sweden	3	2	1	1	1	-	7	7	-
<b>Subsidiaries</b>									
Malta	128	86	42	67	43	24	19	11	8
Sweden	30	26	4	18	16	2	8	8	-
<b>Total</b>	<b>161</b>	<b>114</b>	<b>47</b>	<b>86</b>	<b>60</b>	<b>26</b>	<b>34</b>	<b>26</b>	<b>8</b>

	2015	of whom are men	of whom are women	2014	of whom are men	of whom are women	2013	of whom are men	of whom are women
<b>Corporate management, number of people in executive positions</b>									
<b>Parent Company</b>									
Board of directors	6	4	2	4	4	-	4	4	-
Other senior executives	3	3	-	1	1	-	-	-	-
<b>Group total</b>									
Board of directors including subsidiaries	10	6	4	8	5	3	8	6	2
Other senior executives	5	4	1	2	2	-	1	1	-
<b>Total</b>	<b>15</b>	<b>10</b>	<b>5</b>	<b>10</b>	<b>7</b>	<b>3</b>	<b>9</b>	<b>7</b>	<b>2</b>

	2015		2014		2013	
Salaries, other remuneration and social security expenses	Salaries and remuneration	Social security expenses	Salaries and remuneration	Social security expenses	Salaries and remuneration	Social security expenses
<b>Parent company</b>	187	99	90	28	549	182
Related to pension	-	33	-	-	-	7
<b>Subsidiaries</b>	6,911	972	3,457	513	843	46
Related to pension	-	81	-	23	-	2
<b>Total</b>	<b>7,098</b>	<b>1,071</b>	<b>3,547</b>	<b>541</b>	<b>1,392</b>	<b>228</b>

**Salaries and remuneration broken down between board members, other senior executives and other employees**

	2015			2014			2013		
KEUR	Parent company	Group companies	Total	Parent company	Group companies	Total	Parent company	Group companies	Total
Board of directors	333	284	617	-	470	470	156	192	348
Other senior executives	233	324	557	90	-	90	83	-	83
Other employees	22	6,021	6,043	-	2,987	2,987	310	651	961
<b>Total</b>	<b>588</b>	<b>6,629</b>	<b>7,217</b>	<b>90</b>	<b>3,457</b>	<b>3,547</b>	<b>549</b>	<b>843</b>	<b>1,392</b>

**Board remuneration and other benefits**

	2015			2014			2013		
KEUR	Board remuneration	Basic salary	Other benefits	Board remuneration	Basic salary	Other benefits	Board remuneration	Basic salary	Other benefits
Robin Ramm-Ericson, Chairman of the board	-	215	-	-	114	7	-	105	-
Mårten Forste, Board member	20	-	-	-	-	-	-	-	-
Patrik Rosen, Board member	26	-	-	-	-	-	-	-	-
Anna Frick, Board member	26	-	-	-	-	-	-	-	-
Barbara Canales, Board member	20	-	-	-	-	-	-	-	-
Per Brillioth, Board member	26	-	-	-	-	-	-	-	-
<b>Totalt</b>	<b>118</b>	<b>215</b>	<b>0</b>	<b>0</b>	<b>114</b>	<b>7</b>	<b>0</b>	<b>105</b>	<b>0</b>

	2015			2014			2013		
KEUR	Basic salary	Pension costs	Other benefits	Basic salary	Pension costs	Other benefits	Basic salary	Pension costs	Other benefits
Gustaf Hagman, CEO LeoVegas AB	181	5	-	157	-	-	113	-	-
Working board members in subsidiaries	284	-	-	199	-	-	130	-	-
Other senior executives	376	29	-	90	-	-	83	-	-
<b>Totalt</b>	<b>841</b>	<b>34</b>	<b>0</b>	<b>446</b>	<b>0</b>	<b>0</b>	<b>326</b>	<b>0</b>	<b>0</b>

Working board members in subsidiaries are Johan Styren, Marcus Nylén and Beverly Pace.

Other senior executives are Gustaf Hagman (unless parent company CEO figures are separately disclosed) Viktor Fritzeén, Philip Doftvik, John Strömberg, Louise Nylén and Rikard Ljungman.

Robin Ramm-Ericson and Gustaf Hagman actively work in the group and earn their salary and remuneration from group companies.

As of May 2015, Gustaf Hagman has resigned from the Board of Directors to take an executive position of CEO of LeoVegas AB, the parent company.

LeoVegas AB has a remuneration committee chaired by Mårten Forste with Babba Canales and Anna Frick as members. The remuneration committee makes a proposal to the Board of Directors regarding principles for remuneration to the CEO and other executives in the company's top management and includes the following information:

- the relationship between fixed and variable remuneration and the linkage between performance and remuneration;
- the principal terms of bonus and incentive schemes;
- The principal terms of non-monetary benefits, pension, notice of termination and severance pay; and
- the layer of management covered.

As of the end of 2015 there was no variable compensation or bonuses as part of the remuneration for the senior management.

#### Decision-making and preparation process

The Chairman and members of the Board are paid fees in accordance with the resolution of the Annual General Meeting, with the exception if a board member is working for the company, in which case the member will receive a salary and no extra compensation for the board engagement.

