Kambi

2018

Reaching new heights

kambi.com

Annual report and accounts

Kambi is a leading provider of premium sports betting and technology services, driven by its vision to create unique and engaging sports betting experiences for players, together with its customers. Through its data-led Sportsbook core, Kambi not only provides a market-leading user experience, but acts as an incubator for operator innovation and differentiation.

Coupled with its range of empowerment tools, enabling operators to control important customer-facing elements, Kambi can springboard visionary sportsbooks to success. Kambi is fully compliant in regulated markets and listed on First North at Nasdaq Stockholm under the symbol 'KAMBI'.

Annual report and accounts

2018

Inside this report

Strategic report

Creating premium sports betting experiences across the globe.

Kambi at a glance

Powering the world's leading Sportsbooks

Kambi delivers the ultimate Sportsbook service to more than 20 online and retail operators across the globe. From our innovative, in-house developed software to customer intelligence, risk management, odds compiling, and front-end user interface, Kambi leads from the front over other sports betting suppliers.

We have accelerated the success of some of the biggest brands in the industry. By working in close partnership with our customers, Kambi stimulates innovation, and guides the co-creation of scalable and unique tools that empower operators to develop genuine and exciting sports betting experiences – relevant to their business and market.

Active in six continents, our scalable model demonstrates the most effective means of excelling in today's international market. As the costs and complexity associated with developing and maintaining a high-quality and regulatory compliant sportsbook continue to rise, so too does the demand for Kambi's Sportsbook and services.

The results speak for themselves. The number of visionary operators using the Kambi Sportsbook are higher than ever before, having increased more than 50% in 2018. The success of these operators provides clear evidence of its effectiveness and efficiency as a means of operating a leading sportsbook in regulated and competitive markets.

The drive and passion of approximately 700 highly skilled people, working across seven countries fuel Kambi with the strength of resource to push, and stay, ahead of the competition. Publicly listed, licensed and fully compliant in every regulated territory in which we operate, Kambi is the first and only choice for operators with the ambition to lead in their sports betting market.

Kambi Group plc is listed on First North at Nasdaq Stockholm under the symbol 'KAMBI'.

700 passionate and highly skilled people working across seven countries.

Active in six continents, our scalable model is the most effective means of competing in today's international market.

Introduction

Reaching new heights

Kambi's success is predicated on the enjoyment players take from our Sportsbook platform. In order for Kambi and its operators to grow, we realise we must deliver exciting sports betting experiences to players in a safe and responsible way. At Kambi, the player always comes first. This has, and always will be, our primary driver.

The challenge of developing and maintaining a highly engaging and exciting sportsbook increases in complexity year-on-year and requires the continuous evolution of technology and trading teams. This places rising pressure on organisations which operate their own proprietary sportsbook, and makes it extremely difficult for new players to enter the market.

Kambi successfully anticipated this challenge and built a solution which frees existing operators from the constraints of running the core sportsbook function, while also significantly reducing the barriers for new entrants. Launched in 2010, our scalable and fully customisable Sportsbook platform has fast become the number one choice for visionary operators and players across the globe.

This winning position was reflected in 2018, with Kambi's most successful year to date. Our outstanding achievements included: the addition of a record number of customers, recording our highest ever revenues, entering multiple new and regulated jurisdictions, and conducting a major roll-out of our retail product. Kambi also played a lead role in a historic moment for the global sports betting industry – processing New Jersey's first legal online bet, following the full repeal of the United States' federal sports betting ban.

Entry into the US market naturally resulted in increased revenue for Kambi. However, the bulk of our growth continued to come from the rest of the world, underlining the solid foundations upon which the Kambi business is built. In particular, the rapid development of customers signed during the previous year demonstrates our ability to provide operators with a springboard to growth.

The respected Power 50 list – an annual ranking of the biggest and most influential gaming operators in the world – now features nine Kambi-powered operators. Jumping up from six in 2017, this includes three customers in the top 10, and illustrates Kambi's ability to attract and retain top tier operators, as well highlighting a trend towards high-quality third-party sportsbooks. We believe this trend will continue, with increased regulation, rising costs, heightened competition, evolving technologies, and changing consumer habits, making Kambi's services ever more attractive to ambitious and visionary operators.

In 2018, Kambi reached new heights, bringing sports betting entertainment to millions of players around the world. With the momentum of this success behind us, we move into 2019 with confidence.

historic*

*Kambi processed the first legal online bet in New Jersey following the full repeal of the United States' federal sports betting ban.

Our visionary Sportsbook is a powerful incubator for innovation and differentiation.

Chairman and CEO statements

Chairman's Statement
Lars Stugemo

Digitalisation has been changing the way businesses operate, consumers behave and information is shared. This evolution is pushing the boundaries of what we thought was possible, from both a technology and product perspective. Moreover, it's drastically raising the bar in terms of the end user experience and expectations.

This trend continued in 2018 as digital businesses across a wide spectrum leveraged newly unearthed information to satisfy changing consumer habits – whether that be through the development of new products, and/or delivering relevant experiences to the end user at the right time.

For Kambi, our end users are the bettors – the players. As industry innovators, our focus, as always, is on consistently providing players with new, exciting and thrilling ways to enhance the viewing of their favourite sports, teams or players, through the provision of a high-quality sportsbook to our network of operators.

Clearly our capacity to excite and deliver relevant betting opportunities was a key driver behind Kambi's record 2018. During the past year, we signed eight new customers – a company record, with the number of players using the Kambi Sportsbook across our expanding network rising by approximately 50%.

Kambi now operates across six continents, creating local market leaders in each. And in addition to adding new customers last year, we also continued to renew contracts with some of our major clients, with both Kindred and Mr Green committing to Kambi for the long-term.

However, potentially the most transformational event of the year was Kambi's expansion into the US, where we took the first legal online bet outside of Nevada following the repeal of the country's federal sports betting ban. Since that historic bet, Kambi has built strong positions in the two largest states to have regulated so far, New Jersey and Pennsylvania.

Looking ahead, a combination of digitalisation and regulation will see the industry become even more widespread globally, yet increasingly local and fragmented. This will place an even greater burden on product and compliance organisations to deliver exciting, localised and regulatory compliant products to their customers.

These industry challenges will only heighten the appeal of suppliers such as Kambi. We are already the number one provider to tier one operators, reflected in the fact we power the sportsbooks of three of the top 10 operators in the world, according to the recent Power 50 ranking.

Bearing in mind our proven track record coupled with the industry's direction of travel, I believe we'll be required to create even more entertaining experiences in 2019 and beyond. And if we continue to succeed in bringing excitement to players, we'll naturally deliver growth to our operators.

Lars Stugemo
Chairman

A view from the CEO
Kristian Nylén

When we sat down in 2009 to write the initial business plan for Kambi, we took a view on how we saw the sports betting industry playing out. It was our belief back then that regulation would spread from the handful of markets in Europe to many more jurisdictions further afield, and so we built our business accordingly.

Ten years on, we now have a sizable regulated sports betting industry, with many more players having access to safe and secure environments in which to play. Almost every major European country has some form of regulation in place, or is on the road to regulation. Last year, the United States entered the fray, while in South America, Brazil, among others, is in the process of developing its licensing framework.

Having developed our business for regulated markets - building our technology with the scalability and flexibility to comply with a wide variety of local specifications - the opening up of new territories is enabling us to provide exciting sports betting experiences while simultaneously delivering the protections and safeguards not afforded to players in unlicensed markets. The long-term view we took a decade ago is also helping our partners enter new markets at speed and obtain market-leading positions.

This was evident in 2018 as Kambi made its debut in the US. Kambi's readiness provided the springboard for our partners to succeed in New Jersey. This included the processing of the first legal online sports bet in the US with DraftKings, post-regulation. We have also taken a leading position in retail, providing our operators with the most modern and sophisticated on-property product suite in the market.

While Kambi has long been creating local market leaders, regulation in the US has given us a bigger stage on which to display our excellence. Our high-profile success, and that of our operators, has generated further interest in Kambi, both in the US and elsewhere. This is why I believe that, despite our incredible year of growth in 2018, many more exciting opportunities lie ahead.

Reflecting on 2018 reminds me just how exceptional it was. The financials were strong with revenues up 23% and operating profit up 65%. We signed a record number of customers in a calendar year – eight, and agreed extended deals with two others. We established market leadership positions in countries including the US and Colombia, enjoyed a strong World Cup, and won prestigious industry awards.

Furthermore, it was a year in which Kambi truly became a multi-channel sports betting supplier. The decision to continuously develop our retail product really bore fruit in 2018, as we rolled out with three customers in the US and ensured ATG was ready to go live on 1 January 2019 across 2,000 retail stores in Sweden. I'm proud to say we have a market-leading retail solution, one which gives players the same quality they have come to expect online and operators the same flexibility to differentiate.

After such a great year there's always a risk of subconsciously resting on your laurels and simply expecting momentum to continue. However, in my view, one of the great things about last year is that, despite our fantastic performance, we have the capacity and motivation to improve further in 2019 and beyond. We've built a great team, a great brand and a great product, and I'm very excited for the year ahead.

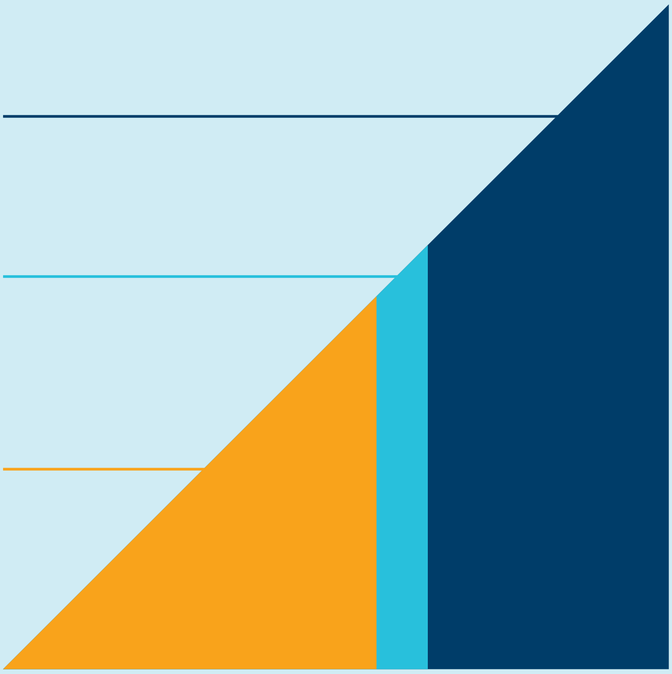
Kristian Nylén
CEO

Overview and highlights

€31.1m Net cash

€12.7m Operating profit

€9.8m Profit after tax



↑23% Revenue growth

↑20% Operator turnover growth

20+ operators

A global supplier with a customer footprint across six continents

700 employees

across seven locations: Australia, Malta, Philippines, Romania, Sweden, UK and US.

69 Sports covered worldwide

348k Pre-match events

470m Bets placed in 2018

203k Live events

4.4bn Odd changes

Online sports betting supplier of the year

GLOBAL GAMING AWARDS LONDON 2019

Nine Kambi customers recognised

on the EGR Intel Power 50 list: 888, Casumo, DraftKings, Global Gaming, Kindred Group, LeoVegas, MRG, Paf and Rank Group

EGR POWER 50 RANKINGS

Healthy balance sheet and steady cash flow

Eight customers signed

Casumo · Stanleybet · Rush Street · DraftKings Sportsbook · ATG · Latvijas Loto · Global Gaming · Greenwood Gaming and Entertainment, Inc

Strategic review

Driving growth through scalability and differentiation

Everything Kambi does is driven by the enjoyment of the end user. By creating unique betting opportunities and supplying engaging products, we strive to provide players with both an exciting and safe sports betting experience – that goes above and beyond any other on the market.

Underpinning the delivery of this experience is our compliant and increasingly flexible Sportsbook, designed to complement individual operator strategies, and respond to evolving business needs. Maintaining this complete service to a high standard, across Kambi's ever-growing and diverse network of operators, is a complex task.

To keep our promise to customers – to empower them to fulfil their sports betting ambitions – the Kambi Sportsbook must be capable of supporting operators wherever and whenever. Which means that we must ensure our Sportsbook platform remains as scalable as possible.

Kambi rises to this technical and operational challenge through 'scalable differentiation' – providing a sportsbook core that meets the needs of all, while empowering operators to innovate, integrate, and individualise through our platform. Only by delivering both this scalability and differentiation, can Kambi and its customers succeed.

The design of a universal sportsbook core removes the burden of bespoke developments and individual instalments – enabling Kambi to deliver in a scalable way. We build once and the benefit is felt by all: every tweak, improvement, and product upgrade to the Sportsbook is implemented across the entire Kambi network of operators.

Built within this scalable core is a layer of operator empowerment, using sophisticated technology which enables control over crucial elements of the Sportsbook. This capability provides operators with the freedom to develop tailored products and functionality best suited to their end users – so no two Kambi operators need look or feel the same.

In 2018, Kambi's scalable differentiation acted as a catalyst for reaching new heights. Set against the backdrop of an increasingly complex and fragmented global sports betting market, this approach enabled us to execute and deliver across various jurisdictions, ultimately leading to the business outperforming competitors.

This strategy was a key driver in Kambi being positioned to process the first legal online sports bet in the US, following the repeal of the country's federal sports betting ban. Not only was our scalable Sportsbook able to quickly meet the requirements of the local regulator, but our flexible platform ensured our customer could launch a front-end unique to its brand and customer base ahead of the rest of the market.

And this scalable differentiation isn't limited to online. Last year, Kambi enjoyed great success in the retail channel, primarily due to the quality of its retail solution. Kambi's retail product has been continuously developed using the same central Sportsbook core, meaning it benefits from the same functionality and flexibility as our online Sportsbook.

Retail has become particularly important in the United States, where regulators have placed an emphasis on the retail channel. Last year, we launched retail in three casinos across two US states, New Jersey and Pennsylvania, and additional US retail launches have followed in 2019.

In addition, the re-regulation of the Swedish market on 1 January 2019 saw the Kambi Sportsbook launched across a fleet of 2,000 retail stores with ATG, establishing Kambi as a multi-channel market leader.

Our scalable Sportsbook core allows us to be consistently quick to deliver a high-quality and localised sports betting product, whatever the channel. In total, Kambi supported operators with 19 market launches in 10 different jurisdictions throughout the year, including three separate launches in the space of just 10 days.

As regulation continues to unfold across the US, Europe and the rest of the world, Kambi believes operators will increasingly require a scalable multi-channel sportsbook such as ours. One that can be rapidly localised and deployed to meet the demands of both regulators and players – as well as empower operators to innovate and differentiate where it matters most.

Acting as a trusted partner

Kambi has always placed integrity at the heart of its operations, and avoids markets where gambling is prohibited. We are firmly of the belief that not only is this the correct way to operate, but that it will provide long-term benefits to both our business and reputation.

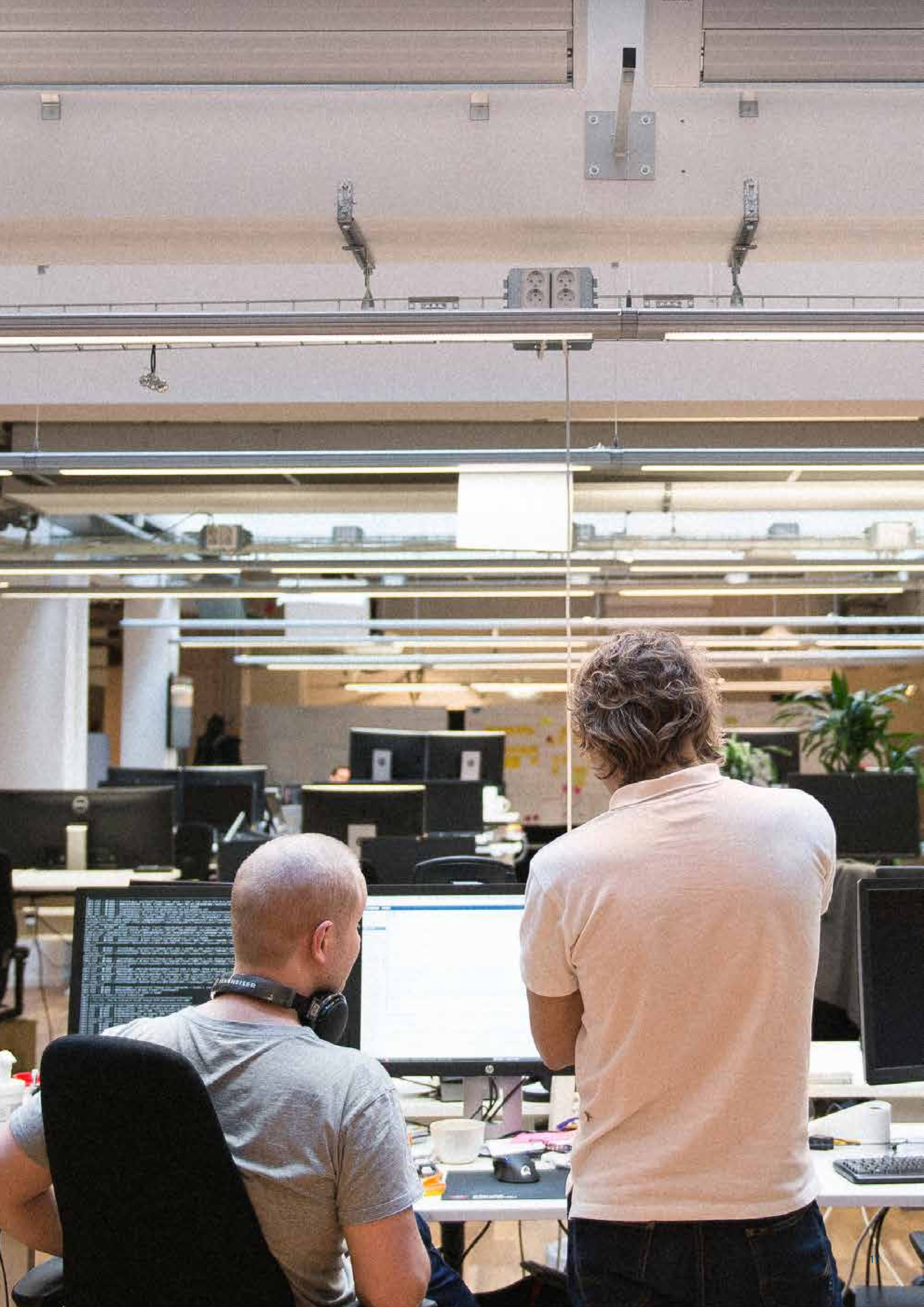
Alongside continuing market regulation, it has become increasingly apparent that operators and regulators prefer to work with those able to demonstrate a long history of respecting local laws. Kambi has a proud record of obtaining each and every licence it has ever applied for, and in 2018 secured permits in South Africa and the US states of New Jersey, Pennsylvania, Mississippi and West Virginia.

Kambi's integrity and corporate probity set us apart, and strengthen our credentials within the industry. We are fully committed to creating and maintaining a sustainable business, and have developed proprietary algorithms which can detect the early signs of problem gambling and highlight suspicious betting patterns – protecting the safety of players, as well as the integrity of sports.

Listed on First North at Nasdaq Stockholm, Kambi has a transparent management and ownership structure. Giving regulators and operators a clear view of who they are doing business with has had a positive impact on the sales cycle with operators favouring our clean business approach. This transparency has also improved the speed of the licensing process.

innovate*

*Kambi provides a high-quality Sportsbook developed with increased capacity for operators to innovate, integrate and differentiate upon our platform.



