



Year-end report | January–December 2021 | Evolution AB (publ)

Fourth quarter of 2021 (Q4 2020)

- Operating revenues increased by 69% to EUR 300.2 million (177.7)
- EBITDA increased by 115% to EUR 206.9 million (96.2), corresponding to a margin of 68.9% (54.2)
- Profit for the period amounted to EUR 171.6 million (80.6)
- Earnings per share amounted to EUR 0.80 (0.42)

Full-year 2021 (2020)

- Operating revenues increased by 90% to EUR 1,068.8 million (561.1)
- EBITDA increased by 121% to EUR 734.7 million (332.2), corresponding to a margin of 68.7% (59.2)
- Profit for the year amounted to EUR 605.4 million (284.6)
- Earnings per share amounted to EUR 2.83 (1.55)
- The Board proposes a dividend of EUR 1.42 per share (0.68)

Events during the fourth quarter of 2021

- Rising demand and good leverage from investments generated a growth rate of 49% for Live casino and 9.4% for RNG compared to pro-forma Q4 2020.
- EVO reached +1,000 Live Tables by the end of the period.
- Initiation of a share repurchase program. In the quarter a total of 1,158,865 own shares were acquired.

Summary of the fourth quarter and the full-year 2021

Group, EUR thousands	Oct-Dec 2021	Oct-Dec 2020	%	Jan-Dec 2021	Jan-Dec 2020	%
Operating revenues	300,233	177,658	69%	1,068,777	561,134	90%
EBITDA	206,915	96,219	115%	734,650	332,213	121%
EBITDA margin	68.9%	54.2%	-	68.7%	59.2%	-
EBITDA excluding items affecting comparability	206,915	115,605	79%	734,650	351,599	109%
Adjusted EBITDA-margin	68.9%	65.1%	-	68.7%	62.7%	-
Operating profit	184,541	84,837	118%	654,004	299,700	118%
Operating margin	61.5%	47.8%	-	61.2%	53.4%	-
Profit for the period	171,557	80,600	113%	605,435	284,622	113%
Profit margin	57.1%	45.4%	-	56.6%	50.7%	-
Earnings per share before dilution, EUR	0.80	0.42	90%	2.83	1.55	83%
Equity per share, EUR	14.91	12.84	16%	14.91	12.84	16%
OCF per share before dilution, EUR	0.83	0.52	60%	2.80	1.72	63%
Average number of FTEs	8,707	5,731	52%	7,917	5,118	55%

For more information, please contact:
Jacob Kaplan, CFO
ir@evolution.com

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Evolution develops, produces, markets and licenses fully integrated B2B Online Casino solutions to gaming operators. Since its inception in 2006, Evolution has developed into a leading B2B provider with 500+ operators among its customers. The group currently employs 13,000+ people in studios across Europe and in North America. The parent company is based in Sweden and listed on Nasdaq Stockholm with the ticker EVO. Visit www.evolution.com for more information. Evolution is licensed and regulated by the Malta Gaming Authority under license MGA/B2B/187/2010. Evolution is also licensed and regulated in many other jurisdictions such as the United Kingdom, Belgium, Canada, Romania, South Africa, and others.

CEO's comments

The fourth quarter 2021, with continued top-of-the-line results, reflects the strength in our scalable business model and the value of our strategy to focus on the player experience.

Revenues in the fourth quarter increased by 69 percent to EUR 300 million, while the EBITDA increased to EUR 207 million corresponding to an EBITDA margin of 68.9 percent. Top-line growth continued to be driven by strong global demand for Live Casino, but also positively impacted by the increased revenue from the RNG business. Live Casino revenue continued on a high level and increased by 48.6 percent year-on-year. This compares well to the pre-pandemic growth rates of our Live business.

RNG revenue was slightly above plan and increased by 9 percent compared to the pro-forma figures of Q4 2020. Supported by new games and our one-stop-shop (OSS) solution which allows operators to access our games through one integration. Our ambition is to deliver stronger growth in RNG during 2022 compared to 2021 however the path to higher growth will not be linear and I expect the growth rate to vary through the coming quarters.

EBITDA margin is 68.9 percent for the quarter and 68.7 percent for the full year. This is in line with our guidance for the year. Margin has been relatively stable through 2021 and I consider this an achievement in a year of such strong expansion. For 2022 we expect to continue to invest heavily in expanding existing studios, in building new studios and in game innovation. With this said, for full year 2022 we expect the EBITDA margin to be in the 69%-71% range.

Towards the end of the quarter, a dubious, anonymous and falsified report with the clear intention to harm Evolution was published. We have over 15 years experience of operations in regulated environments and we are comfortable and confident in our ways of working, our business model as well as in our constant strive to improve in all areas. Evolution is a content provider and we only supply to licensed customers. With the ambition to be even better we will continue to work on all processes in relation to due diligence of our customers and their licensing and regulatory framework. The measures we have taken during the quarter have had insignificant financial effect.