#### Guidelines for remuneration to senior executives

Senior executives within the group includes the group CEO, group CFO, investor relations, group CXO, CEO of Gears of Leo, CEO of LeoVegas Gaming, group CMO, group CCO and group COO. Remuneration to senior executives is market-based and competitive in order to attract and keep talents. Remuneration to the CEO is comprised of a fixed salary, pension and health insurances. No variable remuneration is paid out. The reciprocal period of notice for termination of employment is four months. Upon termination initiated by the Company the group CEO is entitled to a severance pay equivalent to four months salaries, excluding the salary received during the period of notice. If the CEO is required to leave due to extensive carelessness, the CEO is not entitled to severance pay. Remuneration to other senior executives are comprised of fixed salaries, pension benefits and in some cases other benefits such as payment for school fees and contribution for housing if the individual is required to relocate. The period of notice is regulated by maltese law for the group CXO. For all other senior executives the reciprocal period of notice vary between 3 to 6 months.

#### Bonuses

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

#### Pensions

The retirement age for senior executives is 65. The monthly pension premium is specified in the employment contract, and is paid to the individuals pension insurance of choice. Executives based on Sweden have the opportunity to switch salary payments into pension payments provided that it is cost neutral for the Company.

#### Severance pay

Upon termination on the initiative of the Company, the Group CEO is entitled to a period of notice corresponding to four months and severance pay equivalent to four months salaries. The CEO is entitled severance pay in addition to salary received during the period of notice. Upon termination on the initiative of the individual, the period of notice is four months. The employee is not entitled to severance pay if the termination of employment is initiated by the individual. No other senior executives are entitled to severance pay.

## NOTE 9 Leases

### Leases as lessee

The Group has a number of operating leases in relation to the rental of the premises. The leases typically run for a period of 5 years with an option to renew the lease after that date. Lease payments are renegotiated every five years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indexes. For certain operating leases, the Group is restricted from entering into any sub-lease arrangements.

### Future minimum lease payments

At 31 December, the future minimum lease payments under non-cancellable leases were:

KEUR	2015	2014	2013
<b>Group</b>			
Within one year	781	197	120
Within two to five years	1,364	490	642
Later than five years	-	-	-
<b>Total</b>	<b>2,145</b>	<b>687</b>	<b>762</b>

KEUR	2015	2014	2013
<b>Parent company</b>			
Within one year	-	5	29
Within two to five years	-	-	-
Later than five years	-	-	-
<b>Total</b>	<b>0</b>	<b>5</b>	<b>29</b>

### Amounts recognised in profit or loss

KEUR	2015	2014	2013
<b>Group</b>			
Lease expense	626	300	80
<b>Total</b>	<b>626</b>	<b>300</b>	<b>80</b>

### Amounts recognised in profit or loss

KEUR	2015	2014	2013
<b>Parent company</b>			
Leasingutgift	-	33	32
<b>Total</b>	<b>0</b>	<b>33</b>	<b>32</b>

The Group does not have any contracts in which the parent company or its subsidiaries are the lessors.

## NOTE 10 Auditor fees and expenses

PricewaterhouseCoopers AB is the elected auditors of LeoVegas AB (publ) and its subsidiaries. In addition to the audit assignment, LeoVegas AB has also appointed PricewaterhouseCoopers AB for certain other assignments referring mainly to services related and required in the process of listing of the company.

The following remuneration is a summary of what has been paid to auditors and auditing firms for audits, other one-off assignments and for advice and other assistance prompted by observations in the review (Audit assignment). Remuneration has also been paid for other independent advice, (Other assignments).

KEUR	2015	2014	2013
<b>Group</b>			
PwC			
Audit assignment	96	59	-
Audit services besides the audit assignment	116	95	-
Advice on tax matters	105	8	22
Audit assignment, other	111	-	16
<b>Total</b>	<b>427</b>	<b>162</b>	<b>38</b>
Grant Thornton			
Audit assignment	23	36	6
Audit services besides the audit assignment	-	64	-
<b>Total</b>	<b>23</b>	<b>100</b>	<b>6</b>

KEUR	2015	2014	2013
<b>Parent Company</b>			
PwC			
Audit assignment	36	-	-
Audit services besides the audit assignment	110	-	-
Advice on tax matters	105	-	-
Audit assignment, other	111	-	-
<b>Total</b>	<b>362</b>	<b>0</b>	<b>0</b>
Grant Thornton			
Audit assignment	25	36	6
Audit services besides the audit assignment	-	64	22
<b>Total</b>	<b>25</b>	<b>100</b>	<b>28</b>

## NOTE 11 Other income and expense

KEUR	2015	2014	2013
<b>Group</b>			
Withdrawal fees	138	-	-
Other items charged to profit or loss	-703	236	-
<b>Total</b>	<b>-565</b>	<b>236</b>	<b>-</b>
<b>Parent company</b>			
Withdrawal fees	-	-	-
Other items charged to profit or loss	-	-	42
<b>Total</b>	<b>-</b>	<b>-</b>	<b>42</b>

Other items charged to profit or loss includes a one-time adjustment in order to more accurately disclose the pending withdrawals balance.