Sports betting market

Seeing the opportunity in regulation

Hundreds of millions of people across the globe place bets on a regular basis, making sports betting one of the most popular pastimes in the world. Its popularity has created a thriving and ever-growing industry, boosted by increased accessibility and connectivity.

According to market research company H2 Gambling Capital, the global betting industry was worth approximately €62bn in 2018, and is expected to grow to €79.4bn in 2023 (see graph right). Online is anticipated to be the fastest growing channel over this period, rising from €22bn to €30.8bn at a compound annual growth rate (CAGR) of 5.7%. However, retail will continue to provide the majority of the gross revenue, with the estimated €39.9bn generated in 2018 expected to rise to €48.6bn in 2023, at a CAGR of 3.3%.

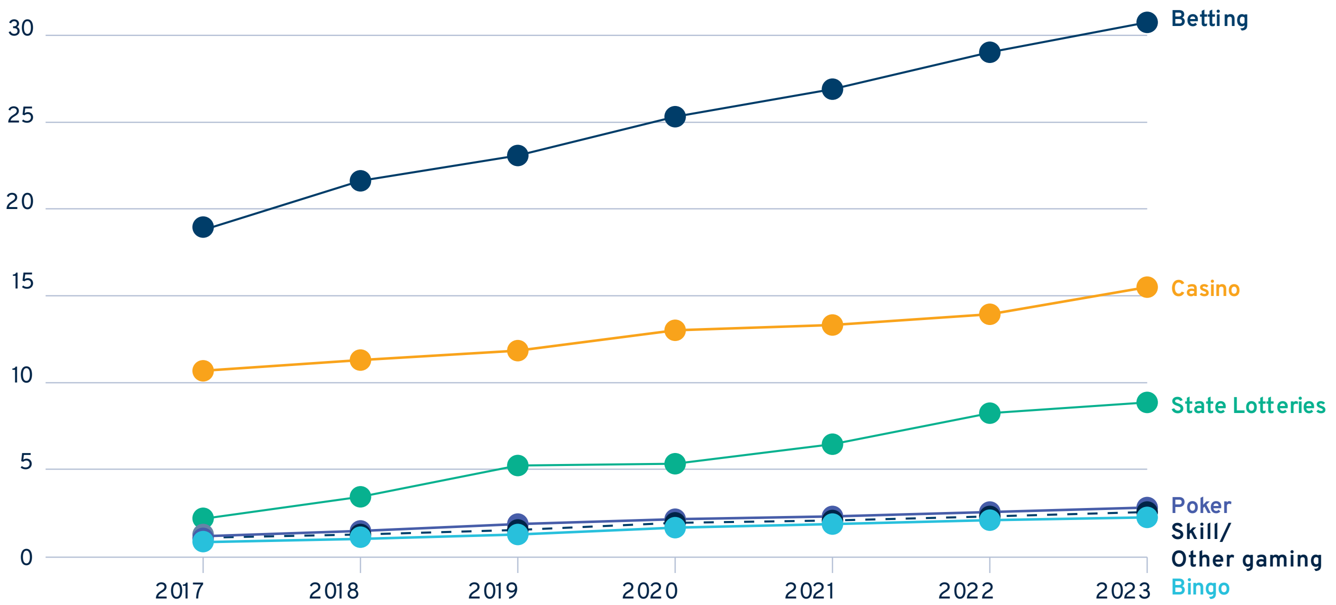
The bulk of Kambi's current revenues are generated through regulated online sports betting, an area projected to grow from €5.4bn 2018 to €11.5bn in 2023 – an annual rate of 16%, and faster than any other market segment. In 2018 online betting revenues in Europe were estimated to have overtaken retail for the first time (see right, middle).

A powerful driver of regulated market growth will be the adoption of licensing frameworks in countries where gambling is currently unregulated. Kambi feels greatly encouraged by the recent regulatory progress made in countries such as Brazil, Argentina and the United States. Adopting regulation, as some US states have already, would significantly increase Kambi's addressable market.

Kambi has entered a number of regulated online markets for the first time over the past 18 months, including South Africa, Colombia and Bulgaria, as well as a number of US states. The customers we launched into these markets experienced substantial growth in 2018 – with good prospects for continued growth.

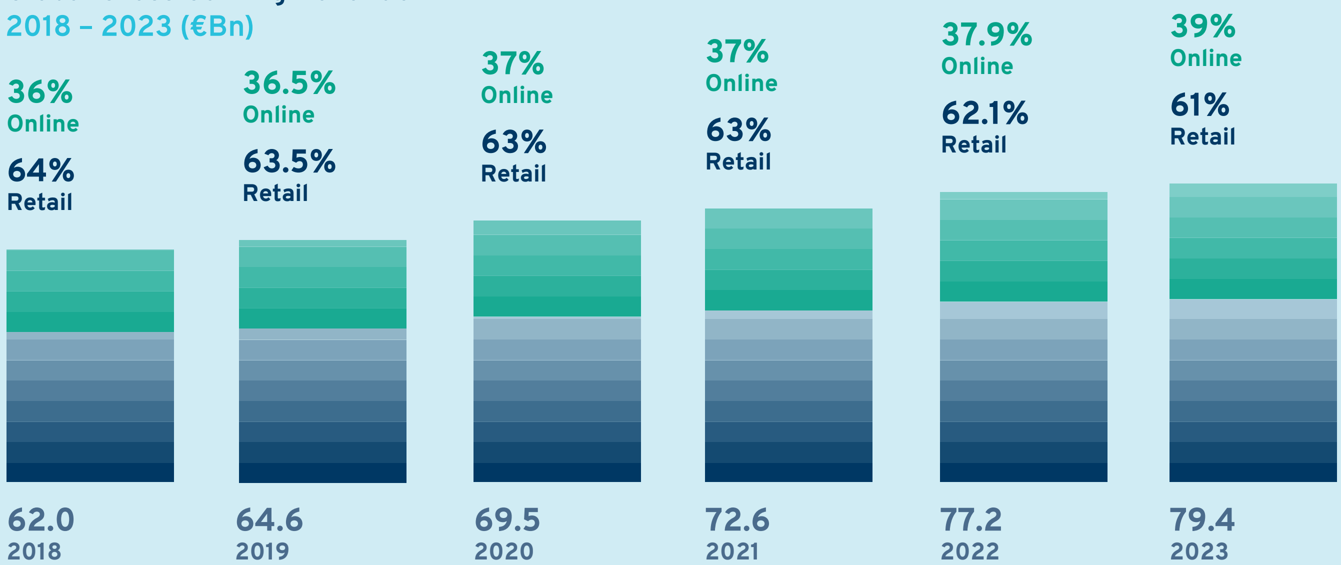
Kambi's pre-existing markets are also anticipated to grow at strong rates. Italy, the Netherlands, Romania, Belgium and Colombia are all forecast to be among the top market performers over the next five years – providing opportunities for Kambi operators to increase their turnover.

Global Online Gross Gaming Revenue by Product Vertical (€Bn)



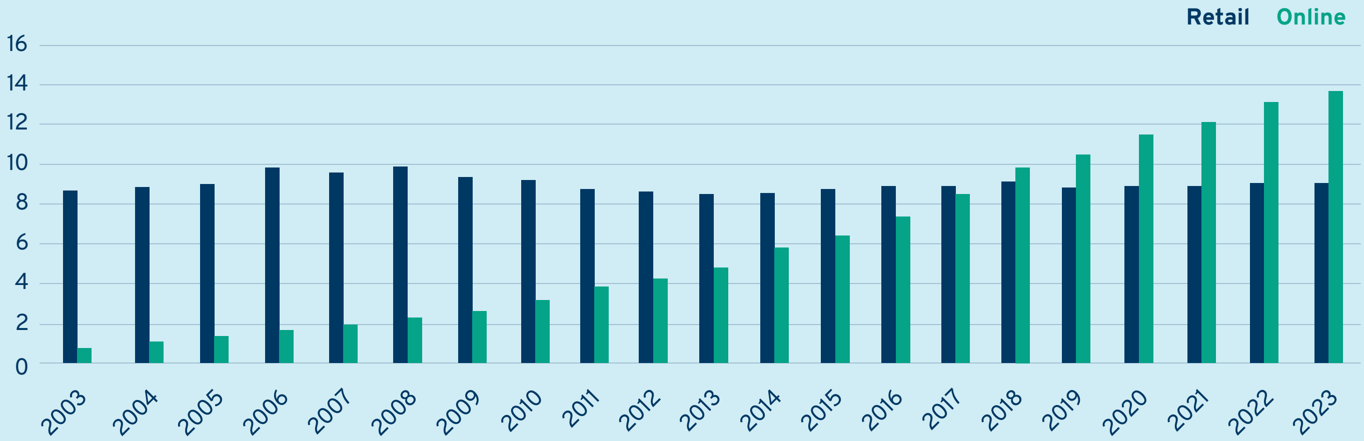
Source: H2 Gambling Capital

Global Gross Gaming Revenue*
2018 – 2023 (€Bn)



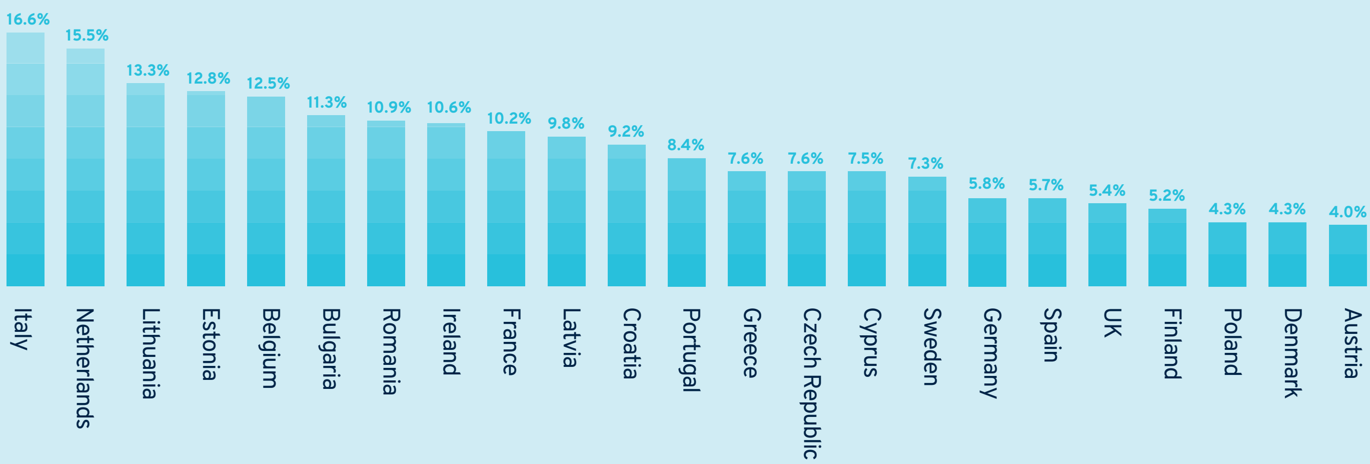
Source: H2 Gambling Capital
* Please note: this graph contains data relating to both regulated and unregulated online sports betting.

European Betting Market Size
2003 – 2023 (€bn gross gaming revenue)



Source: H2 Gambling Capital

Online betting growth*
CAGR (2017-2023)



*Total betting includes horse racing and sports
Source: H2 Gambling Capital

Regulatory developments

South America

2018 saw progress in Brazil, when a sports betting bill to regulate activity across both online and retail channels was passed in December. This was particularly noteworthy given the country's population of more than 200 million. Secondary legislation is needed before licences become available which could take up to two years.

A recent study by leading financial services firm KPMG estimated that a regulated Brazilian market could become the second largest in the world after the UK – although the US is expected to overtake both in time. The study forecasted annual online gaming revenues in excess of $2bn, across all verticals.

Recent reforms in Argentina have enabled each province to act as a gambling licensing authority. The provinces of Buenos Aires City and Buenos Aires Province have voted to legalise various forms of online gambling – including sports betting (retail betting is already regulated).

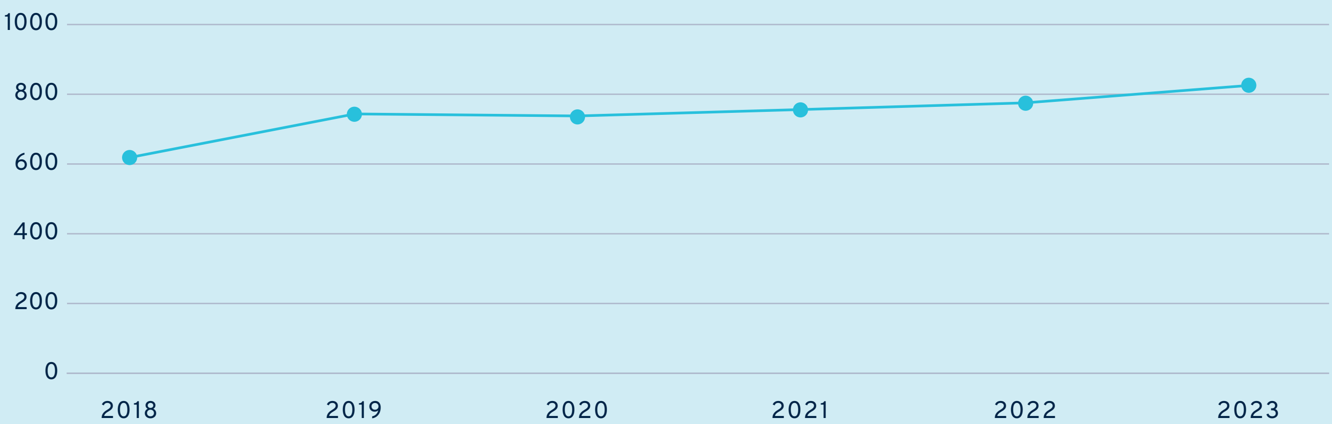
Europe

On 1 January 2019, Sweden opened its newly re-regulated market. The new regulation represents a more open and liberalised framework – enabling operators from all around the world to apply for a licence to enter the market. The regulation enabled the monopoly trotting and horse racing operator ATG to launch a sports betting product, which presented Kambi with the opportunity to partner with one of the most recognisable brands in the country.

Including ATG, Kambi has seven customers operating in Sweden with a recently obtained licence. It is estimated that the size of the Swedish online market will grow around 20% in 2019. All Kambi customers previously active in Sweden received their licences and commenced operations in the licensed market on 1 January, therefore having the opportunity to share in this market growth.

In the Netherlands, regulation moved a step closer in February after the Dutch parliament voted to legalise egaming, including sports betting, as part of the Remote Gaming Bill. The next stage will be secondary legislation, e.g. the regulations that will govern the market, which may take up to two years before being put to the European Commission for approval.

Sweden Online Betting
Gross Gaming Revenue (€Mn)



Source: H2 Gambling Capital

Rising opportunities in the US

In May 2018, the US Supreme Court lifted an almost 30-year federal ban on sports betting – transferring the responsibility for law making in this area to state level. This historic judgment created an opportunity for US players to enjoy sports betting in a safe and regulated framework, as well as a licensed environment in which Kambi prefers to operate.

Following the decision, the first state to launch online sports betting was New Jersey. It was here in the Garden State that Kambi made history, processing the country's first legal online wager outside of Nevada. This was an historic moment which placed our name high on the consciousness of gaming executives across the US.

Although still in its infancy, the market has grown faster than predicted and Kambi has made a promising start by launching three customers online in New Jersey – including one with a retail sportsbook. Kambi-powered operators have built a strong position in the online market in New Jersey, generating more than half of all revenues since launch. In neighbouring Pennsylvania, the Kambi Sportsbook is currently present in five properties, giving us a leading position in one of the largest US states.

A countrywide passion for sports, a limited history of regulated bookmaking, and an absence of sports betting technology mean the new US market represents a major opportunity for Kambi. Operators with an interest in adding a sports betting product to their portfolio will need to seek outside assistance – either in the form of joint-ventures with betting operators, or agreements with third-party suppliers such as Kambi.

In anticipation of the Supreme Court's decision, some states prepared at-the-ready bills seeking to legalise and regulate sports betting. By the close of 2018, nine states had adopted regulation and processed legal sports wagers for the first time, with others on track for 2019. However, the state-by-state nature of sports betting in the US makes for a complex picture in predicting timelines and details of regulatory requirements.

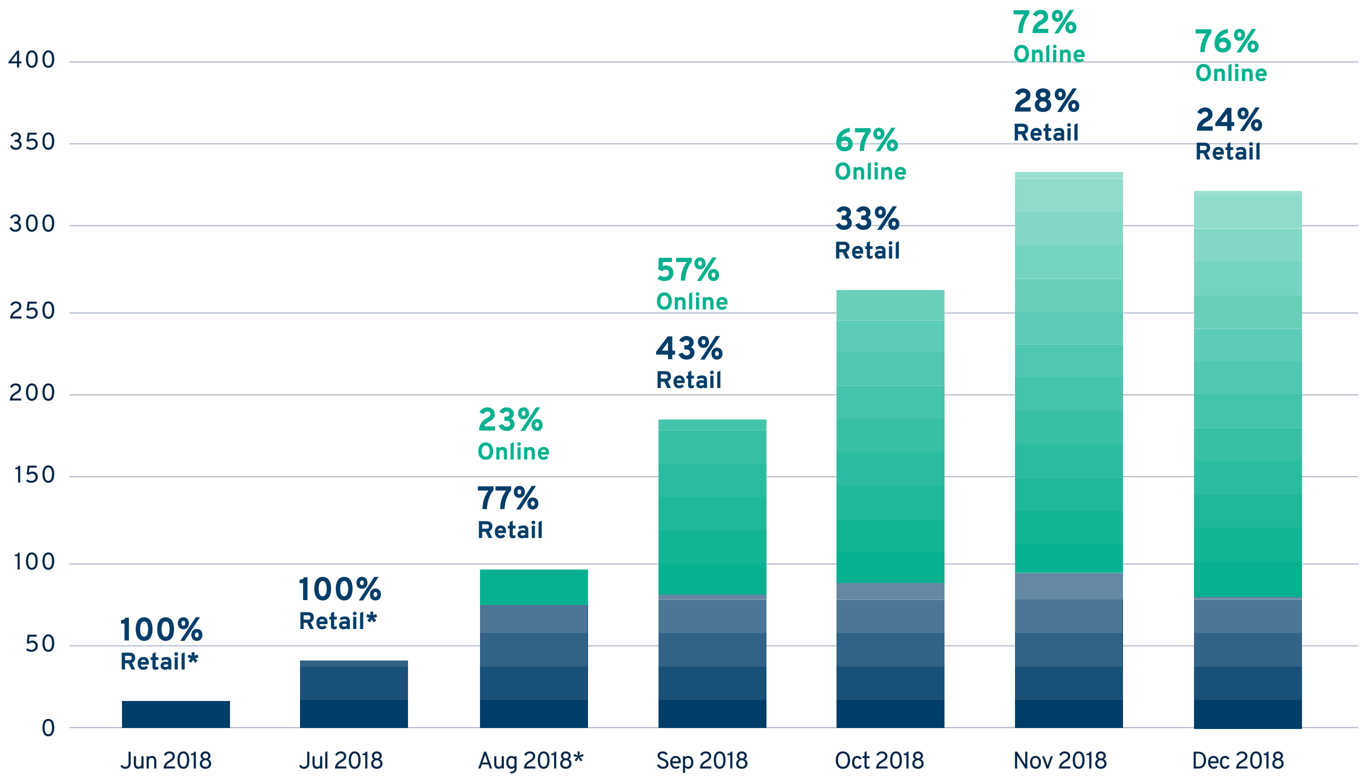
Kambi has taken a proactive approach to communicating with regulators and lawmakers in states throughout the US in an effort to relay how effective regulation has worked in Europe and other jurisdictions throughout the world.