2022 is the year of product and innovation! Yesterday during our world-wide online product launch event we released a record number of products. In total Evolution will release 88 (!) new games 2022. We are with those fantastic new games, in all different categories, together with the one-stop-shop (OSS) showing our customers the true benefit and power of Evolution's ambition and innovation only aimed toward a true end-user satisfaction. Our pipeline for 2022 is filled with both new takes on player's favorites and complete surprises using the power of all our different brands. Among the releases in the first quarter are 'BacBo' - a simplified version of Baccarat with a unique twist: it's played with dice, not cards. Also in Q1 - 'Peek Baccarat' a unique version of the classic game. During the first half of the year we will also launch big new slot games like NetEnt's Knight Rider and Red Tiger's Narcos Mexico. I am very excited of the product roadmap 2022 and truly grateful for all brilliant efforts put into the products by all Evolution teams.

The strong demand for online casino across the globe continued in the fourth quarter, and our expansion in studio capacity is set to follow suit. We exit 2021 with over 1,000 live tables, an increase of over 300 tables during the year, the largest increase in a single year. This dramatic expansion would have been an accomplishment under normal circumstances, but taking into account the challenges posed by the pandemic, I am very proud. It is a testament to the talent, capability and determination that characterizes the global Evolution team.

The North American online casino market continues to develop rapidly, we see great growth opportunity in all the current regulated states and are expanding all our studios. The next new studio to be launched will be Connecticut in 2022. In the quarter we also strengthened our position in Canada by signing with the provincial lottery and gaming agency, Ontario Lottery and Gaming Corporation (OLG).

In Argentina, we went live with operator BetWarrior and launched our live casino games portfolio in the newly regulated Buenos Aires Province online gaming market. Evolution was the first live casino provider in this market.

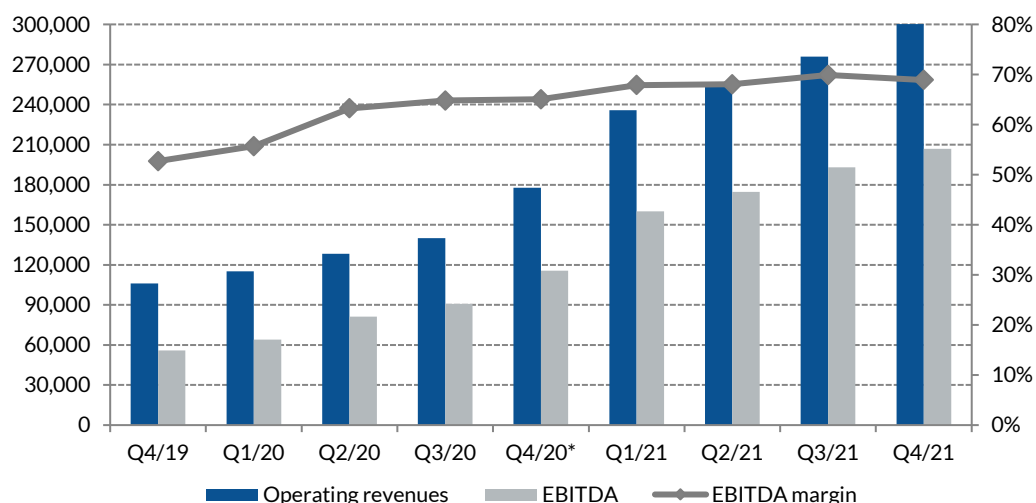
In Asia, where growth continued at a proficient level, our Red Envelop feature for Baccarat, a tailored game for the Asian market, was a growth driver in the quarter. This is an example of how our aim of providing the best player experience comes with adding a regional touch to the games.

The more mature European market has lower growth numbers, impacted to some extent by short-term regulatory changes affecting operators. In the quarter, the Netherlands opened its regulated online gambling market and we are powering several of the licensed operators with our offering. We expect the Dutch market to expand further as the number of licenses increase during 2022 and already in December the newly regulated market passed the pre-regulation levels.

To sum up the last quarter of another intense year - we continue to move full speed ahead. Yesterday's 2022 product roadmap announcement set the tone for what will be an exciting product year where we will continue our relentless focus to take the player experience to the next level and increase the gap to competitors. Finally, looking back at 2021, a year where several important milestones have been accomplished, I want to take this opportunity to thank and acknowledge the commitment and impressive work from all Evolution employees, who continue to strive to make Evolution just a little bit better, every day. It is an amazing global team and I look forward to an exciting 2022.