## NOTE 12 Finance net

KEUR	2015	2014	2013
<b>Group</b>			
Interest income	9	3	2
<b>Finance income</b>	<b>9</b>	<b>3</b>	<b>2</b>
Interest expense	-2	-2	-27
<b>Finance costs</b>	<b>-2</b>	<b>-2</b>	<b>-27</b>
<b>Finance net</b>	<b>7</b>	<b>1</b>	<b>-25</b>

KEUR	2015	2014	2013
<b>Parent company</b>			
Interest income	493	300	244
<b>Finance income</b>	<b>493</b>	<b>300</b>	<b>244</b>
Interest expense	-	-	-1
Profit from participations in group companies	-	-	-3
<b>Finance costs</b>	<b>-</b>	<b>-</b>	<b>-4</b>
<b>Finance net</b>	<b>493</b>	<b>300</b>	<b>240</b>

## NOTE 13 Income tax

This note provides an analysis of the group's income tax expense and how the tax expense is affected by non-assessable and non-deductible items. It also explains significant estimates made in relations to the Group's tax position.

### Tax expense

KEUR	2015	2014	2013
<b>Group</b>			
Current tax	89	210	6
<b>Total current tax expense</b>	<b>89</b>	<b>210</b>	<b>6</b>
<b>Deferred income tax</b>			
Increase/decrease in deferred tax assets	-7	-3	12
<b>Total deferred tax benefit</b>	<b>-7</b>	<b>-3</b>	<b>12</b>
<b>Tax expense</b>	<b>82</b>	<b>207</b>	<b>18</b>

### Tax expense

KEUR	2015	2014	2013
<b>Parent company</b>			
Current tax	-	-	-
<b>Total current tax expense</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Deferred income tax</b>			
Increase/decrease in deferred tax assets	-	-	-
<b>Total deferred tax benefit</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Tax expense</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Numerical reconciliation of the tax expense to prima facie tax payable**

The tax on the group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

KEUR	2015	2014	2013
<b>Group</b>			
Profit/Loss before tax	512	1,926	-460
Tax calculated at domestic tax rates applicable to profits in the respective countries:	113	424	-101
Tax effect from:			
Difference in tax rate in foreign operations	-430	-153	196
Income not subject to tax	-196	-102	-6
Expenses not deductible for tax purposes	386	28	3
Other	156	-129	-37
Utilisation of previously unrecognised tax losses	-31	-2	-41
Tax losses for which no deferred income tax assets was recognised	84	141	4
<b>Tax expense</b>	<b>82</b>	<b>207</b>	<b>18</b>

KEUR	2015	2014	2013
<b>Parent company</b>			
Profit/Loss before tax	-572	-172	327
Tax calculated at domestic tax rates applicable to profits in the respective countries:	-126	-38	72
Tax effect from:			
Difference in tax rate in foreign operations	-	-	-
Income not subject to tax	-	-	-
Expenses not deductible for tax purposes	1	-	2
Other	156	-103	-33
Utilisation of previously unrecognised tax losses	-31	-	-41
Tax losses for which no deferred income tax assets was recognised	-	141	-
<b>Tax expense</b>	<b>0</b>	<b>0</b>	<b>0</b>

Within the Group there exist a tax losses carried forward at a gross amount of 1.3 MEUR (1.0 and 0.3 for 2014 and 2013). Deferred tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. As the company has not been in a tax position historically the tax losses carry forward has not been capitalised yet. Of the not capitalised losses carry forward, 1.3 MEUR do not have a time bar.

**NOT 14 Earnings per share**

EUR	2015	2014	2013
<b>Group</b>			
Income attributable to parent company shareholders	429,428	1,718,826	(486,969)
Average number of shares	23,462,930	2,244,293	1,814,903
<b>Average number of shares before dilution</b>	<b>23,462,930</b>	<b>2,244,293</b>	<b>1,814,903</b>
Warrants	500,000	120,000	-
<b>Average number of shares after dilution</b>	<b>23,962,930</b>	<b>2,364,293</b>	<b>1,814,903</b>
<b>Earnings per share</b>			
- Before dilution	0.02	0.77	-0.27
- After dilution	0.02	0.73	-0.27

**NOTE 15 Property, plant and equipment**

KEUR	Leasehold Improvements	Fixtures, furniture and fittings	Equipment	Total
<b>Year ended 31 December 2013</b>				
Opening net book amount	-	5	27	32
Additions	-	15	80	95
Disposals	-	-	-	-
Depreciation charge	-	-2	-31	-33
<b>Closing net book amount</b>	<b>-</b>	<b>18</b>	<b>76</b>	<b>94</b>
<b>At 31 December 2013</b>				
Cost	-	20	111	131
Accumulated depreciation	-	-3	-35	-38
<b>Net book amounts</b>	<b>-</b>	<b>18</b>	<b>76</b>	<b>94</b>
<b>Year ended 31 December 2014</b>				
Opening net book amount	-	18	76	94
Additions	51	114	326	491
Disposals	-30	-34	-96	-160
Depreciation charge	-10	-25	-87	-122
<b>Closing net book amount</b>	<b>11</b>	<b>73</b>	<b>219</b>	<b>303</b>
<b>At 31 December 2014</b>				
Cost	21	101	341	463
Accumulated depreciation	-10	-28	-122	-160
<b>Net book amounts</b>	<b>11</b>	<b>73</b>	<b>219</b>	<b>303</b>
<b>Year ended 31 December 2015</b>				
Opening net book amount	11	73	219	303
Additions	-	132	473	605
Disposals	-3	-1	-	-4
Depreciation charge	-6	-50	-154	-210
<b>Closing net book amount</b>	<b>2</b>	<b>154</b>	<b>538</b>	<b>694</b>
<b>At 31 December 2015</b>				
Cost	18	232	814	1 064
Accumulated depreciation	-16	-78	-276	-370
<b>Net book amounts</b>	<b>2</b>	<b>154</b>	<b>538</b>	<b>694</b>