In all regulating markets, Kambi's preference is for sensible retail and online regulation, with few restrictions on market access, which betting markets can be offered, and on what channels. History shows regulation which promotes competition and innovation – rather than monopoly frameworks as seen in Delaware and Washington DC – enjoys greater success in channelling players from the unlicensed market into the safer, regulated environment.

Lessons learned from New Jersey

New Jersey: Sports Betting Turnover by Channel
Jun – Dec 2018 (US$Mn)

Growth in New Jersey demonstrates the importance of online betting in the US.



* Online launched 1 August 2018
Source: New Jersey Division of Gaming Enforcement

The US opportunity

State sports betting

1 New York

Current legislation, which could be actioned in 2019, permits sports betting within the state's four commercial casinos. Meanwhile, a new bill has the potential to add online betting and the participation of the state's tribal casinos.

Population: 19.5m

Gross Domestic Product per Capita (GDPC)*: $64,579

2 Connecticut

Sports betting is currently limited to the state's two tribal casinos. However, pending legislation could open this up to off-track outlets and the lottery – both land-based and online.

Population: 3.6m
GDPC: $65,511

3 Illinois

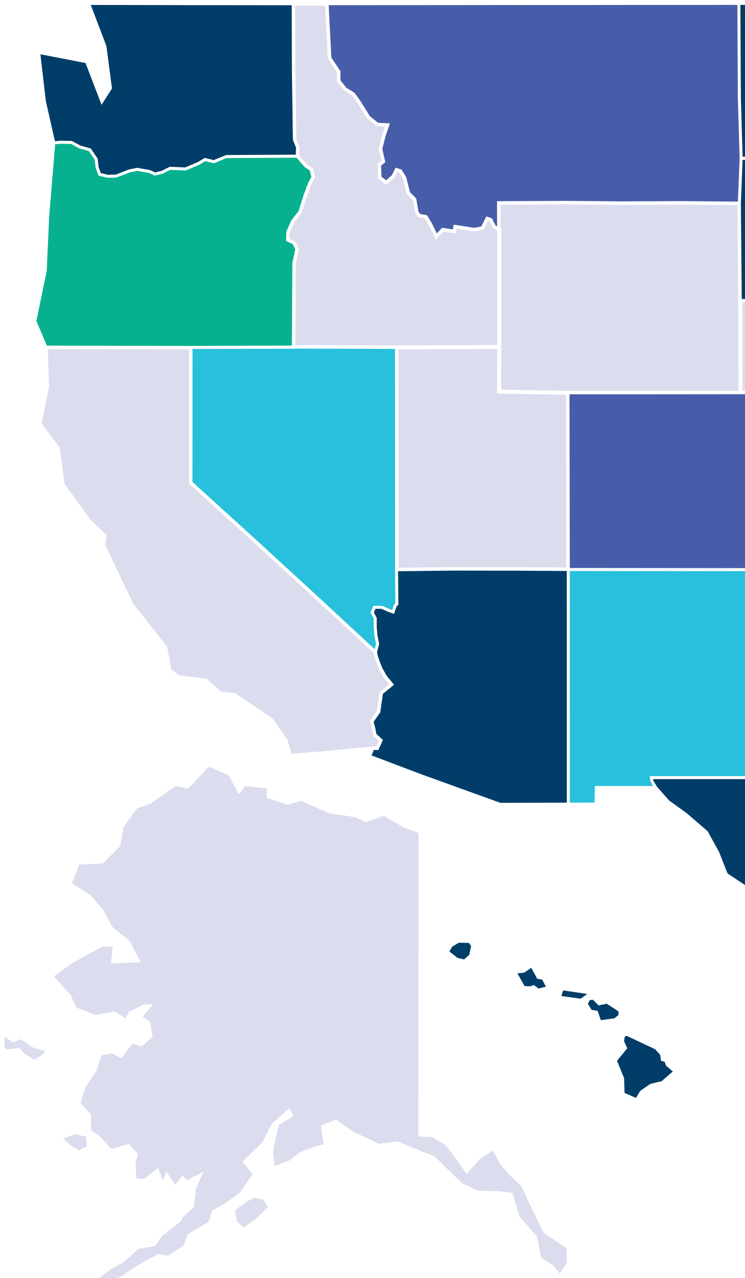
Pending legislation seeks to permit sports betting in casinos, off-track outlets, and the lottery – both land-based and online.

Population: 13m
GDPC: $54,091

4 Indiana

Pending legislation seeks to permit sports betting for casinos – both land-based and online.

Population: 6.7m
GDPC: $45,317



5 Ohio

At present, licences will be made available to casinos and racetracks – both land-based and online.

Population: 11.7m
GDPC: $47,567

6 Michigan

A bill to regulate all forms of igaming, including sports betting, was vetoed by the outgoing governor at the end of 2018. However, a new bill should be considered in 2019, with tribal and commercial casinos in line to offer sports betting.

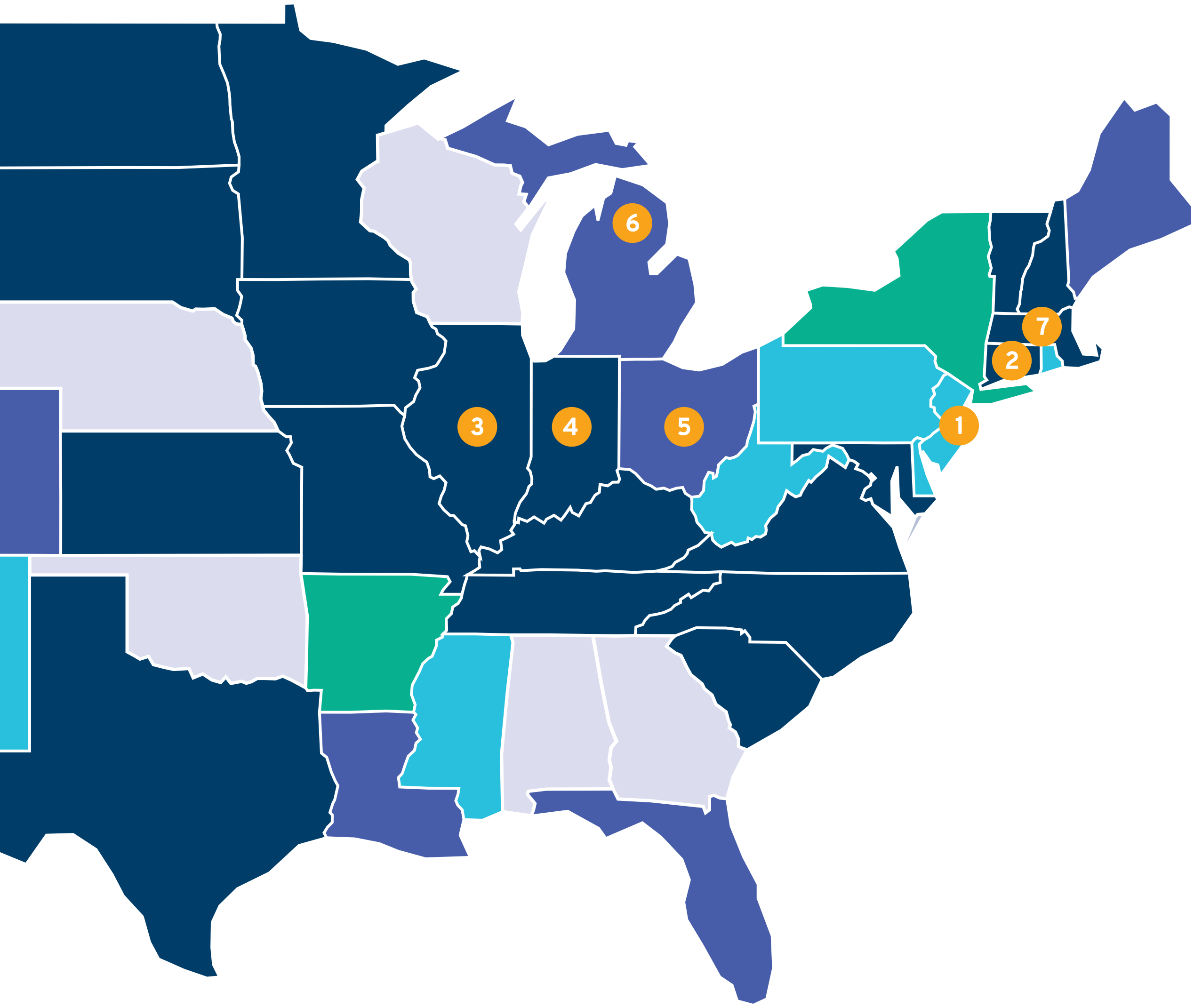
Population: 10m
GDPC: $43,372

7 Massachusetts

Four bills to authorise sports betting have been introduced in January 2019, two of which would allow online companies to be licensed without having a partnership with a casino.

Population: 6.9m
GDPC: $65,646

*All GDPC figures as per Bureau of Economic Analysis, 2017



Key

Live	Passed	Active	Reports	No active
legal single game sports betting (8 states)	sports betting bill or ballot question, but not yet operational (3 states + DC)	2019 sports betting bills (22 states)	of upcoming 2019 sports betting bills (7 states)	sports betting bills (10 states)

Source: American Gaming Association as of March 2019

Kambi customers

Partnering with visionary sportsbooks

Kambi's commercial team signed eight operators across Europe and the US in 2018 – beating the previous record of five. These new additions to the Kambi network were driven by the continued expansion of regulated markets and the ability to demonstrate the capabilities of our Sportsbook.

Over the next 12 months, and into 2020, Kambi will continue to pursue opportunities in the US – starting with the states set to regulate in 2019. In addition to casinos and major gaming brands, our targets will include state lotteries – having signed two Europe-based World Lotteries Association member partners in the past two years.

We also have our sights on market leaders within Europe, a region where we continue to set a high standard. Our preparations at the end of 2018 enabled us to successfully launch seven of our customers simultaneously into the re-regulated Swedish market – as it went live on 1 January 2019. Among these seven customers was ATG, which we launched online as well as across its 2,000 shops, demonstrating our ability to deliver retail at scale.

Kambi is also actively monitoring regulatory movement in South America. Having already delivered growth for our partners Corredor Empresarial and Rush Street Interactive in Colombia, we are well positioned to capitalise on further market opportunities in the region as they arise.

Unlocking our customers' potential

Kambi partners with its customers with the aim to enhance the businesses of both – evidenced by our revenue share business model. Each customer comes with its own unique requirements and regulatory demands, but there is one common prerequisite for becoming a Kambi partner – the ambition to become a market leader.

Kambi operates a Partner Success department, a variation of the Customer Success methodology used by many major corporations around the world. Our adaptation of the Customer Success methodology began structurally in 2017, through the creation of the technical partner role – used to educate partners on how to realise the full potential of Kambi's scalable technology, and feedback into future product development.

In 2018, Kambi expanded its Partner Success team to meet the demand of our ever-growing customer base. More new team members joined us in early 2019, some of whom will be based at Kambi's new office in Philadelphia – open in Q2 of 2019.

New customers in 2018

ATG:

Kambi signed the Swedish trotting monopoly in July. On the opening of the re-regulated Swedish market in January 2019, ATG launched the Kambi Sportsbook both online and across its 2,000 retail outlets, boosting its existing trotting and horse racing offer.

Casumo:

One of the most innovative casino operators in Europe, Casumo signed with Kambi in March. They are currently preparing to launch a Kambi Sportsbook in the coming months, and will also leverage our open platform and APIs. Casumo is ranked 34th in the EGR Power 50 rankings.

DraftKings:

The Daily Fantasy Sports giant turned its attention to sports betting, following the repeal of the US sports betting ban in May. In August, Kambi and DraftKings worked together to process the first legal online sports wager in New Jersey. In November, DraftKings launched an on-property sportsbook in New Jersey, using the Kambi Sportsbook. DraftKings is ranked 29th in the EGR Power 50 rankings.

Global Gaming:

The power behind the successful Ninja Casino brand joined forces with Kambi in August. Global Gaming will soon launch the Kambi Sportsbook in Sweden, with additional regulated markets to follow. Global Gaming is ranked 40th in the EGR Power 50 rankings.

Greenwood Gaming & Entertainment:

The owner of Pennsylvania's highest grossing gaming property – Parx Casino – signed with Kambi in November and launched an on-property sportsbook the following month. An additional sportsbook was launched at Greenwood's South Philadelphia Turf Club just one week later.

Latvijas Loto:

The government-owned operator of Latvia's national lottery selected Kambi to power its expansion into the online sports betting vertical, in July. The sportsbook – under the brand name Beteo – is due to launch later this year.

Rush Street Interactive:

Signed in May, Rush Street owns four US retail casinos across three states, as well as an online casino in New Jersey. In June, Rush Street launched RushBet in the regulated Colombian market, and a sportsbook via its online SugarHouse brand in New Jersey. This was followed by the launch of on-property sportsbooks in two Pennsylvania casinos in December.

Stanleybet Romania:

After signing in April, the leading Romanian operator went live with its Kambi-powered sportsbook in June – ahead of the FIFA World Cup – maintaining our exceptional track record of fast deployment.

A customer base of sports betting leaders

Customers signed prior to 2018

888sport:

888sport is part of London Stock Exchange-listed 888 Holdings. Following the repeal of the US federal sports betting ban, 888 chose the Kambi Sportsbook for the launch of 888sport in New Jersey – where it debuted in September. 888 is ranked 8th in the EGR Power 50 rankings.

Corredor Empresarial:

BetPlay is a sports betting brand owned by Corredor Empresarial, Colombia's largest game-of-chance network operator. In 2018, BetPlay enjoyed rapid growth, becoming one of the most popular sports betting brands in the regulated Colombian market. Corredor Empresarial was considered 'One to Watch' in the EGR Power 50 rankings.

Kindred Group:

Nasdaq Stockholm-listed Kindred group, owns Kambi-powered brands Unibet and 32Red. In 2018, Kindred extended its long-term deal. Kindred is ranked 5th in the EGR Power 50 rankings.

LeoVegas:

Ahead of the 2018 FIFA World Cup, LeoVegas launched its new sportsbook client – a combination of Kambi and LeoVegas components, resulting in a unique product. LeoVegas is publicly listed on Nasdaq Stockholm, and ranked 10th in the EGR Power 50 rankings.

Mr Green:

Mr Green extended its agreement with Kambi in July 2018, adding its recently acquired Redbet brand to the contract, replacing another third-party supplier with the Kambi Sportsbook. Nasdaq Stockholm-listed Mr Green, was recently acquired by William Hill, and is ranked 22nd in the EGR Power 50 rankings.

NagaCorp:

Kambi has supplied the Cambodia-based NagaWorld casino with its retail solution since 2014. In 2017, this extended to include the new Naga 2 premises. NagaCorp is listed on the Hong Kong Stock Exchange.

Napoleon:

Napoleon continued to explore Kambi's empowerment features in 2018, including the use of a third-party to make the most of our flexible front-end client. The operator continues to be one of the top sportsbooks in the regulated Belgian market.

National Lottery AD:

This World Lottery Association member signed with Kambi in Q3 2017, going live with the Kambi Sportsbook in its local Bulgarian market in early 2018, using its 7777 brand – and has already gained a top three position.

Novomatic:

A successful 2017 saw Kambi launch Novomatic's Greentube interactive brands in Romania, Italy, and Spain. In 2018, we strengthened our partnership, with a launch in Latvia via the operator's Fenikss brand.

Paf:

As Paf continues to take a lead in the protection of players, Kambi supported the operator with its responsible gambling initiatives in 2018. We also helped Paf to make its debut in the regulated Latvian market before the World Cup. Paf is ranked 32nd in the EGR Power 50 rankings.

R Franco:

Kambi powers the R Franco sportsbook Wanabet, in the regulated Spanish market. In 2018 the home page was redesigned using Kambi's open platform and APIs, while the live offer was expanded to increase competitiveness.

Rank Group:

Kambi powers Rank Group's Grosvenor Sport brand. In 2018, Grosvenor launched Kambi's new and improved horse racing product. Rank Group is listed on the London Stock Exchange and is ranked 20th in the EGR Power 50 rankings.

Sun International:

Sun International was signed by Kambi in Q4 of 2017. Through its existing Sunbet brand, it went live online in its home market of South Africa in Q2 of 2018. Sun International, one of the country's largest tourism, leisure and gaming groups, is listed on the Johannesburg Stock Exchange.

Televisa:

Listed on the New York Stock Exchange, Mexican media company Televisa is the largest in Latin America – as well as the first of the Spanish-speaking world. Televisa operates 18 land-based casinos in Mexico through its PlayCity brand, each using Kambi's retail product suite.

Customers signed so far in 2019:

Mybet:

Previously one of the most prominent sports betting brands in Germany, mybet was recently relaunched with an online Kambi Sportsbook, after Kambi signed a deal with new mybet owner Rhinoceros Operations.

Mohegan Sun:

The highest grossing Native American casino in North America, Connecticut-based Mohegan Sun recently selected Kambi to launch an online and on-property sportsbook as soon as regulation permits.

Business model

Creating value for our customers

Kambi offers a fully managed sports betting service that works with real time sports data providers, on a robust technical platform. Our expert traders utilise proprietary tools to compile odds, working alongside our risk management department to provide a highly competitive sports betting offer, whilst mitigating risk. Kambi provides operators with the freedom to customise their user interface, enabling them to deliver against specific marketing campaigns and provide a unique experience to end users.

Kambi's goal is to provide sports betting experiences that go beyond any other. We power market leading brands across the world, using cutting edge technology supported by highly skilled expertise. Our user interface has been designed to deliver a seamless omni-channel experience, which drives acquisition and boosts retention.

The fully scalable Sportsbook

Kambi has an impressive record of providing a superior Sportsbook service, effective in generating significant growth in revenue and market share for both us and our operators. The scalability of our business model is key to this success – with little need to add extra resources for new operators, as the number of users is independent of our service.

Creating and sustaining our state-of-the-art Sportsbook requires continual investment in people and technology. Through our investment programme we enable operators to offer end users a premium Sportsbook that delivers a first-rate experience across mobile, online and retail in a cost-efficient manner.

Our business model provides strong operating leverage in a revenue-sharing model, driving Kambi's earnings growth and margin expansion.

This model incentivises Kambi to provide odds that maximise our operators' gross gaming revenue creating a natural alignment of interests. We also allow our operators the flexibility to adjust pre-match odds, up to a set level, for certain events, enabling them to differentiate and optimise their marketing campaigns.