Martin Carlesund
CEO

Quarterly results trend



Financial performance in the fourth quarter of 2021

Revenues

Revenues amounted to EUR 300.2 million (177.7) in the fourth quarter, equivalent to an increase of 69 percent compared with the corresponding period in 2020. EUR 62.9 million (17.8) of the revenue was derived from RNG-games. The positive revenue development within online casino mainly derives from increased commission income from existing customers and, to a certain extent, from new customers. Demand for online casino games continues to grow, partly as a result of our continuous launch of new games and variations on traditional games. The number of bet spots from end users amounted to 20.9 billion (15.3).

Revenue by game type

Group, EUR million	Oct-Dec 2020	Jan-Mar 2021	Apr-Jun 2021	Jul-Sep 2021	Oct-Dec 2021
Live	159.9	183.7	203.7	214.5	237.4
RNG, as reported	17.8	52.2	53.0	61.5	62.9
Total	177.7	235.8	256.7	276.0	300.2
RNG NetEnt/BTG, pro-forma	57.5	61.2	61.7	-	-

NetEnt and Big Time Gaming are included in the consolidated financial statements from 1 December 2020 and 1 July 2021 respectively.

Expenses

Operating expenses amounted to EUR 115.7 million (92.8). Expenses were mainly driven by higher costs for personnel, connected to the launch of new tables in the company's studios and the expansion in general compared to the fourth quarter of 2020. The expansion has also increased other operating expenses compared with Q4 2020.

Profitability

Operating profit amounted to EUR 184.5 million (84.8), corresponding to an increase of 118 percent. The operating margin was 61.5 percent (47.8). The EBITDA margin was 68.9 percent (54.2). EBITDA 2020 included non-recurring items of EUR 19.4 million, adjusted EBITDA margin was 65.1 percent.

Net financial items only had small impact on profits and related mostly to leasing interest expenses and currency exchange differences. The Group's effective tax rate for the quarter amounted to 6.9 percent (4.1). The tax rate is influenced by the countries in which earnings are generated, which may vary between reported periods. Profit for the quarter amounted to EUR 171.6 million (80.6). Earnings per share before dilution were EUR 0.80 (0.42).

Investments

Investments in intangible assets amounted to EUR 8.4 million (4.8) during the quarter and were mainly attributable to development of new games and technical improvements of the platform, such as new functionality. See Note 5 for information about acquisition of group companies.

Investments in property, plant and equipment amounted to EUR 13.9 million (6.2) and comprised new studio space, new gaming tables, servers and other computer equipment to meet new technical requirements and maintain capacity and performance in connection with new platform launches.

Cash and cash equivalents, financing and financial position

Cash flow from operating activities amounted to EUR 178.4 million (99.6) during the quarter. Cash flow from investing activities was negative in the amount of EUR 22.3 million (35.1). Cash flow from financing activities was negative in the amount of EUR 127.9 million (negative 194.4) and includes buy back of own shares of EUR 123.3 million. 2020 included redemption of NetEnt's credit facilities of EUR 184.7 million. Cash and cash equivalents amounted to EUR 421.4 million (221.7) at the end of the quarter.

Full-year 2021 in brief

Revenues

For the January-December 2021 period, revenues amounted to EUR 1,068.8 million (561.1), corresponding to an increase of 90 percent compared with 2020. EUR 229.5 million (17.8) of the revenue was derived from RNG-games. The positive revenue development within online casino mainly derives from increased commission income from both new and existing customers.

Expenses

Operating expenses amounted to EUR 414.8 million (261.4). Expenses were mainly driven by higher costs for personnel, connected to the launch of new tables and studios. The strong expansion has also increased other operating expenses compared with the previous year.

Profitability

Operating profit amounted to EUR 654.0 million (299.7) with an operating margin of 61.2 percent (53.4). The EBITDA margin was 68.7 percent (59.2). EBITDA 2020 included non-recurring items of EUR 19.4 million, adjusted EBITDA margin was 62.7 percent.

Investments

Investments in intangible assets amounted to EUR 28.3 million (13.6) for the year. Investments in property, plant and equipment amounted to EUR 33.3 million (23.3). Investments in other financial assets amounted to EUR 1.1 million (2.4). See Note 5 for information about acquisition of group companies.

Cash and cash equivalents, financing and financial position

Cash flow from operating activities amounted to EUR 598.9 million (316.1) over the period. The increase is primarily due to improved profit. Cash flow from investing activities was negative in the amount of EUR 155.0 million (6.8). Cash flow from financing activities was negative in the amount of EUR 248.5 million

(negative 279.9) and included dividend to shareholders of EUR 144.4 million (76.1) and buy back of own shares of EUR 123.3 million (9.9). 2020 included redemption of NetEnt's credit facilities of EUR 184.7 million.