The depreciation charge is included in "Depreciation and amortisation" in the consolidated income statement.



**NOTE 16 Intangible assets**

KEUR	Goodwill	Capitalised Software	Domain names & Brands	Capitalised development costs	Total
<b>Year ended 31 December 2013</b>					
Opening net book amount	-	-	-	-	-
Additions	-	-	2	713	715
Disposals	-	-	-	-	-
Amortisation charge	-	-	-	-16	-16
<b>Closing net book amount</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>697</b>	<b>699</b>
<b>At 31 December 2013</b>					
Cost	-	-	2	713	715
Accumulated amortisation	-	-	-	-16	-16
<b>Net book amounts</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>697</b>	<b>699</b>
<b>Year ended 31 December 2014</b>					
Opening net book amount	-	-	2	697	699
Additions	-	76	2	1,152	1,230
Disposals	-	-	-	-	-
Amortisation charge	-	-1	-	-169	-170
<b>Closing net book amount</b>	<b>-</b>	<b>75</b>	<b>4</b>	<b>1,680</b>	<b>1,759</b>
<b>At 31 December 2014</b>					
Cost	-	76	4	1,865	1,945
Accumulated amortisation	-	-1	-	-186	-186
<b>Net book amounts</b>	<b>-</b>	<b>75</b>	<b>4</b>	<b>1,680</b>	<b>1,759</b>
<b>Year ended 31 December 2015</b>					
Opening net book amount	-	75	4	1,680	1,759
Additions	1,057	100	-	1,433	2,590
Disposals	-	-	-	-	-
Amortisation charge	-	-56	-1	-420	-477
<b>Closing net book amount</b>	<b>1,057</b>	<b>119</b>	<b>3</b>	<b>2,693</b>	<b>3,872</b>
<b>At 31 December 2015</b>					
Cost	1,057	176	4	3,298	4,535
Accumulated amortisation	-	-57	-1	-605	-663
<b>Net book amounts</b>	<b>1,057</b>	<b>119</b>	<b>3</b>	<b>2,693</b>	<b>3,872</b>

The depreciation charge is included in "Depreciation and amortisation" in the consolidated income statement.

**Capitalised development costs**

Intangible assets mainly consist of capitalised development costs, which mainly originate from Gears of Leo, a company incorporated in Sweden. Development that is capitalised pertains to projects that are deemed to have future economic benefits. In 2015, the main projects that make up the capitalised development costs were the Rhino platform and the portal. Rhino is a transaction system that underlies LeoVegas and was launched in June 2015, replacing a supplier, NYX, that had supplied such a system since the launch of LeoVegas in 2012. The portal includes all the customer facing parts of the product which is continuously improved upon, including adding more games and payment suppliers, ad-tracking capabilities and more.

**Goodwill**

During the fourth quarter of 2015, LeoVegas purchased Authentic Gaming Limited, a company incorporated under the laws of Malta. 80 percent of the share capital and an call option exercisable within 5 years, giving LeoVegas the right to acquire the remaining 20 percent, was acquired. An amount of EUR 1 M, which according to the agreement represents the value of the call option, has been accounted for in the financial statements. The call option amount is fixed but has been discounted at a rate of 2 percent to reflect the fair value accordingly. See Note 13 and Note 21 for further information.

**NOTE 17 Participation in group companies**

EUR	2015	2014	2013
<b>Year ended 31 December</b>			
Opening net book amount	1,224	1,224	1,224
Acquisitions	15,000	-	-
Shareholder's contributions	220,000	-	-
<b>Closing net book amount</b>	<b>236,224</b>	<b>1,224</b>	<b>1,224</b>

The company's principal subsidiaries at 31 December 2015, 2014 and 2013 are shown below:

Company name	Domiciliation	Company registration number	Effective percentage of shares and voting rights held	Number of shares held	Book value	Book value	Book value
			2015	2015	2015	2014	2013
			%		EUR	EUR	EUR
LeoVegas International Limited	Malta	C 53595	100.00	1,200	221,224	1,224	1,224
Independent Mobile Productions Ltd	Malta	C 72884	100.00	15,000	15,000	-	-
<b>Subsidiaries of LeoVegas International Limited</b>							
Mobile Labs B.V.	Curacao	124171	100.00	1,000			
Mobile Momentum N.V.	Curacao	131499	100.00	1,000			
LeoVegas Operational Limited	Malta	C 53596	-	-			
LeoVegas Gaming Limited	Malta	C 59314	99.99	200,000			
LeoPay Limited	Cyprn	HE 294939	100.00	1,000			
Gears of Leo AB	Sverige	556939-6459	100.00	50,000			
Authentic Gaming Limited	Malta	C 70582	80.00	32,000			