Real-time sports data

Kambi

Technical platform

2/1

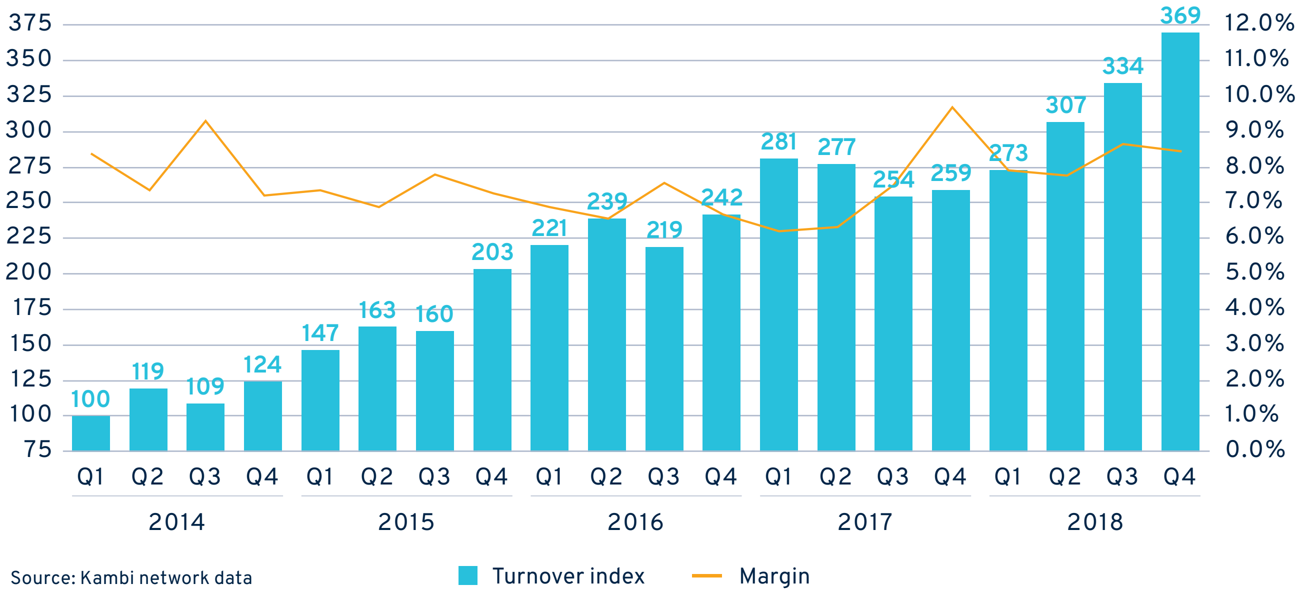
Odds

The Kambi Turnover Index

Kambi aims to achieve optimal margin, to maximise turnover growth and boost the financial performance of our customers – both in the short and long term. We manage this by leveraging our sophisticated risk management tools.

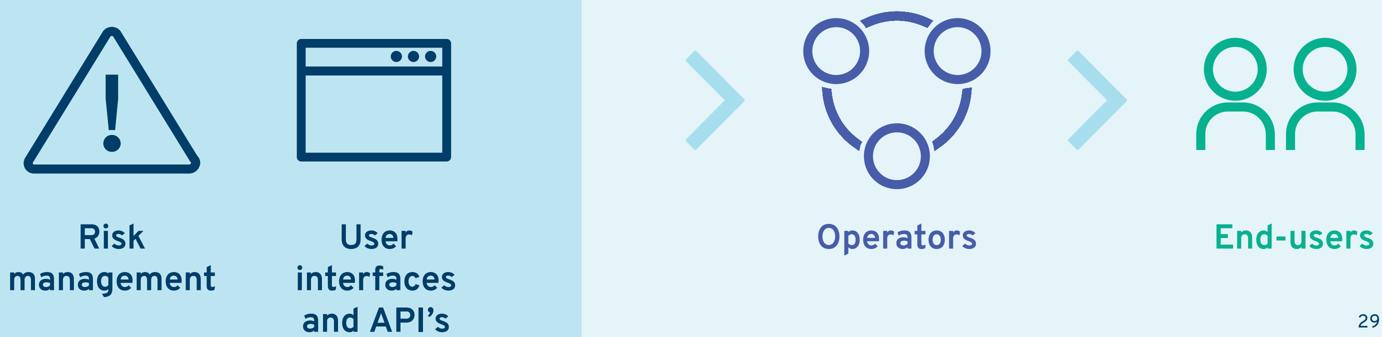
The turnover and margins of our operators vary from quarter to quarter, and are impacted by the outcome of sporting events. The Kambi Turnover Index (see below) illustrates our operators' quarterly turnover and betting margin. The operator turnover of the first quarter of 2014, shown on the left-hand axis, is indexed at 100. The operator trading margin is shown on the right-hand axis.

Operator turnover index and trading margin



Source: Kambi network data

Kambi charges its operators a commission based on their result, which is calculated as the margin on their turnover. The level of operator turnover is a stronger indicator of performance than margin, which can fluctuate in the short-term due to the outcome of certain events.



The Kambi revenue model

Kambi charges its operators a fee based on a number of variables, including: fixed fees, the number of live events offered, and commission - based on a share of the operator's net gaming revenue. The most significant portion of Kambi's revenue comes from the revenue-share element. The graph below shows how the growth in operator turnover ultimately drives our own revenue growth.

While Kambi's reporting currency is the Euro, our operators' turnover originates in the currency of their end users. Excluding the impact of FX movements on the translation of these amounts, operator turnover grew by 20% in 2018. When the impact of FX movements is included, operator turnover grew by 22%. As illustrated in the Kambi Turnover Index, the operator trading margin can fluctuate. Multiplying the margin by the turnover generates the operators' gross gaming revenue (GGR). The 2018 operator trading margin stood at 8.2%, up from 7.4% in 2017. As a result of this higher margin, operator GGR increased by 34% year-on-year. As part of Kambi's revenue model, we share certain costs with our operators. These include:

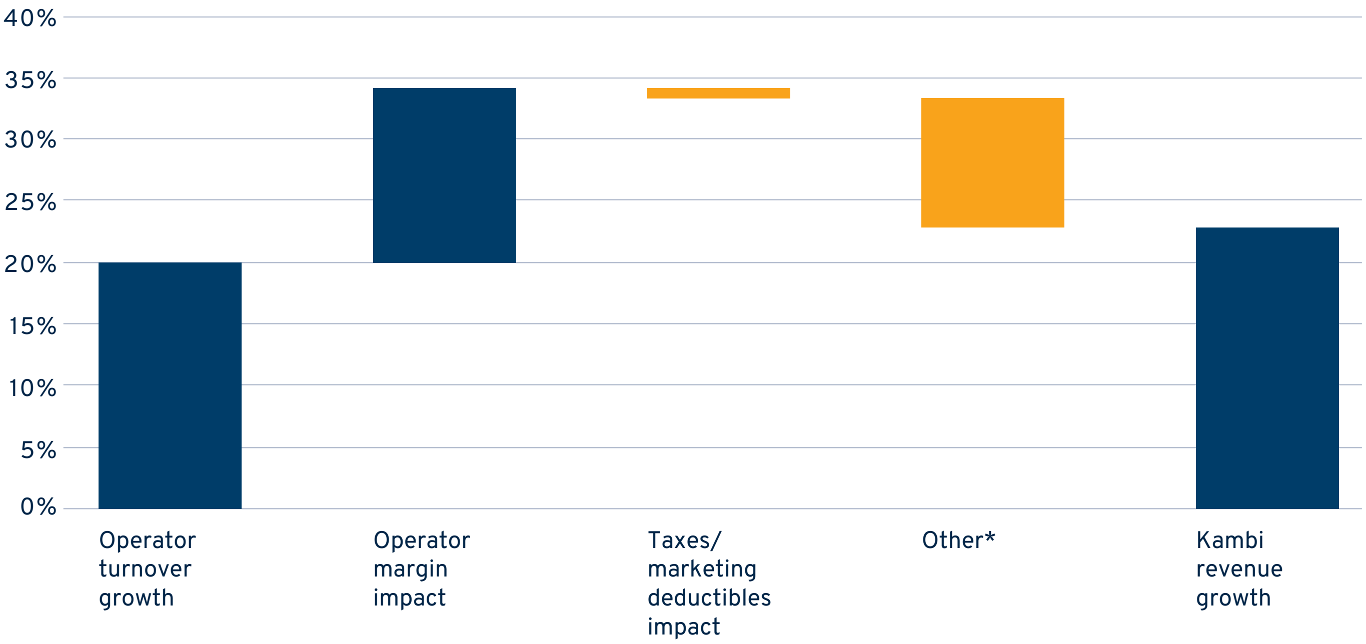
i) for some operators, costs for player incentives linked to sports betting – such as free bets.

ii) gaming tax; 52% (2017: 50%) of our operators' GGR was subject to betting duties incurred in re-regulated markets.

During the year, the addition (or full year effect) of certain gaming taxes, added to additional deductions for player incentives, resulted in the growth of operators' net gaming revenue (that is GGR less deductible costs) being 33% in 2018.

Kambi's commission is based on a percentage of the operators' net gaming revenue. To promote and support growth, some customer contracts include tiers with lower commission rates applied to higher levels of sports betting revenues. The tiered commission levels run on a yearly basis. The development in the business of many of our operator partners resulted in a lower effective commission rate in 2018 than in 2017. In addition, contract renewals with updated commission rates due to the significant growth of Kambi's customers had an impact on revenue growth. Additionally, some parts of Kambi's revenues are fixed and not linked to the growth in operators' businesses. The net impact of these factors was that Kambi's revenues grew by 23% year-on-year, resulting in a 70% conversion from Operator NGR growth to Kambi revenue growth.

Operator turnover & Kambi revenue growth
2018 vs 2017



* 'Other' includes the impact of contract renewals, volume-related commission tiers and fixed revenues

Source: Kambi network data

Kambi
Platinum
S2
ICE
ICE

Sustainable and responsible business

Driving growth through responsible actions

Since day one, Kambi has focused on creating a sustainable business. Not only does this serve our commitment to social and corporate responsibility, but has significantly contributed to our success – and will continue to do so far in to the future.

Operating in a sustainable and responsible way combines a range of actions and tests, which can be applied to businesses of all types – such as creating jobs, acting in the best interests of the environment, and supporting good causes. Kambi is committed to all of these areas, as well as actions specific to the sports betting industry and the regulated territories in which we operate.

Protecting the integrity of sport

The sports betting industry is built upon a foundation of trust – bettors must have full faith in the integrity of sporting events, and those competing, if they are to place a wager on them. A breakdown in trust, would have a severe negative impact on the long-term sustainability of the sports betting industry. As such, one of Kambi's primary objectives is to protect sports from manipulation.

Kambi plays a prominent role in the detection of sports manipulation worldwide, building close working relationships with sports governing bodies to proactively prevent and report instances of fixing and collusion. During 2018, we demonstrated once again we are an industry thought leader on the subject – sharing our experiences with jurisdictions in the process of introducing sports betting frameworks. For example, Kambi representatives presented to US legislators and regulators on effective regulation and protecting sports integrity at conferences in both Ohio and Texas.

We participated in the ESSA Working Group meeting held at the International Olympic Committee HQ in Lausanne, and the United Kingdom's Gambling Commission Sports Betting Intelligence Forum in the UK – helping to formulate standardised actions for detecting and reporting suspicious betting events.

Kambi also joined the American Gaming Association's Sports Betting Task Force, helping to advance the creation of the Sports Wagering Integrity Monitoring Association, after a senior Kambi representative participated in its meeting at the major gaming conference G2E in Las Vegas.

Kambi is able to take this leadership position thanks to the extensive work carried out both in-house and in collaboration with sports organisations. The first step is prevention – and Kambi continues to take steps to ensure our platform is as hostile to manipulators as possible. Crucial to this is the extensive database of teams, players, and officials Kambi has built over the years. This database informs our categorisation of events, so that we can decide whether to: take no action, reduce the size of maximum stakes, or remove markets altogether – depending on the level of risk of manipulation.

The next step is detection. Kambi's network business model ensures we remain one step ahead of the competition in the detection of match-fixing and corruption. Our ability to see player activity across the entire network, monitored by a dedicated Sportsbook Control team and a real-time alerts system, means we are quick to notify our customers – and often first to alert sports governing bodies and regulators – of any suspicious activity. This often leads to interception before any manipulation takes place.

Kambi's efforts in this area not only preserve public trust in sports, but help operators to understand the importance of integrity and the need to protect their brand and players – leading to additional business opportunities. We provide our services to state-controlled entities, as well as an increasing number of US businesses understandably sensitive to issues of sports integrity. It was concerns over these which first led to the now repealed federal sports betting ban.

Leading the way in responsible gaming

Although Kambi does not have access to player information, we are fully committed to responsible gaming and the protection of end users. We understand that sports betting is at its most exciting when users are able to play in a safe and enjoyable environment – betting only with funds they can afford to lose. We realise that it is healthier to have players gambling responsibly over the long-term, than betting irresponsibly for a short period.

Kambi's commitment to responsible gaming is one of the key reasons why it is pro-regulated markets. In unlicensed markets and/or those in the process of regulation, Kambi encourages the adoption of a regulatory framework that enables licensees to compete effectively with incumbent unlicensed operators. Only in this situation, where licensed operators aren't overly limited in their operations and offering to the player, can the regulated market transition the maximum number of players from the unregulated to a safe and secure environment.

Kambi supports and strengthens operators' responsible gambling initiatives, through the collection and sharing of data we call 'green values'. Just as we use an in-house developed algorithm to detect suspicious bets, by changing data inputs, we are also able to pinpoint instances of potential problem behaviours – often before they become harmful to the player.

The issue of responsible gambling has risen high on the agenda of regulators in a large number of territories, with some handing out significant fines to operators who fail to meet increased compliance demands. Kambi's ability to detect instances of irresponsible and harmful gambling not only protects operators from potential fines, but also enables them to take early and appropriate actions to steer players away from harmful behaviour.

In 2018, regulators' increased focus on responsible gambling led to thorough reviews of a number of Kambi operator partners' responsible gambling procedures and protocols. Following these reviews, Kambi's responsible gambling measures, as employed by our operators, were not found to be of any concern.

As US states began to regulate, or consider the regulation of gambling, Kambi presented to delegates at the National Council of Legislators from Gaming States' biannual conference. Here we discussed problem gambling initiatives and made recommendations based on learnings from our years of experience in addressing this issue.

Ensuring compliance and transparency through corporate probity

Kambi holds itself up to the highest standards, at all times, in everything it does. This manifests in a number of ways, and results in a fully transparent and compliant business that is trusted by operators and regulators the world over.

Key to this is Kambi's public status. Listed on First North at Nasdaq Stockholm, Kambi offers clarity on its performance, financial position, management team and ownership at all times. Combined with a rigorous approach to markets – avoiding those where sports betting is prohibited – we have built a record and reputation to be proud of.

The end result is an unblemished record in obtaining licences. Kambi is licensed and / or accredited in every jurisdiction in which it is required to be. Furthermore, we have invested in the development of flexible technology which enables quick compliance with varying jurisdictional requirements. This approach has enabled Kambi to launch customers quickly into new markets – as demonstrated in 2018, when we created history processing the first legal online sports bet in the US outside of Nevada.

Our highly compliant and transparent approach to business is attractive to operators that simply cannot afford to put their position or brand at risk by using less reputable suppliers. In recent years, Kambi has begun to work with World Lottery Association members, as well as state controlled businesses, who apply the strictest of vetting procedures to selecting a partner.

Protecting our people and our business: anti-corruption and anti-bribery

Kambi takes anti-bribery measures seriously. We have established systems and controls, from the executive team down, to facilitate timely production of risk assessments and the implementation of proactive measures to avoid bribery.

We ensure these processes are regularly reviewed by our legal and compliance teams, and also produce regular company-wide updates to ensure our people are always familiar with these policies.

Kambi is committed to ensuring that no employee suffers injustice as a result of reporting a suspicion that bribery or another corruption offence has occurred, or may take place in the future. Our processes and internal teams enable confidential reporting, supporting an environment that prioritises an employee's protection when he or she reports a potential offence.

Kambi has also updated its anti-money laundering (AML) processes and procedures, making them available to all employees via an internal platform.

We do not make any contributions to political parties, and we only make charitable donations that are legal and ethical under local laws and practices.

Supporting local communities and charities

Kambi and our employees support charities, on both a company and an individual level – mainly focusing on the communities in which we operate. Our people play a hands-on role in supporting local charities and community projects on a voluntary basis, giving their time, raising funds and making other donations.

Working towards a more sustainable environment

The industry in which Kambi operates requires minimal consumer resource, with the end product produced by Kambi in virtual online form rather than physical. From that base, we also look to reduce our carbon footprint in as many ways as possible. As a digital company, our environmental impact is primarily in energy usage, and business-related travel. Sometimes it is the simplest of actions that make the biggest difference. All of our offices practice an organised and efficient recycling system, with recycling bins used to ensure maximum efficiency in the disposal of waste food, plastics, glass, paper and cardboard, and tins. The use of electronic document signing enables us to dramatically reduce our need for paper, and we have recruited a confidential waste disposal company to securely recycle over 90% of the waste it removes from our offices. We have also invested in virtual meeting equipment to reduce business travel.

Kambi people

A tech company powered by humans

Kambi employs approximately 700 people, representing over 35 nationalities, speaking more than 30 languages, across seven offices – in the UK, Sweden, Romania, Malta, Philippines, Australia and the US. Our global footprint is growing to meet the demands of our customers across the globe. And our truly diverse network and culture help us to understand the needs and motivations of sports betting audiences from all around the world.

Our name, Kambi, is inspired by the Japanese word for 'perfection'. It reflects our founders' belief in craftsmanship and quality, and our unending desire to want the very best for the sports bettor. It is this founding philosophy that fuels our passionate and diverse staff force. And it is this philosophy which we aim to foster and nurture at Kambi. We believe our technology and services are impressive, but it is the people behind them that make us exceptional.

In 2018, we made improvements to the Kambi Academy, our company-wide learning and development programme – by redesigning the modules of content and their accessibility. By providing a more flexible and agile way to learn, we have improved the learning journey of our employees. We believe that people thrive in a flexible and friendly company culture, and we support all of our employees in their quest to fulfil their own potential. Kambi's excellent staff retention rate of over 93% for 2018 is a testament to our working environment.

To ensure long-term sustainable growth, we believe it is vitally important to both invest in our people, and to attract the best new talent to our business. 2018 proved to be a successful year for recruitment at Kambi, and we continue to see our brand grow as a valued employer. Glassdoor, an industry platform that rates and reviews employers and its management, reports a 4.1 / 5 overall company rating, and 83% would recommend Kambi as a place to work.

At Kambi we don't just focus on 'what' we do, but also on 'how' we do it. We have company behaviours that set the tone for the way we interact with one another and do business with our customers.

We act

Because we are brave and curious. We act on our ideas faster than others and challenge.

We care

Because we genuinely love what we do. We are enthusiastic, service minded and always take the time to listen and offer support.