Market development

Online Casino market

The global online casino market (Live & RNG) has grown strongly in recent years and is expected to continue to be among the fastest-growing gaming segments in the coming years. Evolution's growth target is to grow faster than the total global online casino market. Market growth is influenced by several underlying factors, such as technological advances with, among other things, improved hardware and increased bandwidth, the migration of land-based casinos to online environments and market regulations. Increased use of mobile devices has been a growth driver for many years, and in the fourth quarter 69.1 percent (70) of the operators' GGR via Evolution's platform was generated by mobile devices. RNG is the largest vertical of the online casino market. However, to a large extent, growth is driven by Live Casino having grown in importance for most gaming operators and has become an integrated and strategically important product for them.

As a B2B supplier, Evolution has customer relationships with gaming operators, who in turn own the relationships with the end users. Generally, the gaming operators are licensed in a limited number of jurisdictions while operating in a global market and allowing play from various geographic areas. The table below shows the geographic markets from which Evolution's revenues originate. Revenues based on player activity are allocated according to the end-users' location, while revenues not based on player activity are allocated to the operator's location. The UK includes the Crown Dependencies.

Revenue per geographical region

Group, EUR million	Oct-Dec 2020	Jan-Mar 2021	Apr-Jun 2021	Jul-Sep 2021	Oct-Dec 2021
Nordics	11.1	16.4	16.4	19.5	20.9
UK	13.9	21.4	19.8	19.1	21.0
Rest of Europe	81.1	104.1	104.0	103.2	105.6
Asia	41.9	53.2	65.7	76.7	90.8
North America	12.6	21.6	27.2	31.9	33.8
Other	17.1	19.1	23.5	25.6	28.0
Total operating revenue	177.7	235.8	256.7	276.0	300.2
Share of regulated markets	36%	40%	40%	38%	41%
Revenue, regulated markets	64.3	93.9	102.9	103.8	123.0

Customer dependency

The company has decreased its dependency towards its largest customers in 2021. Evolution's largest customer accounted for approximately 11 percent (11) of revenues in 2021, and the five largest customers accounted for roughly 22 percent (22) of revenues.

Customer dependency, % of revenue

	2017	2018	2019	2020	2021
Top 1-5	38%	32%	27%	33%	22%
Top 1	9%	7%	6%	11%	11%

Other

Parent Company

The Parent Company is a holding company. Net sales for the fourth quarter of 2021 amounted to EUR 4.9 million (2.8) and expenses to EUR 5.6 million (2.8). Operating profit was negative in the amount of EUR 0.7 million (0.0). Result for the period amounted to EUR 250.2 million (200.2). The Parent Company's cash and cash equivalents amounted to EUR 80.0 million (34.4) at the end of the period and equity amounted to EUR 2,829.3 million (2,666.3). No significant investments were made in intangible or tangible assets.

Employees

As of 31 December 2021, Evolution had 13,410 employees (9,506), corresponding to 8,987 (6,818) full-time positions. The average number of full-time equivalents for the quarter was 8,707 (5,954).

Significant risks and uncertainties

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

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

One or more markets may be affected by events that may result in rapid changes in the business environment. Examples of this kind of events which could lead up to production disruption are extreme weather events, social unrest, diseases (e.g. virus outbreaks) or other macroeconomic or geopolitical events affected by external influences.

For further information about Evolution's risk exposure and handling, please see the Group's Annual Report for 2020, which is available on the company's website.

Dividend

The Board of Directors proposes that the Annual General Meeting resolve to transfer EUR 303.8 million (145.2) to shareholders, corresponding to EUR 1.42 (0.68) per share and 50.2 percent (51) of net profit respectively. The dividend is calculated by the number of shares 31 December 2021 with the deduction of Evolution's holding of own shares by the same date which amounted to 1,158,865 shares. Evolution has adopted a dividend policy according to which, 50 percent of the company's consolidated net profit is to be distributed over time, with a certain degree of flexibility in terms of the proportion distributed in dividends.

Acquisitions of own shares

During the fourth quarter the Board of Directors decided to exercise its authorisation from the Annual General Meeting 2021 to repurchase own shares. The maximum amount for which shares may be acquired may not exceed EUR 200 million. Since 6 December 2021 up to and including 30 December 2021, a total of 1,158,865 shares have been acquired within the scope of the programme which corresponds to approximately 60 percent of the maximum of EUR 200 million.

Calendar

Annual report 2021	18 March 2022
Annual general Meeting	8 April 2022
Interim report January – March 2022	28 April 2022
Interim report January – June 2022	21 July 2022
Interim report January – September 2022	27 October 2022

Stockholm, 9 February 2022

Martin Carlesund
CEO

For further information, please contact CFO Jacob Kaplan, +46 708 62 33 94 or Head of IR Carl Linton, +46 705 08 85 75, ir@evolution.com.