Company name	Domiciliation	Company registration number	Effective percentage of shares and voting rights held	Number of shares held	Equity	Profit/loss
			2015	2015	2015	2015
			%		EUR	EUR
LeoVegas International Limited	Malta	C 53595	100.00	1,200	641,800	-58,640
Independent Mobile Productions Ltd.	Malta	C 72884	100.00	15,000	15,000	-

On 16 December 2015, LeoVegas Operational Limited was merged with LeoVegas Gaming Limited with an accounting reference date of 1 January 2015. Subsequent to the merger, LeoVegas Operational Limited ceased to exist.

Upon merger, 1 share remains outstanding in LeoVegas Gaming Ltd. The financials are assuming that no non-controlling interest is recognized as the 1 share is not held by persons outside the Group and consequently will cease to exist.

The majority of Authentic Gaming's issued share capital (80%) was acquired on 21 October 2015. The Group holds a right to purchase the remaining 20% at a pre-established price within 5 years of this date. The financials reflect the full purchase assuming the remaining 20% is acquired at the terms agreed initially on 21 October 2015.

From a Group perspective the size and operations of Authentic Gaming Ltd is not significant as per the reporting date. For further information with regards to the acquisition of Authentic Gaming Ltd please refer to Note 30.

**NOTE 18 Receivables from group companies**

KEUR	Notes	2015	2014	2013
<b>Current assets</b>				
Receivables falling due within one year	18,1	1,449	299	183
<b>Non-current assets</b>				
Receivables falling due between two and five years	18,2	8,082	4,387	4,525
<b>Total</b>		<b>9,531</b>	<b>4,686</b>	<b>4,708</b>
<b>Receivables from group companies</b>				
LeoVegas International Limited		344	275	259
LeoVegas Gaming Limited		5,054	1,980	708
LeoVegas Operational Limited		-	60	51
LeoPay Limited		-	-	1
Gears of Leo AB		3,843	1,596	825
Mobile Labs B.V.		290	774	2,864
Mobile Momentum N.V.		-	1	-
<b>Total</b>		<b>9,531</b>	<b>4,686</b>	<b>4,708</b>

**18.1** Due to the short-term nature of the current receivables, their carrying amount is assumed to be the same as their fair value.

**18.2** For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts

The parent company, LeoVegas AB, has issued to group companies a debt coverage guarantee for its intragroup receivables, see Note 31.

**NOTE 19 Trade and other receivables**

KEUR	2015	2014	2013
<b>Group</b>			
Receivables from payment providers	3,283	2,099	2,001
Other receivables	762	1,081	117
<b>Total</b>	<b>4,045</b>	<b>3,180</b>	<b>2,118</b>
<b>Parent company</b>			
Other receivables	113	46	29
<b>Total</b>	<b>113</b>	<b>46</b>	<b>29</b>

Due to the short-term nature of the current receivables, their carrying amount is assumed to be the same as their fair value.

Receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The other receivables are assessed collectively to determine whether there is indications that an impairment has been incurred but not yet identified. At the time of reporting, no such evidence of impairment has been identified.

Information about the credit quality of trade and other receivables and the group's exposure to credit risk, foreign currency risk and interest rate risk can be found in Note 29.

**NOTE 20 Prepaid expenses and accrued income**

KEUR	2015	2014	2013
<b>Group</b>			
Prepaid rental and lease expenses	98	84	73
Prepaid marketing expenses	1,400	180	-
Other prepayments	315	84	18
<b>Total</b>	<b>1,813</b>	<b>348</b>	<b>91</b>
<b>Parent company</b>			
Prepaid rental and lease expenses	-	-	3
Other prepayments	21	-	10
<b>Total</b>	<b>21</b>	<b>-</b>	<b>13</b>

**NOTE 21 Cash and cash equivalents**

KEUR	2015	2014	2013
<b>Group</b>			
Cash and cash equivalents	22,605	17,483	2,853
Less restricted cash	-3,246	-1,422	-310
<b>Net cash after player commitments</b>	<b>19,359</b>	<b>16,061</b>	<b>2,543</b>
<b>Parent company</b>			
Cash and cash equivalents	7,321	11,800	352
<b>Net cash</b>	<b>7,321</b>	<b>11,800</b>	<b>352</b>

At 31 December 2015, KEUR 3,246 (2014: KEUR: 1,422, 2013: KEUR 310) was held in a fiduciary capacity and represented customer funds whose use is restricted in terms of the Remote Gaming Regulations, 2004 of the laws of Malta.

**NOTE 22 Equity**

	2015	2014	2013
<b>Shares</b>			
Ordinary shares			
Fully paid	23,462,930	2,108,588	1,814,903
Not yet registered	-	135,705	-
	<b>23,462,930</b>	<b>2,244,293</b>	<b>1,814,903</b>
<b>EUR</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Fully paid	56,911	23,617	20,328
Quotient value per share	0.0024	0.0112	0.0112

All shares are of the same share class, carry the same voting rights and rights to the Company's assets and profits.