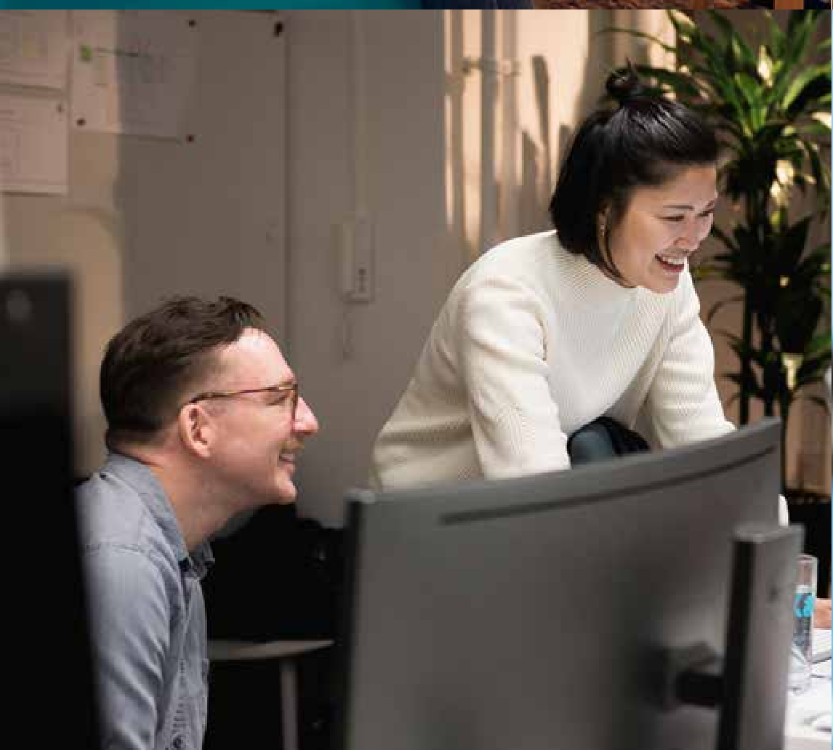
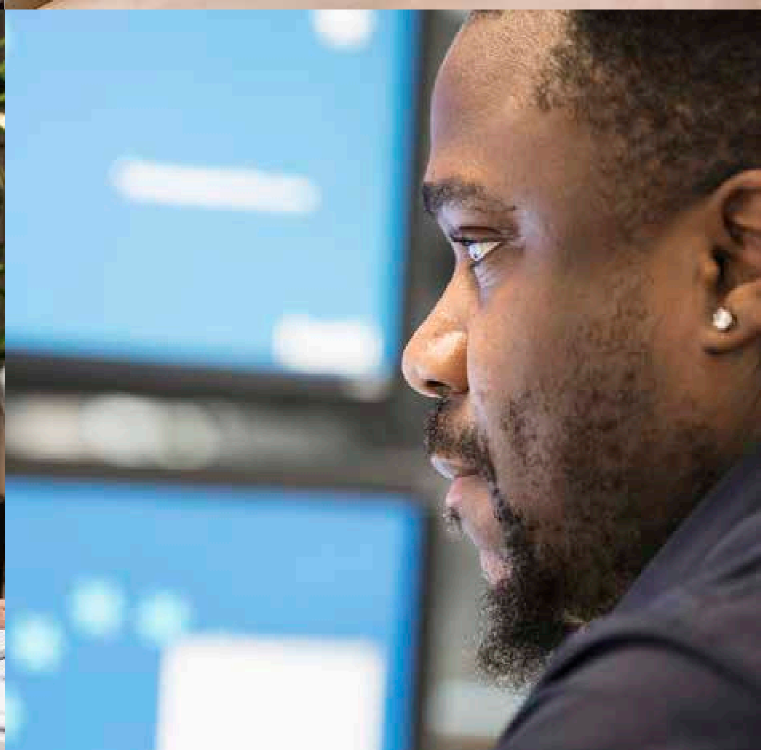
We deliver

Because people depend on us: to generate that better idea, that higher level of quality or that added value they really need. We have set a high standard and are committed to quality.

All together, this creates a high-performing, innovative, dynamic and team-focused culture.


#wearekambi



Kambi



Corporate governance

Kambi recognises the importance and value of good corporate governance.

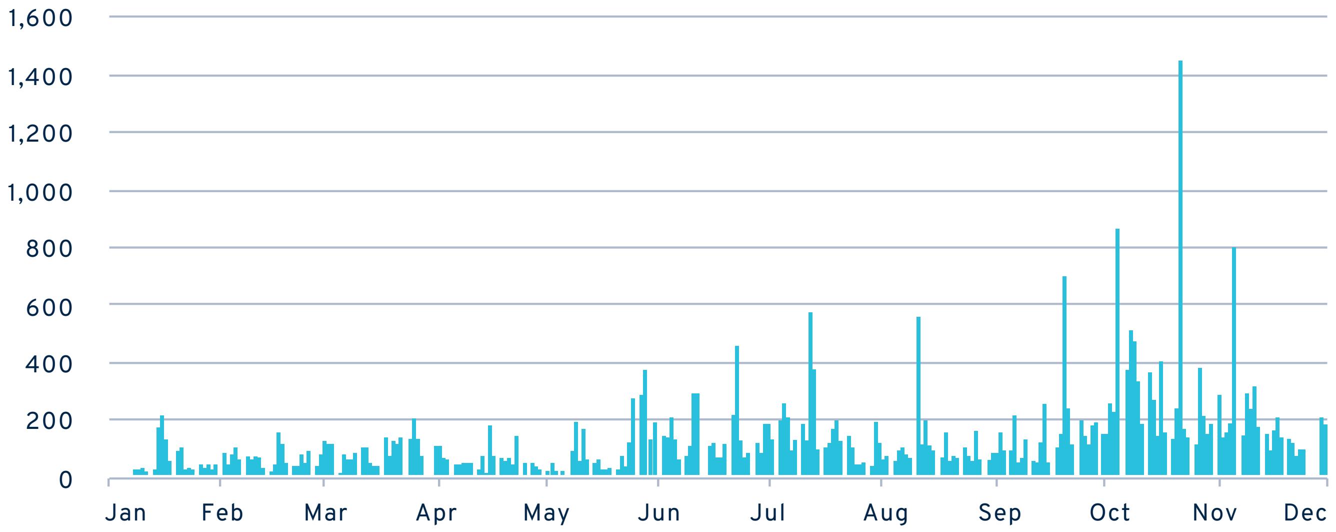
Share performance

The closing price on the first trading day of the year, 2 January 2018, was SEK95.50.

The closing price on the last trading day of the year, 28 December 2018, was SEK190.00 with a market capitalisation of €559 million.

The highest closing price during the year was SEK253.50, on 31 October. The lowest closing price during 2018 was SEK92.00 on 3 January. The average daily volume traded during 2018 was 133,552 shares and the average closing share price was SEK156.71. Kambi Group plc is listed on First North at Nasdaq Stockholm with the ticker code 'KAMBI' and ISIN code: MT0000780107. For information on analysts covering the Kambi stock, please see the company website www.kambi.com.

Shares traded 2018
Total volume (thousands)



Source: NASDAQ

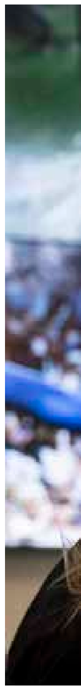
Share price development 2018
Closing price (SEK)

Source: NASDAQ

Shareholders on 31 December 2018

Shareholder	Number of shares	% of total
Veralda Investment Ltd	7,336,900	24.31%
Swedbank Robur Fonder	2,502,414	8.29%
Bodenholm Master	2,139,360	7.09%
Keel Capital	1,806,074	5.98%
Second Swedish National Pension Fund	1,406,333	4.66%
Total 5 largest shareholders	15,191,081	50.33%
Total other shareholders	14,989,116	49.67%
Total	**30,180,197**	**100.00%**

Risk factors



Set out here are some of the business and industry-related risk factors, we have identified as having potential consequences for Kambi's future development. This is not an exhaustive list, and the below factors are not arranged in order of importance, or potential economic impact.

Regulatory and political environment

The Group's core business is strictly regulated by law in the markets where Kambi and our clients operate. Accordingly, political decisions, court rulings or changes in laws in the countries where Kambi or our operators have licences or commercial interests could have a material adverse effect on our business and operations. Regulatory changes can also have a positive impact, such as enabling us to access a market that becomes regulated or re-regulated.

Risks related to IT

Kambi's business depends on our IT systems. System failures and other events that affect operations could have a material adverse effect on our business and results. We mitigate this risk by using continuous monitoring to detect any problems as early as possible. All critical servers are duplicated, so that if one server fails, another will immediately take over. We carry out detailed analysis following any downtime to ensure that the underlying reason for the outage is understood and rectified.

Match fixing

Match fixing is defined as 'the manipulation of an event where the participants seek to fix the outcome for financial gain'. Kambi has internal systems and alerts in place to highlight any indications of match fixing and so reduce the financial impact of this risk. We also collaborate with industry watchdogs and regulators. If match fixing were to lead to changes in regulatory environments, this could have an impact on the results of operators and therefore our own financial performance.

Sport-specific intellectual property

In certain jurisdictions, regulators have begun to impose charges on licence holders for the right to offer odds, access data and use trademarks on certain sports. Any future changes in these charges could impact Kambi's financial position.

Dependency on key operators

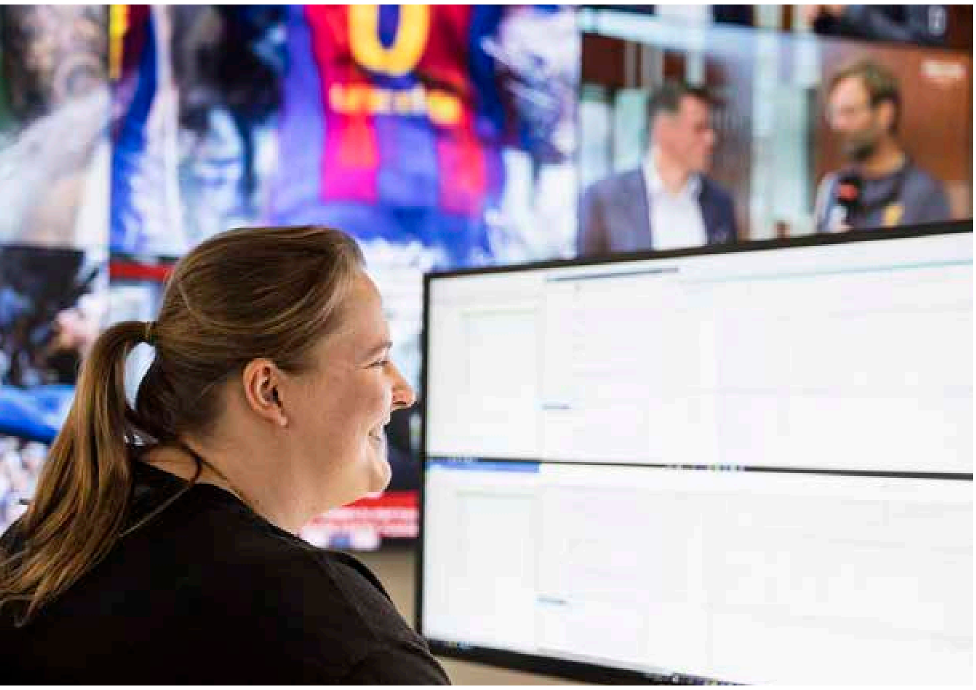
A majority of Kambi's revenue is currently generated from a few large operators. The loss of business with any, or some of these, could have a material adverse effect on our business.

Underlying performance of operators

Kambi's financial performance depends on the underlying performance of our operators. This is a result of our business model, in which we receive a percentage-based commission on the operators' net gaming revenue. A decline in our operators' financial performance could have a material effect on our own financial position. Operator trading margins can vary significantly from one period to the next, depending on the outcome of sporting events.

Competition and price pressure

Kambi's growth depends on our ability to develop and sell competitive products and services. As the market matures, increased competition and price pressures may materialise. Our ambition is to continue striving to offer the best B2B Sportsbook in the market and to build further on our customer portfolio, with successful and loyal operators.



Foreign currency risk

Two forms of foreign exchange risks exist: transaction risks and translation risks. When our operators handle transactions in a currency other than the Euro, currency movements can have an impact on our revenues. Transaction risks occur in conjunction with purchases and sales of products and services that are made in currencies other than the local currency of the company involved. Translation risks occurs when the income statements and balance sheets of foreign subsidiaries are converted into Euros. Changes in the valuation of Euros, in relation to other currencies, can therefore have positive and negative effects on the Group's profit and financial position. To some degree, we manage currency risk by holding funds on short-term deposit, in the currencies of our principal cash outflows.

Tax risks

Kambi conducts its business in accordance with its interpretation and understanding of the applicable tax laws and treaties, case law, and the requirements of relevant tax authorities in the countries where we operate. Changes to regulatory, legislative and fiscal regimes in key markets could have an adverse effect on our results due to the added cost of gaming-related taxes, which we share with operators. In managing our taxation affairs, including estimating the amounts of taxation due, we rely on the exercise of judgment concerning our understanding of and compliance with those laws, assisted by professional advice.

Risk related to convertible bond

In 2014, Kambi Group plc issued a €7.5 million convertible bond to a wholly owned subsidiary of Kindred Group plc. This agreement was extended in July 2018, until December 2023. According to the terms of the convertible bond, the Company is obliged to ensure that certain events listed in the agreement do not take place, unless with the prior consent of the lender. In case of a conversion, Kindred Group plc would obtain a controlling influence over Kambi, consequently having the power to control the outcome of most matters to be decided by vote at a shareholders' meeting.

Board of directors

Lars Stugemo, Chairman

Born: 1961

Education: MSc. in Electronics Engineering from KTH

Nationality: Swedish

Elected: 2014

Lars is CEO, President and co-founder of HiQ International, an IT and management consultancy firm founded in 1995 and listed on NASDAQ OMX Stockholm. Lars has been a member of IVA (Kungliga vetenskapsakademien) and VI since 2013.

Holdings in Kambi Group plc: 28,180 shares

Anders Ström

Born: 1970

Education: Studies in Mathematics, Statistics and Economics at Karlstad University

Nationality: Swedish

Elected: 2014

Anders is founder of the sports-information company Trav-och Sporttjänsten in 1993. He was founder of Kindred Group plc in 1997, where he held various positions including Chief Executive Officer and Chairman of the Board. Anders was co-founder of Kambi Sports Solutions in 2010, Chairman of the Advisory Board of Kambi until May 2014 and then a Board member since Kambi's listing in 2014. He is also a director of Veralda AB.

Holdings in Kambi Group plc: 7,336,900 shares

Patrick Clase

Born: 1968

Education: BSc. in Economics from Lund University and a CEFA from the Stockholm School of Economics

Nationality: Swedish

Elected: 2014

Patrick is Chief Investment Officer and a director of Veralda AB. Highly experienced in the financial markets, Patrick has worked, among other positions, as a Financial Analyst with ABG Sundal Collier and with Alfred Berg.

Holdings in Kambi Group plc: 27,619 shares

Cecilia Wachtmeister

Born: 1966

Education: MSc. in Industrial Engineering and Management from the Institute of Technology in Linköping, Sweden

Nationality: Swedish

Elected: 2017

Cecilia was previously Vice President, Group Head of Sourcing and Procurement at Ericsson AB. She joined Ericsson in 1991 and has since then held various international positions in the company, with experience of long sales cycles in B2B.

Holdings in Kambi Group plc: 6,080 shares and 46,000 options

Marlene Forsell

Born: 1976

Education: MSc. in Business Administration and Economics from Stockholm School of Economics

Nationality: Swedish

Elected: 2018

Marlene recently served as Chief Financial Officer of Swedish Match, a global fast-moving consumer goods company within tobacco. Prior to becoming CFO, Marlene held various positions at Swedish Match, and before that worked as an analyst at Ernst & Young.

Holdings in Kambi Group plc: no shares

Senior executives

Kristian Nylén, Chief Executive Officer

Born: 1970

Nationality: Swedish

Employed: 2010

Education: BSc. in Business Administration, Mathematics and Statistics from the University of Karlstad

Kristian joined Unibet in 2000 and within three years had assumed responsibility for Unibet's entire Sportsbook operation and joined the Group's management team. Kristian co-founded Kambi in 2010 and as CEO leads on all commercial aspects of the business.

Holdings in Kambi Group plc: 465,000 shares and 322,500 options

David Kenyon, Chief Financial Officer

Born: 1975

Nationality: British

Employed: 2010

Education: MA in Modern Languages from Oxford University

Having qualified at KPMG, David joined Unibet in 2002 as Group Financial Controller, working on Unibet's NASDAQ OMX Stockholm listing. He then spent two years at the Capital Pub Company as CFO, where he floated the Company on AIM, before moving back to Unibet in 2008. David has been CFO of Kambi, leading the financial and corporate functions, since its formation.

Holdings in Kambi Group plc: 42,330 shares and 70,000 options

Erik Lögdberg, Deputy CEO, Chief Business Development Officer

Born: 1979

Nationality: Swedish

Employed: 2010

Education: MSc. Electrical Engineering from the Royal Institute of Technology (KTH)

Erik joined Unibet in 2005, quickly becoming head of live betting, with responsibilities including operations and product development. This period coincided with the growth in live betting and the formation of Kambi. Erik is now deputy CEO, and leads on product and operational matters.

Holdings in Kambi Group plc: 66,993 shares and 112,500 options

Andreas Söneby, Chief Information Officer

Born: 1973

Nationality: Swedish

Employed: 2010

Education: MSc. in Computer Science from the Royal Institute of Technology in Stockholm (KTH)

Andreas is responsible for managing and developing Kambi's technology and systems, ensuring they meet business objectives and have the capacity to handle fast-growing transactional volumes. Andreas was previously CTO at Unibet.

Holdings in Kambi Group plc: 55,300 shares and 22,500 options

Chris Fox, Chief Legal Officer

Born: 1983

Nationality: British

Employed: 2016

Education: BA. Ancient History from the University of Durham

Chris joined Kambi in 2016 and is responsible for the Legal, Insurance, Regulatory Audit, and Licensing functions. His team provides legal and regulatory support to all areas of the business. Chris previously worked as a strategy consultant and lawyer at Accenture plc, Eversheds LLP and Vodafone Group plc.

Holdings in Kambi Group plc: 15,000 options

Christina Haralambous, Chief Communications Officer

Born: 1982

Nationality: British

Employed: 2016

Education: PG Dip in Professional Marketing Management from the Chartered Institute of Marketing (CIM)

Christina is responsible for Kambi's brand strategy, marketing, media and communications, both internal and external. Prior to joining Kambi in 2016, Christina gained more than 10 years of media, marketing and communications experience at WPP media agency MEC (now Wavemaker), Touchline media, TfL, Net#work BBDO, and TBWA.

Holdings in Kambi Group plc: 15,000 options

Jonas Jansson, Chief Operating Officer

Born: 1969

Nationality: Swedish

Employed: 2010

Education: BSc. in Business Administration, Mathematics and Statistics from the University of Karlstad and studies in Data and System development at Stockholm University

Formerly the head of trading at Unibet, Jonas was appointed COO of Kambi upon its formation in 2010. He leads on all operational aspects of the Sportsbook, including odds compiling, risk management and sports betting integrity.

Holdings in Kambi Group plc: 211,500 shares and 22,500 options

Kamil Gajewski, Chief Strategy Officer

Born: 1982

Nationality: Swedish

Employed: 2011

Education: MSc. in Business Administration from Uppsala University

Kamil is responsible for driving and supporting the Kambi strategy, both its development and progression. Kamil previously spent five years as Kambi's head of business development and business intelligence. Prior to joining the company in 2011, Kamil had spells at gaming companies bwin and Ongame.

Holdings in Kambi Group plc: 10,000 shares and 40,000 options

Mattias Eriksson, Chief Product Officer

Born: 1971

Nationality: Swedish

Employed: 2017

Education: BSc. in Business Administration from Mälardalen University

Mattias entered the betting industry in the early 2000s and in 2011 became Director of Business Development and Innovation at Svenska Spel. In 2017 Mattias joined Kambi as a strategy consultant before becoming Chief Product Officer in 2018.