Evolution AB (publ)	e-mail: ir@evolution.com
Vasagatan 16	Website: www.evolution.com
SE-111 20 Stockholm, Sweden	Corporate ID: 556994-5792

Presentation for investors, analysts and the media

CEO Martin Carlesund and CFO Jacob Kaplan will present the report and answer questions on Wednesday, 9 February 2022 at 09:00 am CET via a telephone conference. The presentation will be in English and can also be followed online. Number for participation by telephone:

SE +46 8 505 583 54

UK: +44 33 330 092 73

US: +1 646 722 49 56

Follow the presentation at: <https://tv.streamfabriken.com/evolution-gaming-group-q4-2021>

This information is such that Evolution AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the contact person set out above on 9 February 2022, at 07:30 am CET.

This report is published in Swedish and English. In case of any differences between the English version and the Swedish original text, the Swedish version shall apply. This report has not been subject to review by the company's independent auditor.

Condensed consolidated income statement

Group, EUR thousands	Oct-Dec 2021	Oct-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
Revenues - Live	237,355	159,839	839,238	543,315
Revenues - RNG	62,878	17,819	229,539	17,819
Total operating revenues	300,233	177,658	1,068,777	561,134
Personnel expenses	-55,252	-38,616	-207,165	-133,752
Depreciation, amortisation and impairments	-22,374	-11,382	-80,646	-32,513
Other operating expenses	-38,066	-42,823	-126,962	-95,169
Total operating expenses	-115,692	-92,821	-414,773	-261,434
Operating profit	184,541	84,837	654,004	299,700
Financial items	-292	-818	-6,513	-1,018
Profit before tax	184,249	84,019	647,491	298,682
Tax on profit for the period	-12,692	-3,419	-42,056	-14,060
Profit for the period	171,557	80,600	605,435	284,622
<i>Of which attributable to:</i>				
Shareholders of the Parent Company	171,557	80,600	605,435	284,622
Average number of shares before dilution	214,724,827	191,632,153	213,714,575	183,927,915
Earnings per share before dilution, EUR	0.80	0.42	2.83	1.55
Average number of shares after dilution	222,564,458	197,388,433	221,818,828	189,021,346
Earnings per share after dilution, EUR	0.77	0.41	2.73	1.51
Operating margin	61.5%	47.8%	61.2%	53.4%
Effective tax rate	6.9%	4.1%	6.5%	4.7%

Condensed comprehensive income statement

Group, EUR thousands	Oct-Dec 2021	Oct-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
Profit for the period	171,557	80,600	605,435	284,622
Other comprehensive income				
<i>Items that may be reclassified to profit</i>				
Exchange differences arising from the translation of foreign operations	-32,154	-45,342	-55,834	37,449
Other comprehensive income	-32,154	-45,342	-55,834	37,449
Total comprehensive income for the period	139,403	35,258	549,601	322,071

Consolidated balance sheet

Group, EUR thousands	31/12/2021	31/12/2020
Assets		
Goodwill	2,188,482	1,834,333
Other intangible assets	757,250	723,187
Buildings	11,409	11,629
Right of use assets	54,313	44,104
Property, plant and equipment	68,745	50,632
Other non-current receivables	11,096	3,302
Deferred tax assets	2,360	2,696
Total non-current assets	3,093,655	2,669,883
Accounts receivable	200,700	120,481
Other receivables	155,495	146,490
Prepaid expenses and accrued income	31,785	10,583
Cash and cash equivalents	421,432	221,675
Total current assets	809,412	499,229
TOTAL ASSETS	3,903,067	3,169,112
Equity and liabilities		
Share capital	647	638
Other capital contributed	2,405,622	2,225,817
Reserves	-18,286	37,548
Retained earnings including profit for the year	802,967	462,168
Total equity	3,190,950	2,726,171
Deferred tax liabilities	58,816	36,666
Non-current lease liabilities	53,171	38,078
Other non-current liabilities	230,000	-
Total non-current liabilities	341,987	74,744
Accounts payable	8,578	15,335
Provisions	2,253	11,377
Current tax liabilities	189,053	164,082
Other current liabilities	111,127	128,502
Current lease liabilities	14,639	11,891
Accrued expenses and prepaid income	44,480	37,010
Total current liabilities	370,130	368,197
TOTAL EQUITY AND LIABILITIES	3,903,067	3,169,112

Consolidated changes in equity

Group 2020, EUR thousands	Share capital	Other capital contributed	Reserves	Retained earnings	Total equity
Opening equity 01/01/2020	545	17,430	99	262,823	280,897
Dividend	-	-	-	-76,140	-76,140
Warrants	-	4,504	-	717	5,221
Repurchase of own shares	-	-	-	-9,854	-9,854
New share issue	93	2,203,883	-	-	2,203,976
Profit for the period	-	-	-	284,622	284,622
Other comprehensive income	-	-	37,449	-	37,449
Closing equity 31/12/2020	638	2,225,817	37,548	462,168	2,726,171