At the Annual General Meeting held on 28 May 2015, it was resolved to implement a subscription warrant program for key employees, through the issue and transfer of subscription warrants entitling issuance of a maximum of 500,000 new shares in LeoVegas AB.

At 31 December 2015, a total of 494,893 subscription warrants were subscribed. The price for the subscription of shares, the strike price, based on these warrants was set, in connection with their allotment, at EUR 7.00.

The price for the warrant at the time of subscription was EUR 0.27, based on the application of a generally accepted model for valuation Black & Scholes and is deemed to reflect a market price. Of the redeemed subscription warrants, 494,893 have been allotted. Subscription to shares on the basis of these warrants can take place between 1 May – 31 May, 2018.

At an Extra General Meeting held 4 February 2016, it was resolved to conduct a share split 1:4 whereby the terms and conditions of the warrants was adjusted so that each warrant entitle the right to subscribe for four new shares at a subscription price of EUR 1.75 per share.

**NOTE 23 Non-current liabilities**

The long-term liabilities relate to the option / additional purchase price that LeoVegas recognizes as a consequence of the acquisition of Authentic Gaming Limited. The liability is recognized in accordance with management's best estimate and is discounted to the present value using a discount rate of 2% to reflect market value. The valuation is assessed on a quarterly basis and adjusted against the income statement if the fair value is deemed to deviate from the carrying value. For further information on the option / additional purchase price, see Notes 17 and 30.

**NOTE 24 Trade and other payables**

KEUR	Notes	2015	2014	2013
<b>Group</b>				
Trade payables	24.1	2,682	2,848	1,440
Player liabilities		3,246	1,422	310
Other payables	24.2	2,065	504	26
Payroll tax and other statutory liabilities		-	156	91
Premiums received for warrants		-	23	51
		<b>7,994</b>	<b>4,954</b>	<b>1,918</b>

KEUR	Notes	2015	2014	2013
<b>Parent company</b>				
Trade payables	24.1	318	118	7
Player liabilities		-	-	-
Other payables		-	-	24
Payroll tax and other statutory liabilities		30	4	4
Premiums received for warrants		-	23	27
Amounts due to group companies		-	8	-
		<b>348</b>	<b>153</b>	<b>62</b>

**24.1** Trade payables are unsecured and are usually paid within 30 days of recognition.

**24.2** The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature. Other payables are mostly made up of jackpots provisions and bonus amounts that have not yet been realised but are deemed to be realisable in the near future. Amounts are accounted for based on the terms and conditions agreed upon with game suppliers and only in such cases when an obligation exists.

**NOTE 25 Accrued expenses**

KEUR	2015	2014	2013
<b>Group</b>			
Accrued gaming expenses	3,373	1,724	1,009
Accrued marketing expenses	2,765	399	728
Accrued payroll expenses and remuneration	237	117	105
Audit fees	95	96	19
Consulting and legal fees	259	122	38
Other accrued expenses	239	190	139
	<b>6,968</b>	<b>2,648</b>	<b>2,038</b>

KEUR	2015	2014	2013
<b>Parent company</b>			
Accrued marketing expenses	-	-	35
Accrued payroll expenses and remuneration	12	20	13
Audit fees	12	38	6
Consulting and legal fees	114	49	8
Other accrued expenses	-	-	7
	<b>138</b>	<b>107</b>	<b>69</b>

**NOTE 26 Assets pledged as security and contingent liabilities**

LeoVegas AB and its group companies do not have assets pledged as security for its liabilities and no material contingent liabilities.

**NOTE 27 Transactions with related parties**

KEUR	2015	2014	2013
<b>Parent company</b>			
Sale of services to group companies	69	71	955
Interest income from group companies	492	299	244
<b>Total</b>	<b>561</b>	<b>370</b>	<b>1,199</b>
Receivables from group companies	9,531	4,686	4,719
Accumulated impairment, receivables from group companies	-	-	-11
<b>Book value receivables from group companies</b>	<b>9,531</b>	<b>4,686</b>	<b>4,708</b>

**Transactions with key management personnel**

Transactions with related parties take place on market-based terms. Companies owned by the Lidfeldt family, who are not shareholders in LeoVegas but whose members are deemed to have a close relationship with LeoVegas' CEO, received payments and expenses during the year 2015 of about EUR 299 thousand (33). Payments and expenses relate to rent for premises in Stockholm, where the Group has its headquarters. Amounts due at year-end amounted to EUR 21 thousand (3) and reported within payables. In 2014 and 2013 transactions with related parties also pertain to rents but at a different address.

**Employee warrant program**

During December 2015 a warrant program was issued to employees of the Group. 500,000 warrants were issued to various employees across the Group at a cost of EUR 0.27 per warrant. More information on this is available in Note 22.

**NOTE 28 Financial assets and financial liabilities**

This note provides information about the Group's financial instruments, including:

- an overview of all financial instruments held by the Group;
- specific information about each type of financial instrument;
- accounting policies;
- information about determining the fair value of the instruments, including judgements and estimation uncertainty involved.