Holdings in Kambi Group plc: 10,000 options

Max Meltzer, Chief Commercial Officer

Born: 1987

Nationality: British

Employed: 2016

Education: LLM Master of Laws degree and BA (Hons) Business degree from Durham University

Leading Kambi's commercial division, Max is responsible for the formalisation, execution and development of Kambi's commercial strategy, focusing on new business growth and customer retention. Max joined Kambi in 2016 from the Press Association where he was Head of Sales, prior to that he was a Co-Founder and Director of a sports agency.

Holdings in Kambi Group plc: 15,000 options

Corporate governance report

Kambi Group plc is listed on First North at Nasdaq Stockholm, and is not required to follow all the provisions of the Swedish and/or Maltese Corporate Governance Code (the Code). The Board however, recognises the importance and value of good corporate governance practice and accordingly, has selected those procedures and committees of the Code that it considers relevant and appropriate to the Group, given our size and structure. Each of the committees meets regularly.

The Board

The Board has five directors including the Chairman. The Board meets regularly to consider strategy, performance and the framework of internal controls.

The Board of Directors comprises a mix of the necessary skills, knowledge and experience required to provide leadership, control and oversight of the management of the Group and to contribute to the development and implementation of strategy. In particular, the Board combines a group of directors with diverse backgrounds within the technology, finance, gaming and other related sectors, which provide the Board with the resources and expertise to drive the continuing development of the Group and advance its commercial objectives.

In addition to being on the Board of Kambi, Anders Ström is also Chairman of the Board of Directors in Kindred Group plc. To avoid any potential conflict of interest, Anders is not present at, nor does he participate in, any decision-making process which relates directly to the contract between Kambi and Kindred Group plc.

In 2018, the Board held nine meetings, where four meetings were held in connection to the quarterly reports and five were regular meetings spread evenly throughout the year. The regular Board meetings are prepared jointly by the Chairman of the Board and the CEO of the company. At every regular Board meeting an update is given on the business and financial situation.

The Audit Committee

The Audit Committee is responsible for ensuring that the financial performance of the Group is thoroughly reported on and monitored. In addition, it reviews the reports from the auditors relating to accounts and internal control systems. It meets at least once a year with the auditors. The Audit Committee is comprised of Patrick Clase, who is also the chair, and Susan Ball until her resignation.

Directors' remuneration	Fees/salary €000	Other €000	2018 €000	2017 €000
Anders Ström	48	-	48	47
Lars Stugemo	97	-	97	117
Patrick Clase	48	81	129	57
Susan Ball	24	-	24	71
Cecilia Wachtmeister	40	123	163	25
Marlene Forsell	4	-	4	-
	261	204	465	317
Kristian Nylén (CEO)	464	-	464	562
Management remuneration	1,768	1,567	3,335	1,368
	2,493	1,771	4,264	2,247

The basic salary per annum is €50,000 (2017: €40,000) per director. The Chairman of the Board receives an additional fee of €50,000 (2017: €50,000) and each member of the Remuneration and Audit Committee receives €6,500 (2017: €6,500) per annum.

Members of the executive management take part in the Board meetings in order to report on matters within their specific areas when relevant and necessary. The CEO provides a monthly report to the Board. This report deals with markets, operations, and financial development.

The Nomination Committee

The Nomination Committee is responsible for reviewing the size, structure and composition of the Board, succession planning, the appointment of replacement and / or additional directors, and for making the appropriate recommendations to the Board. The Committee also prepares proposals regarding Board remuneration and fees to the auditor. The members of the Nomination Committee shall represent all shareholders and be appointed by the three or four largest shareholders as at 30 September each year – having expressed their willingness to participate in the Committee. Kambi's Nomination Committee shall consist of not less than four, and not more than five members, of which one shall be the Chairman of the Board. The members are: Anders Ström – Veralda Investment Ltd, Lars Stugemo – Chairman of the Board, Per Johansson – Bodenholm Capital, and Mathias Svensson – Keel Capital. The Committee is chaired by Anders Ström.

The Remuneration Committee

The Remuneration Committee reviews the performance of the senior managers and sets and reviews the scale and structure of their remuneration, the basis of their remuneration and the terms of their service agreements, with due regard to the interests of shareholders. The Remuneration Committee is comprised of Anders Ström and Lars Stugemo and is chaired by Anders Ström. Details of the remuneration of the Board of Directors and senior executives are set out here to the left.

Kambi Remuneration policy and report

The policy of the Board is to attract, retain, and motivate the best managers, by rewarding them with competitive compensation packages linked to the Group's financial and strategic objectives. The compensation packages need to be fair and reasonable in comparison with companies of a similar size, industry, and international scope. The components of remuneration for executive managers comprise base salary, benefits, performance-related salary, and long-term incentives. The key performance conditions for long-term incentives are EPS growth and continued employment. The variable remuneration shall be in proportion to the executive's responsibilities and authority. It shall also be subject to an upper limit and based on fulfilment of targets aligned with the shareholders' long-term interests. Where appropriate, the variable element is based on quantitative and qualitative targets. The variable element of remuneration for the CEO and other members of the executive management, is a maximum 50% of the fixed salary cost, depending on the attainment of personal and company performance targets – such as new customer signings and EBIT goals. Salaries in 2018 were increased by an average of 3% compared to 2017. The CEO and the executive management are entitled to the same benefits as other local employees. Termination and severance pay: in the case of the CEO, there is a reciprocal period of notice of 12 months. If employment is terminated by the Company, severance pay equivalent to 12 months' salary is payable. If employment is terminated by the CEO, salary and other benefits are paid for 12 months after cessation of employment, during which period the CEO is prohibited from entering into competing activities. In the case of other members of the executive management, there is a mutual period of notice of six months. Issues concerning remuneration of the executive management are handled by the CEO. Decisions on remuneration of the CEO are taken by the Board of Directors. The members of the Remuneration Committee have no personal interest in the outcome of their decisions, and give due regard to the interests of shareholders and to the continuing financial and commercial health of the business.

Directors' report

Statement of directors' responsibilities

The directors present their report on the affairs of the Group, together with the audited consolidated financial statements and auditor's report, for the year ended 31 December 2018.

Principal activities

Kambi Group plc is a B2B supplier of fully managed sports betting services, on an in-house developed software platform, providing premium turnkey sports betting services to B2C gaming operators.

Results and dividends

The consolidated income statement is set out on page 56. The profit after tax was €9.8 (€5.9) million. The Board does not propose a dividend.

Going concern

As required by Listing Rule 5.62 issued by the Listing Authority, upon due consideration of the Company's state of affairs, capital adequacy and solvency, and Statement of directors' responsibilities, the directors present their report on the affairs of the Group – together with the audited consolidated financial statements and auditor's report, for the year ended 31 December 2018. The directors confirm the Company's ability to continue in operational existence for the foreseeable future. For this reason, in preparing the financial statements, they continue to adopt the going concern basis.

Performance review

The directors have conducted a detailed review of the Group's performance during the year, the highlights of which are disclosed on pages 12 and 13 of this annual report. Eight new customer contracts were signed: Casumo, Stanleybet Romania, Rush Street Interactive, DraftKings, ATG, Latvijas Loto, Global Gaming, and Greenwood Gaming and Entertainment. The Group renewed its contract with Kindred Group. The directors have also conducted a review of the Group's Key Financial and Non-financial Performance Indicators, detailed here as follows:

	FY 2018
Operating (EBIT) margin	16.7%
EBITDA (€m)	22.5m
EBITDA margin	29.5%
Equity/assets ratio	74%
Employees at period end	695
Earnings per share (€)	0.326
Fully diluted earnings per share (€)	0.318

Post-reporting date events

In January, Kambi signed an agreement with Rhinoceros Operations Ltd, the owner of online gaming brands Wunderino and mybet. Both brands launched with a Kambi Sportsbook in Q1 2019. In March, Kambi signed an agreement with Mohegan Gaming & Entertainment, owner of Mohegan Sun, a casino property in Connecticut, United States.

Financial and non-financial risk management

The directors have undertaken a thorough review of both the financial and non-financial risks faced by the Group, and details thereof can be found on pages 40 and 41 of this annual report.

Future developments

The Company intends to continue its investment in people and technology, to develop its Sportsbook service.

Directors

The following have served as directors during the year under review:

Lars Stugemo (Chairman)

Anders Ström

Susan Ball

Patrick Clase

Marlene Forsell

Cecilia Wachtmeister

Lars Stugemo, Anders Ström, Patrick Clase, and Marlene Forsell will seek re-election at the forthcoming AGM.

Statement of directors' responsibilities

The directors are required by the Maltese Companies Act (Chap. 386) to prepare financial statements in accordance with International Financial Reporting Standards, as adopted by the EU, which give a true and fair view of the state of affairs of the Group at the end of each financial year, and of the profit or loss of the Group for the year then ended.

In preparing the financial statements, the directors are required to: select suitable accounting policies and apply them consistently, make judgments and estimates that are reasonable, and prepare the financial statements on a going concern basis – unless it is inappropriate to presume that the Group will continue in business as a going concern.

The directors are responsible for ensuring that proper accounting records are kept, which disclose with reasonable accuracy at any time, the financial position of the Group – and which enable the directors to ensure that the financial statements comply with the Companies Act (Chap. 386).

This responsibility includes designing, implementing and maintaining such internal control, as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are also responsible for safeguarding the assets of the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the auditor

At the date of making this report, the directors confirm the following: As far as each director is aware, there is no relevant information needed by the independent auditor in connection with preparing the audit report, of which the independent auditor is unaware, and each director has taken all steps that he / she ought to have taken as a director in order to make him / her-self aware of any relevant information needed by the independent auditor in connection with preparing the audit report and to establish that the independent auditor is aware of that information.

Independent auditor

The auditor, Mazars Malta, has indicated its willingness to continue in office and a resolution for its reappointment will be proposed at the Annual General Meeting on behalf of the Board, 16 May 2019.

Financial report

A year of historic growth for Kambi.

Independent auditor's report

To the shareholders of Kambi Group plc

Report on the Audit of the Financial Statements

We have audited the consolidated financial statements of Kambi Group plc (the Group), set out on pages 54 to 88, which comprise the statement of consolidated financial position as at 31 December 2018, and the statement of consolidated profit or loss and other comprehensive income, statement of changes in equity and consolidated cash flows statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (EU IFRSs) and have been prepared in accordance with the requirements of the Companies Act (Cap. 386).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. In conducting our audit, we have remained independent of the Group and have not provided any of the non-audit services prohibited by article 18A (1) of the Accountancy Profession Act (Cap. 281).

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risk of material misstatement that we identified. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Dependence on key customers

Key audit matter

As described in the Revenue and Segmental note 6 to the financial statements, the Group's revenue is mainly dependent on two key customers. Such customers currently account for 73% of the Group's revenue.

How our audit addressed the key audit matter

We considered the risk associated to the dependence of two key customers and the Board's assessment of this risk. We reviewed the sales strategy of the Group, as well as new sales leads being addressed by the Board and the Group budgets.

Our review specifically focused on:

- Assessing the size of new leads
- Assessing the successes of the Group in terms of new contracts signed during 2018
- Considering budgeted increase in the company portfolio and the consequent reduction in the dependency on these two key clients.

The Group's disclosure on the composition of revenue is included in note 6 to the Financial Statements.

Intangible assets

Key audit matter

One of the main assets of the Group, relates to intangible assets consisting of computer software, brands and development costs, which amounts to €13,353,000 as per note 16 to the financial statements. Due to the significance of the balance, the intangible assets are reviewed in order to identify whether there is an impairment trigger in accordance with IAS 36 Impairment of Assets. One must also note that the group monitors these assets and carries out periodic impairment testing on such assets. The impairment test was significant to our audit because the assessment process is complex, involves judgement and is based on assumptions that are affected by expected future market or economic conditions.

How our audit addressed the key audit matter

We have performed the following tests so as to address the above mentioned risk:

- We have critically tested the forecasts adopted by the Group and evaluated the assumptions and methodologies used by the Group in preparing these forecasts. Particular emphasis was placed in reviewing the forecasted revenue growth and profit margins
- We have performed sensitivity analysis on the forecasts to ensure that the overall value was still in excess of the book value.
- We have reviewed correspondence and minutes where impairment charges were considered.

The group's disclosures on the significant judgement surrounding the impairment testing are found in note 5 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the directors' report, chairman's statement, and chief executive officer review. Our opinion on the financial statements does not cover this information, including the directors' report and we do not, and will not, express any form of audit conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the directors' report, we also considered whether the directors' report includes the disclosures required by Article 177 of the Companies Act (Cap. 386). Based on the work we have performed, in our opinion:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with the Companies Act (Cap.386).

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the directors' report. We have nothing to report in this regard.

Responsibilities of the Directors

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Companies Act (Cap. 386) and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing – as applicable – matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material, if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

Report on the statement of compliance with the Principles of Good Corporate Governance

The First North Listing Rules require that the Annual Report is prepared in accordance with the laws of the home country. The Malta Financial Services Authority, which is the regulator of Kambi Group plc, require that a company quoted on a regulated exchange provides a statement of compliance with the Principles of Good Corporate Governance. These Listing Rules issued by the Malta Finance Services Authority in its capacity as the listing authority, require the directors to prepare and include in their annual report a Corporate Governance Statement providing an explanation of the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance throughout the accounting period with those Principles.

The Listing Rules also require the auditor to include a report on the Corporate Governance Statement prepared by the directors. We read the Corporate Governance report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements included in the annual report. Our responsibilities do not extend to considering whether this statement is consistent with any other information included in the annual report.

We are not required to, and we do not, consider whether the board's statements on internal control included in the Corporate Governance Statement, cover all risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

In our opinion, the Corporate Governance Statement set out on pages 44 and 45 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Financial Listing Authority.

Other matters on which we are required to report by exception

Under the Companies Act (Cap. 386) we are required to report to you if, in our opinion:

- We have not received all the information and explanations which to the best of our knowledge and belief are necessary for the purpose of our audit.
- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.

We have nothing to report to you in respect of these responsibilities.

Appointment

We were appointed as auditors of the Group following its listing in 2014 by the directors of the Group. Our appointment has been reviewed annually by shareholder resolution, representing a total period of uninterrupted engagement of five years.

This copy of the audit report has been signed by

Paul Giglio
Partner

for and on behalf of
Mazars Malta
Certified Public Accountants
Attard

28 March 2019

Financial review

Revenue

Revenue represents fees received for sports betting services rendered to Kambi's operators. Kambi charges its operators a monthly fee, based on a number of variables, including fixed fees, commission based on the profits generated for operators and the number of live events offered.

Total revenue in 2018 increased to €76.2 (2017: €62.1) million. The increase of 23% year-on-year demonstrates Kambi's continued growth, underpinned by the success of our operators.

Administrative expenses

Administrative expenses for 2018 were €62.9 (2017: €54.2) million. Excluding depreciation and amortisation, ongoing administrative expenses were €53.1 (2017: €45.9) million, of which €28.2 (2017: €24.1) million were salaries and associated costs. The increase in salaries can be attributed to the planned increase in full time staff, as part of the continued development of Kambi's service, as well as salary increases in line with the market.

Note 7 in the financial statements on page 69 provides more analysis of operating costs.

EBITDA and operating profit

Earnings before interest, tax and depreciation and amortisation (EBITDA) for the full year 2018 were €22.5 (2017: €16.0) million. Profit from operations for the full year 2018 was €12.7 (2017: €7.7) million.

Profit after tax

Profit after tax for the full year 2018 was €9.8 (2017: €5.9) million.

Development and acquisition costs of intangible assets

In the full year 2018, development expenditure of €9.9 (2017: €8.2) million was capitalised. The key elements of capitalised development costs during 2018 were sportsbook enhancement, US product development, market expansion and the evolution of our retail channel offering.

Balance sheet

Kambi's strong balance sheet reflects the Group's growth during the year.

Certain non-current assets of the Group relate to capitalised IT development costs. Other non-current assets include computer software, computer hardware, fixtures and fittings and deferred tax. The non-cash current assets on the balance sheet relate to trade receivables, other receivables and prepayments.

Significant liabilities on the balance sheet include the convertible bond (see note 23 on page 76) and trade and other payables (see note 22 on page 76).

Cash flow

The net cash inflow for 2018 was €4.1 (2017: €1.9) million, increasing the total cash balance at the end of 2018 to €38.4 (2017: €34.3) million.

As in prior years, the Group demonstrated the ability to generate positive operating cash flows, with a total of €8.6 (2017: €4.7) million generated from operating and investing activities (excluding working capital and financing activities) during 2018.

Financial statements

Statement of consolidated profit or loss and other comprehensive income for the year ended 31 December 2018

	Note	2018 €000	2017 €000
Revenue	6	**76,187**	62,066
Administrative expenses	7	**(62,937)**	(54,161)
Other operating expenses	8	**(464)**	(212)
Finance costs	9	**(483)**	(317)
Investment income	10	**32**	9
Profit before items affecting comparability		**12,335**	7,385
Items affecting comparability			
Share of profit/(loss) of equity-accounted associate	19	**(75)**	-
Profit before tax	11	**12,260**	7,385
Income tax expense	14	**(2,442)**	(1,483)
Profit for the year		**9,818**	5,902
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation adjustments	29	**(277)**	(594)
		(277)	(594)
Items that may not be reclassified subsequently to profit or loss			
Actuarial gain/(loss) on defined benefit scheme	24	**(57)**	-
		(57)	-
Other comprehensive income for the year		**(334)**	(594)
Total comprehensive income for the year		**9,484**	5,308
Earnings per share	30		
Basic		**0.326**	0.198
Diluted		**0.318**	0.192

The notes on pages 60 to 88 form an integral part of these consolidated financial statements.

Statement of consolidated financial position as at 31 December 2018

	Note	2018 €000	2017 €000
Assets			
Non-current assets			
Intangible assets	16	**13,353**	11,428
Plant and equipment	17	**3,918**	3,883
Investment in associate	19	**494**	-
Deferred tax assets	25	**3,599**	1,504
		21,364	16,815
Current assets			
Trade and other receivables	20	**18,329**	14,586
Cash and cash equivalents	21	**38,350**	34,303
		56,679	48,889
Total assets		**78,043**	65,704
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	26	**90**	90
Share premium	26	**53,810**	53,660
Other equity & reserves	28	**3,496**	2,135
Currency translation reserve	29	**(1,824)**	(1,547)
Accumulated profits/(losses)		**2,198**	(8,019)
		57,770	46,319
Non-current liabilities			
Other financial liabilities	23	**7,251**	7,407
Deferred tax liabilities	25	**96**	218
Other liabilities	24	**134**	61
		7,481	7,686
Creditors: Amounts falling due within one year			
Trade and other payables	22	**9,930**	10,222
Current tax liabilities		**2,862**	1,477
		12,792	11,699
Total equity and liabilities		**78,043**	65,704

These consolidated financial statements were approved by the board of directors, authorised for issue on 28 March 2019 and signed on its behalf by:

Lars Stugemo
Director

Patrick Clase
Director

The notes on pages 60 to 88 form an integral part of these consolidated financial statements.

Statement of changes in equity for the year ended 31 December 2018

	Share Capital €000	Share premium €000	Other reserves €000	Foreign currency reserve €000	Accumulated losses €000	Total €000
Balance at 1 January 2017	89	53,273	1,486	(953)	(13,921)	39,974
Changes in equity for 2017						
Value of employee share options	-	-	318	-	-	318
Tax on share options	-	-	331	-	-	331
Proceeds from issue of shares	1	387	-	-	-	388
Total comprehensive income for the year	-	-	-	(594)	5,902	5,308
Balance at 31 December 2017	90	53,660	2,135	(1,547)	(8,019)	46,319
Changes in equity for 2018						
Value of employee share options	-	-	578	-	-	578
Tax on share options	-	-	969	-	-	969
Proceeds from issue of shares	-	150	-	-	-	150
Convertible bond renegotiation	-	-	(129)	-	399	270
Total comprehensive income for the year	-	-	(57)	(277)	9,818	9,484
Balance at 31 December 2018	**90**	**53,810**	**3,496**	**(1,824)**	**2,198**	**57,770**

The notes on pages 60 to 88 form an integral part of these consolidated financial statements.