Group 2021, EUR thousands	Share capital	Other capital contributed	Reserves	Retained earnings	Total equity
Opening equity 01/01/2021	638	2,225,817	37,548	462,168	2,726,171
Dividend	-	-	-	-144,382	-144,382
Warrants	-	8,826	-	3,061	11,887
Repurchase of own shares	-	-	-	-123,315	-123,315
Non cash issue	3	147,801	-	-	147,804
New share issue	6	23,178	-	-	23,184
Profit for the period	-	-	-	605,435	605,435
Other comprehensive income	-	-	-55,834	-	-55,834
Closing equity 31/12/2021	647	2,405,622	-18,286	802,967	3,190,950

Consolidated statement of cash flow

Group, EUR thousands	Oct-Dec 2021	Oct-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
Operating profit	184,541	84,838	654,004	299,700
<i>Adjustment for items not included in cash flow:</i>				
Depreciation/amortisation/impairments	22,374	11,382	80,646	32,513
Provisions	-1,014	9,979	-7,696	9,979
Other	-279	11,388	-2,840	13,866
Interest received	48	2,435	230	2,468
Interest paid	-856	-786	-3,372	-1,065
Tax paid	-6,706	-346	-26,794	-6,517
Cash flow from operating activities before changes in working capital	198,108	118,890	694,178	350,944
Increase/decrease in accounts receivable	-17,608	-17,370	-70,442	-32,345
Increase/decrease in accounts payable	726	1,197	-7,114	-253
Increase/decrease in other working capital	-2,790	-3,093	-17,727	-2,295
Cash flow from operating activities	178,436	99,624	598,895	316,051
Acquisition of intangible assets	-8,432	-4,767	-28,285	-13,635
Acquisition of tangible assets	-13,855	-6,155	-33,307	-23,251
Acquisition of subsidiary	-	47,466	-92,230	46,085
Increase/decrease in other financial assets	20	-1,470	-1,130	-2,378
Cash flow from investing activities	-22,267	35,074	-154,952	6,821
Repayment of debt to credit institutions	-	-189,633	-	-190,351
Repayment of lease liability	-3,821	-1,666	-12,834	-5,059
Repurchase of own shares	-123,315	-	-123,315	-9,854
Warrants	-724	-75	8,826	4,504
New share issue	-	-3,010	23,189	-3,010
Dividend	-	-	-144,382	-76,140
Cash flow from financing activities	-127,860	-194,384	-248,516	-279,910
Cash flow for the period	28,309	-59,686	195,427	42,962
Cash and cash equivalents at start of period	391,931	283,203	221,675	182,520
Exchange rate differences	1,192	-1,842	4,330	-3,807
Cash and cash equivalents at end of period	421,432	221,675	421,432	221,675

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

Consolidated key ratios

Group, EUR thousands	Oct-Dec 2021	Oct-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
Operating revenues (IFRS)	300,233	177,658	1,068,777	561,134
EBITDA margin	68.9%	54.2%	68.7%	59.2%
Operating margin	61.5%	47.8%	61.2%	53.4%
Profit margin	57.1%	45.4%	56.6%	50.7%
Equity/assets ratio	81.8%	86.0%	81.8%	86.0%
Cash and cash equivalents	421,432	221,675	421,432	221,675
Average number of full-time employees	8,707	5,731	7,917	5,118
Full-time employees at end of period	8,987	6,825	8,987	6,825
Earnings per share before dilution, EUR (IFRS)	0.80	0.42	2.83	1.55
Equity per share, EUR	14.91	12.84	14.91	12.84
Operating cash flow per share before dilution, EUR	0.83	0.52	2.80	1.72
Average number of outstanding shares before dilution	214,724,827	191,632,153	213,714,575	183,927,915
Number of outstanding shares	213,952,250	212,327,008	213,952,250	212,327,008

Consolidated key ratios by quarter

Group, EUR thousands	Q4/21	Q3/21	Q2/21	Q1/21	Q4/20	Q3/20	Q2/20	Q1/20	Q4/19
Operating revenues (IFRS)	300,233	276,016	256,687	235,841	177,658	140,020	128,307	115,149	105,998
EBITDA	206,915	192,942	174,668	160,125	96,219	90,728	81,143	64,123	55,830
EBITDA margin	68.9%	69.9%	68.0%	67.9%	54.2%	64.8%	63.2%	55.7%	52.7%
Operating profit	184,541	171,963	155,852	141,648	84,837	83,572	74,166	57,125	48,674
Operating margin	61.5%	62.3%	60.7%	60.1%	47.8%	59.7%	57.8%	49.6%	45.9%
Revenue growth vs prior year	69.0%	97.1%	100.1%	104.8%	67.6%	47.8%	49.7%	45.2%	50.9%
Revenue growth vs prior quarter	8.8%	7.5%	8.8%	32.8%	26.9%	9.1%	11.4%	8.6%	11.9%
Cash and cash equivalents	421,432	391,931	200,392	326,041	221,675	283,203	212,049	204,949	182,520