The Group holds the following financial instruments:

**Financial assets at amortised cost**

KEUR	Notes	2015	2014	2013
<b>Group</b>				
<b>Financial assets</b>				
Trade receivables	19	4,045	3,180	2,118
Cash and cash equivalents	21	22,605	17,483	2,853
<b>Total</b>		<b>26,650</b>	<b>20,664</b>	<b>4,971</b>
<b>Financial liabilities</b>				
Trade and other payables	24	7,994	4,954	1,918
Accrued expenses	25	6,731	2,531	1,933
<b>Total</b>		<b>14,725</b>	<b>7,485</b>	<b>3,851</b>

**Financial assets at amortised cost**

KEUR	Notes	2015	2014	2013
<b>Parent company</b>				
<b>Financial assets</b>				
Receivables from group companies	18	1,449	299	183
Other receivables	19	113	46	29
Cash and cash equivalents	21	7,321	11,800	352
<b>Total</b>		<b>8,884</b>	<b>12,145</b>	<b>564</b>
<b>Financial liabilities</b>				
Trade and other payables	24	346	153	62
Accrued expenses	25	138	107	69
<b>Total</b>		<b>485</b>	<b>260</b>	<b>131</b>

When analysing the group's financial liabilities into relevant maturity groupings (based on the remaining period at the balance sheet date to the contractual

maturity date) LeoVegas concludes that the duration is short (below one year) in all material aspects, apart from the liability referring to Authentic Gaming which LeoVegas can choose not to settle until 2020.

The Group's accounting policies for trade and other receivables and impairment are outlined in Notes 2.17.1 and 2.17.4 respectively.

The Group's accounting policies for trade and other payables are outlined in Notes 2.19.1.

**NOTE 29 Financial risk management**

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Current year profit and loss information has been included where relevant to add further context.

The financial risks which the Group is exposed to includes market risk (currency and interest rate risk), credit risk and liquidity risk. The management of the Group's financial risk is based on a financial policy approved by the Board of directors, and exposes the Group to a low level of risk.

The parent company finances its subsidiaries as the need arises.

**Market risk****Currency risk**

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the entity's functional currency.

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to Swedish Krona and the British Pound.

The table below summarises the Group's exposure to foreign currency risk based on the following notional balance sheet amounts:

31 December 2015	Net exposure
SEK	7,188
GBP	278
Other currencies	198
<b>31 December 2014</b>	<b>Net exposure</b>
SEK	245
GBP	485
Other currencies	460

The following significant exchange rates applied during the year:

	2015		2014		2013	
	Average rate	Spot rate	Average rate	Spot rate	Average rate	Spot rate
SEK	9.35	9.19	9.10	0.73	8.65	8.86
GBP	0.73	0.73	0.81	0.82	0.85	0.83

A 5 percent strengthening of the Euro against the Swedish Krona and the British Pound at 31 December would have decreased profit or loss (and equity) by the pre-tax amount of EUR 359,386 and EUR 13,891 respectively. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 5 percent weakening of the Euro against the Swedish Krona and the British Pound at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

**Interest rate risk**

The Group's revenues and cash flow from the operations are essentially independent of changes in market interest rate levels. Changes in market interest rates would not have an impact on the Group's profit or loss or other comprehensive income.

**Credit risk**

Credit risk arises from cash and cash equivalents, money held by payment providers and other outstanding receivables.



KEUR	2015	2014	2013
<b>Group</b>			
Receivables from payment providers	3,283	2,099	2,001
Other receivables	762	1,081	117
Cash and bank balances	22,605	17,483	2,853
<b>Total loans and receivables</b>	<b>26,650</b>	<b>20,664</b>	<b>4,971</b>

KEUR	2015	2014	2013
<b>Parent company</b>			
Receivables from payment providers	-	-	-
Other receivables	113	46	29
Cash and bank balances	7,321	11,800	352
<b>Total loans and receivables</b>	<b>7,434</b>	<b>11,846</b>	<b>381</b>

The maximum exposure to credit risk at the end of the reporting period in respect of the financial assets mentioned above is equivalent to their carrying amount as disclosed in the respective notes to the financial statements.

The Group does not hold any collateral as security in this respect. The Group deals only with reputable financial institutions and payment intermediaries.

The Board of directors do not consider that there was any material credit risk concentration at the end of the reporting period.

#### Liquidity risk

Liquidity risk is monitored at a group level by ensuring that sufficient funds are available to each subsidiary within the LeoVegas Group. The Company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The company's liquidity risk is not deemed material in view of matching cash inflows and outflows from expected maturities of financial instruments.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

#### Contractual maturities of financial liabilities

##### At 31 December 2015

KEUR	Carrying amount	Less than 1 year
Trade and other payables	7,994	7,994
Accrued expenses	6,968	6,968
<b>Total</b>	<b>14,962</b>	<b>14,962</b>

##### Contractual maturities of financial liabilities At 31 December 2014

KEUR	Carrying amount	Less than 1 year
Trade and other payables	4,954	4,954
Accrued expenses	2,648	2,648
<b>Total</b>	<b>7,602</b>	<b>7,602</b>

#### Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for their stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return on capital to shareholders, issue new shares or sell assets to reduce debt.