Consolidated cash flow statement for the year ended 31 December 2018

	Note	2018 €000	2017 €000
Cash flows from operating activities			
Profit before taxation		12,260	7,385
Depreciation	17	1,835	1,621
Amortisation	16	7,956	6,700
Finance costs	9	483	317
Investment income	10	(32)	(9)
Share of (profit) / loss of equity-accounted associate	19	75	-
Share based payment expense	27	578	318
Movement in working capital:			
Decrease/(increase) in trade and other receivables		(3,743)	(5,447)
Increase/(decrease) in trade and other payables		(292)	2,435
Increase/(decrease) in other liabilities		73	12
Cash generated from/(used in) operations		19,193	13,332
Investment income received		32	9
Tax paid		(2,279)	(1,157)
Net cash generated from operating activities		16,946	12,184
Cash flows from investing activities			
Purchase of tangible fixed assets	17	(1,875)	(2,285)
Development costs of intangible assets	16	(9,872)	(8,224)
Acquired assets – investment in associate	19	(569)	-
Net cash used in investing activities		(12,316)	(10,509)
Cash flows from financing activities			
Proceeds from issuing new shares		150	387
Interest paid		(363)	(248)
Net cash generated from/(used in) financing activities		(213)	139
Net movement in cash and cash equivalents		4,417	1,814
Cash and cash equivalents at the beginning of the year		34,303	32,388
Effect of foreign exchange rate changes		(370)	101
Cash and cash equivalents at the end of the year	21	38,350	34,303

The notes on pages 60 to 88 form an integral part of these consolidated financial statements.

Notes to the financial statements for the year ended 31 December 2018

1. General Information

Kambi Group plc is the Group's ultimate parent company and is incorporated and domiciled in Malta. Its registered office and principal place of business is 3rd Floor, 75, Quantum House, Abate Rigord Street, Ta' Xbiex, XBX1120 Malta. The principal activity of Kambi Group plc and its subsidiaries (the Group) is the provision of managed sports betting services.

2. Application of new and revised International Financial Reporting Standards (IFRSs)

The accounting policies adopted are consistent with those of the previous financial period except as follows:

The Company has adopted the following relevant new and amended IFRS and IFRIC interpretations as of and effective from 1 January 2018:

The Company has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2018:

- IFRS 9 – Financial instruments (effective from 1 January 2018)

IFRS 9, issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss;
- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss;
- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised; and
- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The adoption of IFRS 9 did not have a material impact on the Group's consolidated financial statements; the Group did not recognise any provision for impairment for expected credit losses upon adoption of the standard.

- IFRS 15 – Revenue from contracts with customers (effective from 1 January 2018)

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 superseded the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduced a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

- IFRS 15 Clarification – Revenue from Contracts with Customers (effective from 1 January 2018)

The amendments in Clarifications to IFRS 15 'Revenue from Contracts with Customers' address three particular areas and provide some transition relief for modified contracts and completed contracts:

– Identifying the performance obligations: IFRS 15 requires an entity to identify performance obligations on the basis of distinct promised goods or services. To clarify the concept of 'distinct', the IASB has added the clarification that the objective of the assessment of a promise to transfer goods or services to a customer is to determine whether the nature of the promise, within the context of the contract, is to transfer each of those goods or services individually or, instead, to transfer a combined item or items to which the promised goods or services are inputs.

– Principal versus agent considerations: When another party is involved in providing goods or services to a customer, IFRS 15 requires an entity to determine whether it is the principal in the transaction or the agent on the basis of whether it controls the goods or services before they are transferred to the customer. To clarify how to assess control, the IASB has amended and extended the application guidance on this issue, and especially stresses:

  – that an entity determines whether it is a principal or an agent for each specified good or service promised to the customer and could be a principal for some specified goods or services and an agent for others;

  – that the indicators provided for assessing control are not a conclusive list; and

  – that the indicators provided may be more or less relevant to the assessment of control depending on the nature of the specified good or service and the terms and conditions of the contract so that different indicators may provide more convincing evidence in some contracts than others.

– Licensing: When an entity grants a licence to a customer that is distinct from other promised goods or services, the entity has to determine whether the licence is transferred at a point in time or over time on the basis of whether the contract requires the entity to undertake activities that significantly affect the intellectual property to which the customer has rights. To clarify when an entity's activities significantly affect the intellectual property, the IASB has amended the application guidance and stresses that the activities significantly affect the intellectual property if:

  – the activities are expected to significantly change the form or the functionality of the intellectual property; or

  – the ability of the customer to obtain benefit from the intellectual property is substantially derived from, or dependent upon, those activities.

Additionally, the IASB has extended the application guidance with respect to the application of the royalties constraint.

– Transition relief. The IASB has provided two additional practical expedients (both optional):

  – An entity need not restate contracts that are completed contracts at the beginning of the earliest period presented (for entities that are using the full retrospective method only).

  – For contracts that were modified before the beginning of the earliest period presented, an entity need not retrospectively restate the contract but shall instead reflect the aggregate effect of all of the modifications that occur before the beginning of the earliest period presented (also for entities recognising the cumulative effect of initially applying the standard at the date of initial application).

The application of IFRS 15 did not have a material impact on any contracts and the application of these amendments did not have a material effect on the Group's consolidated financial statements.

The adoption of the following standards effective from 1 January 2018 did not have a material impact on the Group's consolidated financial statements:

- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions
- Annual Improvements to IFRSs Standards 2014-2016 Cycle (Amendments to IFRS 1 and IAS 28)

Standards, interpretations and amendments to published standards as adopted by the EU that are not yet effective up to 31 December 2018

Up to the date of the financial position, certain new relevant standards, amendments and interpretations to existing standards have been published but are not yet effective for the current reporting period and which the Group has not yet adopted. None of the below mentioned standards is expected to have a material impact on the Group's financial position and performance. These are as follows:

- IFRS 16 - Leases – effective 1 January 2019

At the simplest level, the accounting treatment of leases by lessees will change fundamentally. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting.

Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases. For lessees, the lease becomes an on-balance sheet liability that attracts interest, together with a new asset on the other side of the balance sheet. In other words, lessees will appear to become more asset-rich but also more heavily indebted. The impacts are not limited to the balance sheet. There are also changes in accounting over the life of the lease. In particular, companies will now recognise a front-loaded pattern of expense for most leases, even when they pay constant annual rentals.

The directors have assessed the impact of IFRS 16 on the financial statements of the Group and there will not be a material net impact on the financial statements. There will be changes in the presentation of amounts in the Statement of consolidated profit or loss and other comprehensive income from administrative expenses to finance costs. In the Statement of consolidated financial position, additional right-of-use assets and lease liabilities will be recognised but the impact on net assets will not be material to the Group.

The Group plans to apply IFRS 16 using the modified retrospective approach, with no restatement of comparative information. The right-of-use assets will be initially recognised at an amount equal to the lease liability recognised and therefore no adjustment to opening retained earnings will be recorded upon transition

- IFRIC 23 – Uncertainty over Income Tax Treatments – effective 1 January 2019
- Amendments to IFRS 9: Prepayment Features with Negative Compensation

Standards, interpretations and amendments issued by the International Accounting Standards Board (IASB) but not yet adopted by the European Union

Management are assessing the impact that the adoption of the following Financial Reporting Standards will have in the financial statements of the Company in the period of initial application:

- IFRS 17 - Insurance Contracts
- Amendments to IAS 28 : Long term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendment to IFRS 3 Business Combinations
- Amendments to IAS 1 and IAS 8 Definition of Material

3. Basis of preparation & consolidation

The Group financial statements consolidate those of the parent company and of all its subsidiaries as at 31 December 2018.

These financial statements have been prepared on the historical cost basis subject to modification where appropriate by the revaluation of financial assets and liabilities at fair value through profit or loss and in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. All references to IAS, IFRS or SIC/IFRIC interpretations refer to those adopted by the EU. The individual parent financial statements have been prepared separately.

Historical cost is generally considered to be the fair value of consideration paid in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group has prepared financial statements which comply with IFRS applicable for periods ending on or after 31 December 2018, together with the comparative period data as at and for the year ended 31 December 2017, as described in the accounting policies. The significant accounting policies set out below have been consistently applied to all periods presented unless noted otherwise in Note 1 and have been applied consistently by the Group's entities.

The directors believe that the Group will continue with its forecast growth and therefore the financial statements have been prepared on a going concern basis.

The consolidated financial statements comprise the financial statements of the Group and the entities it controls (its subsidiaries) as at 31 December 2018. An investor considers all relevant facts and circumstances when assessing whether it controls an investee. Control is achieved when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group is considered to have power over an entity when it has existing rights that give it the current ability to direct the relevant activities of the investee. For the Group to have power over an entity, it must have the practical ability to exercise those rights. The entity reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control identified above. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by other members of the Group.

Consolidation of a subsidiary begins when the entity obtains control over the subsidiary, and ceases when it loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the company gains control until the date the company ceases to control the subsidiary.

All intra-group assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full in the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs.

Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity accounted investees, until the date on which significant influence or joint control ceases, less any accumulated impairment charges.

4. Significant accounting policies

The consolidated financial statements have been prepared using the significant accounting policies and measurement bases that are in effect at 31 December 2018, as summarised below. These were used throughout all periods presented.

Plant and equipment

The Group does not own property and its tangible non-current assets in the form of plant and equipment are classified into the following classes: office equipment, fixtures and fittings, computer hardware, and leasehold improvements.

Items of plant and equipment are classified into separate classes and initially measured at cost, including any costs directly attributable to bringing the assets to the location and in the condition necessary for these to be capable of being employed in the manner intended by the Group's management. Subsequently they are stated at cost less accumulated depreciation and any accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Expenditure on repairs and maintenance is recognised as an expense when incurred.

Items of plant and equipment are de-recognised on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount, and are included in profit or loss in the period of derecognition.

Depreciation

Depreciation commences when the depreciable assets are available for use and is charged to profit or loss so as to write off the cost, less any estimated residual value, over their estimated useful lives, using the straight-line method. The estimated useful lives for the current and comparative period are as follows:

Leasehold improvements:	5 years
Fixtures & fittings:	5 years
Office equipment:	5 years
Computer hardware:	3 years

Depreciation methods, useful lives and material residual values are reviewed at each reporting date with the effect of any change in estimate accounted for prospectively.

Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. It is recognised if it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group and the cost of the asset can be measured reliably. Intangible assets are initially measured at cost, less accumulated amortisation and any accumulated impairment losses.

The useful life of intangible assets is assessed to determine whether it is finite or indefinite. Intangible assets with a finite useful life are amortised over their useful life on a systematic basis. Amortisation is charged to profit or loss on a straight-line basis so as to write off the cost of intangible assets less any estimated residual value, over their estimated useful lives. The estimated useful lives by class are as follows:

Computer software:	3 years
Development costs:	3 years
Brands:	3 years

The amortisation method applied, the useful lives and material residual values are reviewed at each reporting date with the effect of any change in estimate accounted for prospectively.

(i) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and install the specific software.

In determining the classification of an asset that incorporates both intangible and tangible elements, judgment is used in assessing which element is more significant. Computer software which is an integral part of the related hardware is classified under property, plant and equipment as computer hardware and accounted for in accordance with the Group's accounting policy on property, plant and equipment. Where the software is not an integral part of the related hardware, this is classified as an intangible asset.

(ii) Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the Group's development of a sportsbook product is recognised only if all the following can be demonstrated by the Group:

- the technical feasibility of completing, and the intention to complete, the product so that it will be available for use or sale
- the probability that the product will generate future economic benefits
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the product, and
- the ability to measure reliably the expenditure attributable to the product during its development.

(iii) Brands

Brands are capitalised on the basis of the costs incurred in relation to their development.

Derecognition of intangible assets: an intangible asset is de-recognised upon disposal or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount, and are included in profit or loss in the period of derecognition.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially recognised at their fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets are derecognised when the right to receive cash flows from the assets has expired or when the Group has transferred its contractual right to receive the cash flows of the financial assets, and either substantially all the risks and rewards of ownership have been transferred or substantially all the risks and rewards have neither been retained nor transferred but control is not retained.

Financial liabilities are classified as 'other financial liabilities' and include borrowings subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial liabilities are de-recognised when they are extinguished, that is when the obligation is discharged, is cancelled or expires.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised as the proceeds received, net of direct issue costs. Repurchase of the entity's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the entity's own equity instruments.

Debt and equity instruments issued by the group are classified as either other financial liabilities or equity in accordance with the substance of the contractual agreements and the definitions of a financial liability and an equity instrument.

The component parts of compound instruments (the convertible bond) issued by the entity are classified separately as financial liabilities and equity in accordance with the substance of the contractual agreements and the definitions of a financial liability and an equity instrument.

At the date of issue, the fair value of the financial liability component is estimated using the prevailing market interest rate for similar risk non-convertible instruments. The amount is recognised as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised in which case the balance recognised in equity will be transferred to other equity. When the conversion option remains unexercised at the maturity date of the convertible bond, the balance recognised in equity will be transferred to other equity. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option. Changes in the fair value of the equity component are not recognised. Redemptions or refinancings of the equity component are recognised as changes in equity whereas gains or losses associated with redemptions or refinancings of the liability component are recognised in profit or loss.

(i) Trade receivables

Trade receivables comprise amounts due from customers for services performed in the ordinary course of business and are recognised when originated. Trade receivables are classified as current assets and are stated at their nominal value unless the effect of discounting is material, in which case trade receivables are measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

Receivables are tested for impairment annually and when there is objective evidence that the Group will not be able to collect all amounts due in accordance with the original terms, an allowance is recognised in profit or loss. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the allowance is the difference between the carrying amount of the receivable and the present value of estimated future cash flows discounted at the original effective interest rate.

The Group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost. The Group measures loss allowances at an amount equal to lifetime ECLs. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

(ii) Trade payables

Trade payables are classified as current liabilities and are stated at their nominal value unless the effect of discounting is material, in which case trade payables are measured at amortised cost using the effective interest method.

(iii) Shares issued by the Group

Ordinary shares issued by the Group are classified as equity instruments. Costs relating to an equity issue are offset against equity, as a deduction from the issue proceeds.

Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer arises from the provision of services (performance obligations) and is measured at the fair value of the consideration received or receivable for services provided in the normal course of business, net of value added tax, rebates and discounts, where applicable. Revenue is recognised when it is probable that future economic benefits will flow to the Group and the amount of revenue and the associated costs can be measured reliably.

(i) Provision of services

Revenue from the provision of services is recognised in profit or loss in the period in which the services are rendered, by reference to the stage of completion method of the specific transaction. This method is based on the actual service provided as a proportion of the total services to be provided. For practical purposes, when services are performed by an indeterminate number of acts over a specified period of time, revenue is recognised on a straight-line basis over the specified period unless there is evidence that some other method better represents the stage of completion.

(ii) Interest income and expense

Interest income and expense is recognised on an accruals basis by reference to the principal outstanding and by using the effective interest method when it is probable that the economic benefits will flow to or from the Group and the amount of income or expense can be measured reliably.

Income Tax

Income tax expense comprises current and deferred tax and 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 which case the current and deferred tax is also dealt with in other comprehensive income or in equity, as appropriate.

Current tax is based on the taxable income for the period using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years. The taxable result for the period differs from the result as reported in profit or loss because it excludes items which are non-assessable or disallowed and it further excludes items that are taxable or deductible in other periods.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be utilised.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to set off its current tax assets and liabilities and 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 which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Foreign currency translation

The financial statements of the Group are presented in its functional currency, the Euro, being the currency of the primary economic environment in which the Group operates. Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are re-translated to the presentation currency at the exchange rate prevailing at that date. Non-monetary assets and liabilities denominated in currencies other than the Euro that are measured at fair value are re-translated using the exchange rate ruling on the date the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement and on the re-translation of monetary items are recognised in profit or loss.

For the purpose of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Euro using exchange rates at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising are recognised in other comprehensive income and accumulated in a foreign currency translation reserve in equity.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value. Cash and cash equivalents are carried in the statement of financial position at face value. In the statement of cash flows, cash and cash equivalents comprise cash at bank, including deposits accessible on demand.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the present obligation at the end of the reporting period taking into account the risks and uncertainties surrounding the obligation. If the effect of the time value of money is material, provisions are recognised at their present value by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are not recognised for future operating losses.

Items affecting comparability

The Group defines items affecting comparability as those items which, by their size or nature in relation to the Group, should be separately disclosed in order to give a full understanding of the Group's underlying financial performance, and aid comparability of the Group's results between periods.

Leases

The Group's leases are all operating leases in which the Group is the lessee (leases in which a significant portion of the risks and rewards of ownership of the asset being leased are retained by the lessor). Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease (net of any incentive received from the lessor).

Share-based payments

Share-based payment arrangements in which the Group receives goods or services as consideration for equity instruments are accounted for as equity settled share-based payment transactions by recognising in profit or loss the fair value of the awards with a corresponding increase in equity within other reserves.

The total amount to be expensed is measured by reference to the fair value at the grant date of the options granted, taking into account market performance conditions and the impact of any non-vesting conditions, and excluding the impact of any service or vesting conditions. Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total amount expensed is recognised over the vesting period of the options, which is usually three years. At each balance sheet date, the estimate of the number of options expected to vest is revised with the impact recognised in the statement of consolidated profit or loss and other comprehensive income and a corresponding adjustment to equity within other reserves.

Impairment

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, an impairment test is carried out and the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Assets that have an indefinite useful life and are therefore not subject to amortisation or depreciation and intangible assets not yet available for use are tested annually for impairment and whenever there is an indication that the asset may be impaired. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, intangible assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

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, the previously recognised impairment loss is reversed by adjusting the allowance account.

Post-employment benefits

The Group contributes towards the pension contribution plans in accordance with local legislation where required. The only obligation of the Group is to make the required contributions. Costs related to such contributions are expensed in the period in which they are incurred.

The Group also provides for certain additional post employment retirement benefits to employees in the Philippines. The cost of providing benefits under a defined benefit plan is determined using the projected unit credit method with actuarial valuations being carried out at the end of each annual reporting period. This cost is recognised in profit or loss and includes the service cost (including current service cost, past service cost and gains/losses on curtailments and settlements), net interest expense or income on the defined benefit liability or asset and re-measurement which comprises actuarial gains and losses, the effect of changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest). The net defined benefit liability or asset includes actuarial gains and losses which are recognised in other comprehensive income in the period in which they arise.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under Administrative Expenses in the Consolidated statement of profit or loss and other comprehensive income:

- Service costs
- Net interest expense or income

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3, based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines when transfers are deemed to have occurred between Levels in the hierarchy at the end of every reporting period.

5. Use of judgements and estimates

The amounts recognised in the financial statements are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of financial statements. The judgments made by management in applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements, together with information about the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed herein.

Deferred taxation

The recognition of deferred tax assets is based upon whether taxable profits will be available in the future against which the reversal of temporary differences can be deducted. To determine the future taxable profits, reference is made to the latest available profit forecasts. The amounts recognised in the consolidated financial statements are derived from the management's best estimation and judgment of the above.