Reconciliation of selected key ratios not defined in accordance with IFRS

Group, EUR thousands	Oct-Dec 2021	Oct-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
Operating margin				
Profit before tax	184,249	84,019	647,491	298,682
Net financial items	292	818	6,513	1,018
Operating profit (EBIT)	184,541	84,837	654,004	299,700
Divided by Total operating revenues	300,233	177,658	1,068,777	561,134
Operating (EBIT) margin	61.5%	47.8%	61.2%	53.4%
EBITDA and EBITDA margin				
Profit before tax	184,249	84,019	647,491	298,682
Net financial items	292	818	6,513	1,018
Depreciation/amortisation	22,374	11,382	80,646	32,513
EBITDA	206,915	96,219	734,650	332,213
Divided by Total operating revenues	300,233	177,658	1,068,777	561,134
EBITDA margin	68.9%	54.2%	68.7%	59.2%
Adjusted EBITDA and adjusted EBITDA margin				
EBITDA	206,915	96,219	734,650	332,213
Items affecting comparability	-	19,386	-	19,386
Adjusted EBITDA	206,915	115,605	734,650	351,599
Divided by Total operating revenues	300,233	177,658	1,068,777	561,134
Adjusted EBITDA margin	68.9%	65.1%	68.7%	62.7%
Profit margin				
Profit for the period	171,557	80,600	605,435	284,622
Divided by Total operating revenues	300,233	177,658	1,068,777	561,134
Profit margin	57.1%	45.4%	56.6%	50.7%
Equity/Assets ratio				
Total equity	3,190,950	2,726,171	3,190,950	2,726,171
Divided by Total assets	3,903,067	3,169,112	3,903,067	3,169,112
Equity/Assets ratio	81.8%	86.0%	81.8%	86.0%

Condensed Parent Company income statement and other comprehensive income

Parent company, EUR thousands	Oct-Dec 2021	Oct-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
Net sales	4,863	2,847	19,175	9,405
Other external expenses	-5,595	-2,798	-18,911	-9,220
Operating profit	-732	49	264	185
Interest income and similar income	250,917	200,136	250,941	200,136
Interest expenses and similar expenses	-	-	-	-
Profit before tax	250,185	200,185	251,205	200,321
Tax on profit for the period	-27	-33	-323	-88
Profit for the period*	250,158	200,152	250,882	200,233

*Profit for the period coincides with comprehensive income for the period.

Condensed Parent Company balance sheet

Parent company, EUR thousands	31/12/2021	31/12/2020
Assets		
Intangible assets	681	763
Property, plant and equipment	23	50
Participating interest in Group companies	2,635,756	2,495,279
Other non-current receivables	14	41
Total non-current assets	2,636,474	2,496,133
Receivables from Group companies	258,537	212,914
Other current receivables	958	751
Prepaid expenses and accrued income	11,524	368
Cash and cash equivalents	79,952	34,388
Total current assets	350,971	248,421
TOTAL ASSETS	2,987,445	2,744,554
Equity and liabilities		
Share capital	647	638
Retained earnings including profit for the year	2,828,647	2,665,657
Total equity	2,829,294	2,666,295
Accounts payable	247	2,620
Current tax liabilities	390	1,120
Liabilities to Group companies	84,347	-
Other current liabilities	72,345	73,719
Accrued expenses and prepaid income	822	800
Total current liabilities	158,151	78,259
TOTAL EQUITY AND LIABILITIES	2,987,445	2,744,554

Notes to the financial statements

Note 1. Accounting principles

Evolution prepares its financial statements in accordance with the International Financial Reporting Standards (IFRS) as approved by the European Union. The Group's interim report has been prepared in accordance with IAS 34, Interim Financial Reporting. The Parent Company uses the same accounting principles as the Group, with the addition of the Swedish Financial Reporting Board's recommendation; RFR 2, Accounting for Legal Entities. The accounting policies are unchanged from the 2020 annual report. There are no amendments to IFRS standards in 2021 that have had material impact on the Group's results of operations and financial position.

Amounts are expressed in thousands of Euro (EUR) unless otherwise indicated. Amounts or figures in parentheses indicate comparative figures for the corresponding period last year.