The Group's equity, as disclosed in the statement of financial position, constitutes its capital. The company maintains the level of capital by reference to its financial obligations and commitments arising from operational requirements.

In view of the nature of the Group's activities, the capital level as at the end of the reporting period is deemed adequate by the directors.

#### Fair values of financial instruments

At 31 December 2015 and 2014, the carrying amounts of cash at bank, receivables, payables and accrued expenses, reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

#### NOTE 30 Business combinations

Accounting effects of Authentic Gaming acquisition

KEUR	2015
<b>Contribution to Group results</b>	
Revenues	-
Operating expenses	-137
<b>Total</b>	<b>-137</b>
<b>Acquisition values and Goodwill</b>	
Purchase price	156
Future consideration	905
Net asset value acquired	-4
<b>Total</b>	<b>1,057</b>

On October 20th, LeoVegas AB's acquired 80 percent of Authentic Gaming representing 80% of the voting rights at meetings. Goodwill is referring to know how and human capital which do not fulfill the requirements to be accounted for as intangible assets. Authentic Gaming offers live casino roulette to gaming operators that are broadcast live from land-based casinos. The purchase price paid was EUR 0.2 M. LeoVegas has the right to acquire the remaining 20%, this additional purchase price is included is a fixed amount and is included as a liability at fair value of EUR 0.9 M. The gross total possible amount before discounted being EUR 1M. for further information on the item please refer to note 21. LeoVegas have included the future outflow referring to this condition in the balance sheet and also consolidated 100% of the acquisition considering all risks and rewards have transferred to LeoVegas in accordance with IFRS 3 and IFRS 10. If not used within 5 years it defaults. Authentic Gaming had a negligible negative impact on the Group's revenue and results in the fourth quarter, which would also have been the case if the company had been own since 1 January 2015. Transaction cost were not significant, and so is not gross values with respect to acquired assets and liabilities.

#### NOTE 31 Contingent liabilities

LeoVegas AB has issued to group companies a debt coverage guarantee for its intragroup receivables amounting to KEUR 9,531 (2014: KEUR 4,686, 2013: KEUR 4,708).

#### NOTE 32 Subsequent events

LeoVegas has decided to expand its mobile offering to include sports betting. The launch is expected in the second quarter.

LeoVegas won three prestigious awards at the EGR Awards Nordics; Mobile Operator of the Year, Casino Operator of the Year, and Nordic Operator of the Year. At the International Gaming Awards won LeoVegas Online Casino Operator of the Year.

On February 4, 2016, there was an extraordinary general meeting in Stockholm. It was decided in accordance with the Board's proposal to:

- no longer have any deputies serving on the Board;
- amend the Articles of Association;
- carry out a bonus issue in which the share capital increased by EUR 1.1 million,
- carry out a share split in which each old share gives four new shares,
- establish a nomination committee consisting of Robin Ramm-Ericson, Erik Åfors and Anders Fast
- authorise the Board to, until the next AGM at a time, to issue a maximum of 20,000,000 shares (after the split).
- The Board resolved to list the Company on Nasdaq First North Premier Stockholm.



To the Board of Directors of LeoVegas AB (publ), Corporate Id No 556576-4569

### **Independent Auditors' Report on financial reports over historical financial information**

We have audited the financial statements for LeoVegas AB (publ) and its subsidiaries (the "Group") on pages F-1–F-25, comprised of the consolidated balance sheet as of December 31, 2015, 2014 and 2013 and the consolidated income statement, statement of total comprehensive income, cash flow statement and statement of changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory notes.

#### *The Board of Directors and the Chief Executive Officer's responsibility for the financial statements*

The Board of Directors and the Chief Executive Officer are responsible for the preparation and the fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU and the Annual Accounts Act and additional applicable framework. This responsibility includes designing, implementing and maintaining internal control relevant to preparing and appropriately presenting financial statements that are free from material misstatement, whether due to fraud or error. The Board is also responsible for the preparation and fair presentation in accordance with the requirements in the Commission Regulation (EC) No 809/2004.

#### *The auditor's responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with FAR's Recommendation RevR 5 Examination of Prospectuses. The recommendation requires that we comply with FAR's ethical requirements and have planned and performed the audit to obtain reasonable assurance that the consolidated financial statements are free from material misstatements. Our firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

An audit in accordance with FAR's Recommendation RevR 5 Examination of Prospectuses involves performing procedures to obtain audit evidence corroborating the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on our assessment of the risks of material misstatements in the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the company's preparation and fair presentation of the financial statements as a basis for designing audit procedures that are applicable under those circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also involves evaluating the accounting policies applied and the reasonableness of the significant accounting estimates made by the Board of Directors and the Chief Executive Officer and evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of LeoVegas AB (publ) as of December 2015, 2014 and 2013, and its financial performance, statements of changes in equity and consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, and the Annual Accounts Act and additional applicable framework.

Stockholm, March 3, 2016

Pricewaterhouse Coopers AB

Aleksander Lyckow  
Authorized Public Accountant  
Auditor in charge

Magnus Brändström  
Authorized Public Accountant

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