Note 2. Events following the balance sheet date

No significant events after the end of the period.

Note 3. Incentive programme

The company has two incentive programmes. Upon full exercise of the warrants within the programme 2020/2023 (adopted by the Extra General Meeting on 16 January 2020), the dilution effect will be approximately 0.45 percent, calculated on the closing price of the share, SEK 1,286.20, 30 December 2021. Upon full exercise of the warrants within the programme 2021/2024 (adopted by the Extra General Meeting on 28 January 2021), the dilution effect will be approximately 1.86 percent. More information about the programmes is available in the 2020 annual report.

Note 4. Seasonality

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

Note 5. Acquisition of group companies

During the first quarter, the remaining additional purchase consideration regarding Ezugi of EUR 2,356 thousand was paid. During the second quarter, the remaining additional purchase consideration regarding Red Tiger of EUR 12,913 thousand was paid.

Big Time Gaming

Evolution entered into an agreement to acquire 100 percent of the share capital in Big Time Gaming Pty Ltd (BTG). The transaction was closed on 30 June and BTG is included in the consolidated accounts from 1 July. The up-front consideration was paid in cash and Evolution shares, corresponding to EUR 80 million and EUR 147.8 million respectively. In addition, Evolution will pay earn-outs, based on BTG's EBITDA for the years 2022/23 and 2023/24. Maximum earn-out is EUR 230 million, payable in 2023 and 2024, of which 70 percent in cash and 30 percent in Evolution shares. According to the preliminary acquisition analysis, a non-tax-deductible goodwill of EUR 392.0 million arose that is primarily attributable to the skills that BTG's employees contribute and strengthened presence in important markets. The useful life for customer relationships and game portfolio is estimated to be ten years.

DigiWheel

Evolution entered into an agreement to acquire 100 percent of the share capital in Transigo Ltd (DigiWheel), which is included in the consolidated accounts from 1 September. The up-front consideration of EUR 1 million was paid in cash. In addition, Evolution may pay an earn-out, five times DigiWheel's profit for year 2024. According to the preliminary acquisition analysis, a non-tax-deductible goodwill of EUR 517 thousand arose that is primarily attributable to the skills that DigiWheel's employees contribute. The useful life for proprietary software is estimated to be ten years.

Fair value acquired net assets, EUR thousands	BTG	DigiWheel
Customer relationships	1,100	-
Brand	2,400	-
Game portfolio	75,400	-
Other intangible assets	1,024	359
Right of use assets	161	-
Property, plant and equipment	22	2
Deferred tax assets	450	-
Accounts receivable	7,870	0
Other short-term assets	33	200
Accrued income and prepaid expenses	58	1
Cash and cash equivalents	5,285	3
Deferred tax liability	-23,670	-45
Leasing liability	-212	-
Accounts payable	-239	-1
Tax liability	-3,116	-
Other short-term liabilities	-805	-36
Total acquired net assets	65,761	483

Purchase consideration, EUR thousands	BTG	DigiWheel
Consideration paid, cash	79,970	1,000
Consideration paid, own shares	147,804	-
Additional purchase consideration, debt	230,000	-
Total purchase consideration	457,774	1,000
Fair value acquired net assets	-65,761	-483
Goodwill	392,013	517

Group, EUR thousands

Investing activities	2021
Additional purchase consideration Ezugi	-2,356
Additional purchase consideration Red Tiger	-12,913
Redemption warrants NetEnt	-447
Consideration paid Big Time Gaming	-79,970
Consideration paid DigiWheel	-1,000
Cash in acquired companies	5,288
Expenses directly linked to acquisitions	-831
Effect on consolidated cash and cash equivalents	-92,230

Expenses related to acquisitions are included in Other operating expenses in the income statement.

Group, EUR thousands

Big Time Gaming's contribution	2021
Operating revenue	21,798
Amortisation of excess values	-3,365
Profit after tax for the year	11,270

Acquisition costs of 831 kEUR is included in BTG's profit for the year.
DigiWheel had no effect on revenue and only marginal effect on net profit.

Following table shows revenue and profit for the year as if the acquisition of BTG and DigiWheel took place on 1 January

Group, EUR thousands	BTG	Evolution	Group
Operating revenue	40,243	1,046,979	1,087,222
Profit after tax for the year	16,828	594,165	610,993

Big Time Gaming profit for the year include acquisition costs of 831 kEUR and amortisation of excess values of 6,730 kEUR. DigiWheel would have had no effect on revenue and only marginal effect on net profit.

BTG, EUR thousands	Okt-Dec 2020	Jan-Mar 2021	Apr-Jun 2021	Jul-Sep 2021	Oct-Dec 2021
Operating revenue	7,843	8,995	9,450	10,602	11,196

Definitions of key ratios

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