Convertible bond

The recognition of the liability component of the convertible bond requires an assessment of a discount rate which is assessed using the interest rate of an equivalent risk instrument that was not convertible. Management has estimated this rate based on current economic conditions and historical experience with similar instruments that the Group has previously had in place.

Recoverability of internally generated intangible assets

IFRS requires management to undertake an annual test for impairment of internally generated intangible assets to determine if the carrying amount of any asset may not be recoverable. Impairment testing is an area involving management's assessment that technological and economic feasibilities are achieved. In determining the amounts to be capitalised and for any impairment assessment, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. The recoverable amount of the assets has been determined based on an estimate of future cash flows applying a discount rate of 16.3%.

Useful lives of plant and equipment

The useful lives and residual values of the Group's assets are determined by management at the time the asset is acquired and reviewed throughout the year for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events which may impact their life. If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset is reduced.

Share options

Upon exercise of the share options disclosed in Note 27, the Group will have a liability to pay the employer's social security on any gains. The amounts recognised in the consolidated financial statements are derived from the management's best estimation of the likely option vesting patterns and are based on the share price at the balance sheet date.

The Kambi Group Executive Share Option Plan (ESOP) was introduced in December 2013. Under the scheme, options will be exercisable over a seven year period, starting at the third anniversary of the date of grant and expiring at the tenth anniversary of the date of grant. Options are exercisable only to the extent that certain performance conditions in relation to free cash flow and EBITDA have been satisfied and are subject to the option holders remaining in continued employment with the Group.

Different numbers of options were issued under the scheme to various groups of staff. Management has made an estimation of the likely vesting patterns within the 7 year exercise window.

The Kambi Group plc Share Option Plan 2015 was introduced in December 2015 and the Kambi Group plc Share Option Plan 2018 in June 2018, with a fixed exercise price equal to 110 per cent of the average share value, based on the average market value of a Kambi share on the First North Exchange, for the 10 business days before the options are granted. The options will be exercisable over a one year period, starting at the third anniversary of the date of grant and expiring at the fourth anniversary of the date of grant. Options are exercisable only to the extent that certain performance conditions in relation to EPS growth have been satisfied and are subject to the option holders remaining in continued employment with the Group.

Based on the above, an estimation of the employer's National Insurance liability at each balance sheet date has been made and accounted for accordingly. The estimation is updated regularly according to various factors including attainment of the performance conditions, the number of options outstanding and the latest share price.

Post-employment benefit obligations

The cost of the defined benefit retirement plan in the Philippines is dependent on actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date and remeasurement gains and losses arising from such reviews are recognised in other comprehensive income.

6. Revenue and segmental information

Revenue and segmental information

Revenue represents the amount receivable for services rendered during the year, net of any discounts and indirect taxes, as follows:

	2018 €000	2017 €000
Services rendered	**76,187**	62,066

The Group operates solely through one revenue stream, being the provision of managed sports betting services and this is not divided into operational segments for the Chief Decision Makers' review.

Geographical information

The Group operates across multiple geographical locations; however, primarily its revenue is derived from external customers registered in Malta. The Group does not analyse non-current assets by location, nor do the Chief Decision Makers review revenue by geographical split. Revenue from external customers by geographical region is detailed below:

Revenue from external customers	2018 €000	2017 €000
Malta	**49,934**	41,025
Rest of World	**26,253**	21,041
	76,187	62,066

Information about major customers

Group revenue includes €55.4m (2017: €48.8m) of sales that cumulatively amount to 73% (2017: 79%) of total Group revenue arising from sales to the Group's two largest customers (2017: two largest customers).

7. Expenses by nature

Administrative expenses	2018 €000	2017 €000
Marketing costs	**1,111**	884
Fees payable to statutory auditor	**129**	117
Operating lease rentals on buildings	**2,270**	2,083
Staff costs (note 13)	**28,205**	24,121
Other employee related costs	**1,812**	1,416
Facilities costs	**4,100**	3,561
Depreciation of property, plant and equipment	**1,835**	1,621
Amortisation of intangible assets	**7,956**	6,700
Travel costs	**1,925**	1,569
Consultants	**6,418**	5,366
Other	**7,176**	6,723
	62,937	54,161

8. Other operating expenses

	2018 €000	2017 €000
Foreign currency loss	**464**	212

9. Finance costs

	2018 €000	2017 €000
Interest on convertible bond	**344**	315
Other interest	**139**	2
	483	317

10. Investment income

	2018 €000	2017 €000
Interest income on bank deposits	**32**	9

11. Profit before tax

	2018 €000	2017 €000
The profit before tax is after charging: Total remuneration payable to the Group's auditors for the audit of the Group's financial statements	**129**	117

There were no fees paid to the statutory auditor for non-audit fees during 2018 and 2017.

12. Key management personnel compensation

Directors' remuneration	Fees/salary €000	Other €000	2018 €000	2017 €000
Anders Ström	**48**	-	**48**	47
Lars Stugemo	**97**	-	**97**	117
Patrick Clase	**48**	**81**	**129**	57
Susan Ball	**24**	-	**24**	71
Cecilia Wachtmeister	**40**	**123**	**163**	25
Marlene Forsell	**4**	-	**4**	-
	261	**204**	**465**	317
Kristian Nylén (CEO)	**464**	-	**464**	562
Management remuneration	**1,768**	**1,567**	**3,335**	1,368
	2,493	**1,771**	**4,264**	2,247

The remuneration of the Directors and executive management is also disclosed on page 44. Management remuneration consists of payments to 12 executives (2017: 7). For management, Other consists of remuneration for share based payments.

13. Staff costs and employee information

	2018 €000	2017 €000
Wages and salaries	**21,424**	18,872
Social security costs	**4,401**	3,464
Pension & retirement costs	**1,802**	1,467
Share based payments (note 27)	**578**	318
	28,205	24,121

The average number of persons employed during the year was made up as follows:

	2018 Number	2017 Number
Operations	**363**	333
IT	**169**	127
Other	**113**	85
	645	545

14. Income tax expense

On taxable profit subject to income tax at 35%: -

	2018 €000	2017 €000
Current tax (expense)/credit	**(3,957)**	(1,376)
Deferred tax (expense)/credit (note 25)	**1,515**	(107)
	(2,442)	(1,483)

Income tax in Malta is calculated at a basic rate of 35% (2017: 35%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The tax (expense)/credit for the year can be reconciled to the profit per the income statement as follows:

	2018 €000	2017 €000
Profit/(loss) before tax	**12,260**	7,385
Tax (charge)/credit at the applicable rate of 35%	**(4,291)**	(2,585)
Tax effect of:		
Items of income/expenditure not taxable/deductible	**(469)**	(425)
Prior year (under) provision/over provision of tax	**8**	(139)
Overseas tax rates	**1,233**	1,266
Deferred tax recognised on unremitted earnings	**1,395**	385
Other	**(318)**	15
Tax (charge)/credit for the year	**(2,442)**	(1,483)

The income tax credited directly to equity during the year is as follows:

	2018 €000	2017 €000
Current tax credit in relation to:		
Share based payments	**245**	84
Deferred tax credit in relation to:		
Share-based payments	**724**	247
Total income tax credit recognised directly in equity	**969**	331

15. Dividends

There were no dividends paid during 2018 (2017: nil).

16. Intangible fixed assets

	Computer software €000	Development costs €000	Brands €000	Total €000
Cost				
At 1 January 2017	719	38,700	19,176	58,595
Additions	40	8,184	-	8,224
Released on disposal	(18)	-	-	(18)
Reclassification	-	-	(69)	(69)
Foreign currency translation	(23)	(25)	(13)	(61)
At 31 December 2017	718	46,859	19,094	66,671
Additions	109	9,763	-	9,872
Released on disposal	-	-	-	-
Reclassification	-	-	-	-
Foreign currency translation	-	-	-	-
At 31 December 2018	**827**	**56,622**	**19,094**	**76,543**
Accumulated amortisation				
At 1 January 2017	(618)	(28,953)	(18,999)	(48,570)
Provision for the year	(63)	(6,577)	(60)	(6,700)
Released on disposal	-	-	5	5
Foreign currency translation	22	-	-	22
At 31 December 2017	(659)	(35,530)	(19,054)	(55,243)
Provision for the year	(44)	(7,872)	(40)	(7,956)
Released on reclassification	-	-	-	-
Foreign currency translation	-	9	-	9
At 31 December 2018	**(703)**	**(43,393)**	**(19,094)**	**(63,190)**
Carrying amount				
At 31 December 2018	**124**	**13,229**	**-**	**13,353**
At 31 December 2017	59	11,329	40	11,428

The amortisation charge for the year of €7,956,000 (2017: €6,700,000) has been included in administrative expenses.

17. Plant and equipment

	Office Equipment €000	Fixtures & Fittings €000	Computer Hardware €000	Leasehold Improvements €000	Total €000
Cost					
At 1 January 2017	570	465	5,015	2,484	8,534
Additions	312	107	1,383	483	2,285
Released on disposal	(32)	-	(118)	-	(150)
Foreign currency translation	(26)	-	(20)	(60)	(106)
At 31 December 2017	824	572	6,260	2,907	10,563
Additions	145	18	1,551	161	1,875
Released on disposal	(2)	-	-	(8)	(10)
Foreign currency translation	-	(2)	(124)	(24)	(150)
At 31 December 2018	**967**	**588**	**7,687**	**3,036**	**12,278**
Depreciation and impairment					
At 1 January 2017	(394)	(164)	(3,608)	(608)	(4,774)
Provisions for the year	(126)	(179)	(803)	(513)	(1,621)
Released on disposal	32	-	118	-	150
Foreign currency translation	(16)	-	(99)	(320)	(435)
At 31 December 2017	(504)	(343)	(4,392)	(1,441)	(6,680)
Provisions for the year	(130)	(76)	(1,228)	(401)	(1,835)
Released on disposal	2	-	-	8	10
Foreign currency translation	-	(2)	147	-	145
At 31 December 2018	**(632)**	**(421)**	**(5,473)**	**(1,834)**	**(8,360)**
Carrying amount					
At 31 December 2018	**335**	**167**	**2,214**	**1,202**	**3,918**
At 31 December 2017	320	229	1,868	1,466	3,883

18. Group information

Subsidiaries

The subsidiaries and other related undertakings of the Group at 31 December 2018 are shown below:

Subsidiaries and other related undertakings	Country of incorporation	Description of shares held	Percentage of shares held at 31/12/18 %	Percentage of shares held at 31/12/17 %
Kambi Malta Limited	Malta	Ordinary shares	100	100
Kambi Spain plc	Malta	Ordinary shares	100	100
Sports Information Services Limited	Malta	Ordinary shares	100	100
Midia Holding Limited	Malta	Ordinary shares	25.1	-
Kambi Services Limited	UK	Ordinary shares	100	100
Kambi Sweden AB	Sweden	Ordinary shares	100	100
Global Technology & Sports Limited	British Virgin Islands	Ordinary shares	100	100
Kambi Philippines Inc.	Philippines	Ordinary shares	100	100
Kambi Sports Solutions (Alderney) Limited	Alderney	Ordinary shares	100	100
Kambi Australia Pty Ltd	Australia	Ordinary shares	100	100
Sports Analytics Services srl	Romania	Ordinary shares	100	100
Kambi USA Inc.	USA	Ordinary shares	100	-

In February 2018 the group acquired a 25.1% shareholding in Midia Holding Limited (see Note 19). Kambi USA Inc. was incorporated on 10 April 2018.

19. Equity accounted associate

In February 2018, the Group acquired 25.1% of the ordinary share capital of Midia Holding Limited, owner of the Virtus Sports brand, for €569,000. The Group determines that it has significant influence. Virtus Sports delivers betting opportunities across a wide range of virtual sports, including football, horse racing, greyhounds and motor sport.

The carrying amount and share of profit/(loss) is analysed below:

	2018 €000	2017 €000
Carrying amount of interests in associates	**494**	-
Share of:		-
- Profit/(loss) from continuing operations	**(75)**	-

20. Trade and other receivables

	2018 €000	2017 €000
Trade receivables	**6,884**	5,946
Prepayments and accrued income	**9,102**	6,538
Deposits	**1,123**	1,103
Other taxation	**1,111**	905
Other receivables	**109**	94
	18,329	14,586

Trade receivables are generally on terms of 30 days. As at 31 December 2018, there were no impairment charges (2017: nil) made against the carrying amount of trade and other receivables. During the year, an assessment for impairment was made based on expected credit losses and no credit losses were recognised.

As at 31 December, the ageing of trade receivables is as follows:

	Total €000	Neither past due nor impaired €000	Past due but not impaired <30 days €000	Past due but not impaired 31-60 days €000	Past due but not impaired 61-90 days €000	Past due but not impaired 91-120 days €000	Past due but not impaired 121+ days €000
2018	6,884	6,884	-	-	-	-	-
2017	5,946	5,933	-	13	-	-	-

21. Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following amounts in the statement of financial position:

	2018 €000	2017 €000
Cash at bank	**38,350**	34,303
Cash and cash equivalents in the statement of cash flows	**38,350**	34,303

22.Trade and other payables

	2018 €000	2017 €000
Trade creditors	647	1,862
Other taxes and social security	630	731
Other payables	515	253
Other accruals	8,138	7,376
	9,930	10,222

The credit period for trade creditors is generally no more than 30 days.

23. Other financial liabilities

	2018	2017
Convertible bond	**7,251**	7,407
Less amount due for settlement within 12 months	-	-
Amount due for settlement after 12 months	**7,251**	7,407

Convertible bond

A convertible bond of €7,500,000 was issued by Kambi Group plc to a wholly owned subsidiary of Kindred Group plc on 23 May 2014, repayable on 1 January 2019. During 2018, the convertible bond terms were renegotiated with a new repayment date of 1 January 2024. The amount shown above has been discounted over 5.59 years (2017: 4.61 years) using an interest rate of 3.7 % (2017: 4.3%) which is the interest rate of an equivalent risk instrument that was not convertible. The rate used is based on the EURIBOR five-year swap rate + 3.5% which is based on similar instruments that the Group has previously had in place. The difference between the actual amount of the bond and the value above is classified within other reserves. At the date of renegotiation, the amount previously recognised within other reserves was recycled to retained earnings. The actual rate of interest on the convertible bond is 3%. In the event of conversion, the number of shares to be issued would be determined by Kambi's average share price in the period preceding conversion. At the end of 31 December 2018, the number of shares that could be issued on conversion would have been 392,012 shares (2017: 816,494 shares).

24. Other liabilities

Net employee defined benefit liabilities	2018 €000	2017 €000
Philippines post-employment retirement plan	**134**	61
Total	**134**	61

The Group provides for certain post-employment retirement benefits to employees in the Philippines. This plan is governed by the employment laws of the Philippines, which require retirement benefits to be provided. The level of benefits provided depends on the member's length of service and salary at retirement age and is determined by an amount equivalent to one half of a month's salary for every year of service, with six months or more of service considered as one year.

The Group has used the actuary Institutional Synergy, Inc. based in the Philippines to determine the current liability. The fee paid to the actuary for these services in 2018 was €1,000 (2017: €1,000).

The following tables summarise the components of net benefit expense recognised in the statement of profit or loss and the funded status and amounts recognised in the statement of financial position for the plan:

Net benefit expense (recognised in profit or loss)	2018	2017
Current service cost	**13**	19
Past service cost	**-**	-
Interest cost on benefit obligation	**3**	-
	16	19

Movement in the present value of the obligation (PVO)	2018	2017
PVO at beginning of year	**61**	49
Current service cost	**13**	19
Interest cost	**3**	-
Actuarial loss due to:		
Experience adjustments	**14**	-
Changes in financial assumptions	**61**	-
Changes in demographic assumptions	**(18)**	-
Past service cost	**-**	-
Movement in exchange rate	**-**	(7)
PVO at end of year	**134**	61

24. Other liabilities (continued)

The principal assumptions used in determining retirement benefit obligations for the Group's plans are shown below:

Actuarial assumptions	2018	2017
Discount rate	**7.47%**	6.01%
Salary increase rate	**7.00%**	3.00%
Mortality rate	**2017 PCIM**	1994 GAM
Turnover rate	**Scale**	Scale
Employees profile		
Number of plan members	**205**	164
Total annual compensation €000	**1,647**	1,733
Average annual compensation €000	**8**	9
Average attained age	**28.20**	27.39
Average years of service	**3.40**	2.90
Average expected future service years	**10.00**	11.00

A quantitative sensitivity analysis for significant assumptions as at 31 December 2018 is as shown below:

Discount rate	**Present Value**	Present Value
1% increase	**102**	48
Actual	**129**	68
1% decrease	**165**	79

Salary increase rate	**Present Value**	Present Value
1% increase	**166**	80
Actual	**129**	68
1% decrease	**101**	47

The following payments are expected contributions to the defined benefit plan in future years:

	2018 €000	2017 €000
Less than one year	**-**	-
More than one year to five years	**-**	-
More than five years to 10 years	**-**	-
More than 10 years to 15 years	**-**	-
More than 15 years to 20 years	**376**	13
More than 20 years	**5,954**	2,115

The average duration of the defined benefit obligation at the end of the reporting period is 28.82 years (2017: 29.42 years). The entire obligation relates to active plan members.

25. Deferred tax

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2017 - 35%). The following are the deferred tax assets and liabilities (prior to offset) recognised by the Group and movements thereon during the current and prior reporting period:

	2016 €000	Movement for year €000	2017 €000	Movement for year €000	2018 €000
Unremitted Earnings	387	(131)	256	**1,396**	**1,652**
Tangible fixed assets	70	18	88	**16**	**104**
Unrealised exchange differences	77	(6)	71	**(60)**	**11**
Tax losses	-	-	-	**-**	**-**
Other	614	257	871	**865**	**1,736**
	1,148	138	1,286	**2,217**	**3,503**

Certain deferred tax assets and liabilities may have been offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes 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.

The movement for the year is reconciled as follows:

	2018 €000	2017 €000
(Charge)/Credit to income for the year	**1,515**	(107)
Credit directly to equity	**724**	247
Foreign currency translation	**(22)**	(2)
	2,217	138

The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2018 €000	2017 €000
Deferred tax assets	**3,599**	1,504
Deferred tax liabilities	**(96)**	(218)
	3,503	1,286

26. Share Capital and Share Premium

	2018 €000	2017 €000
Authorised		
750,000,000 Ordinary 'A' shares of €0.003 each	**2,250**	2,250
250,000,000 Ordinary 'B' shares of €0.003 each	**750**	750
Issued and fully paid up		
30,180,197 Ordinary 'B' shares (30,015,197 Ordinary 'B') of €0.003 each	**90**	90
Share premium		
Share premium reserve	**53,810**	53,660

Ordinary 'A' shares and Ordinary 'B' shares carry rights to dividends. One Ordinary 'B' share entitles the holder to one vote at shareholders' meetings of the Company. Each Ordinary 'A' share that might be issued upon conversion of the convertible bond would entitle the holder to a higher number of votes than Ordinary 'B' shares, calculated according to a formula set out in the terms and conditions of the bond and in the Company's articles of association.

27. Share based payments

The Group operates a share-based payment scheme as set out within this note. The total charge for the year relating to employee share based payment schemes was €578,000 (2017: €318,000) all of which related to equity-settled share based payment transactions.

The information provided below relates to the share option scheme operated by Kambi Group plc, for the benefit of employees of the Group.

Kambi Group Executive Share Options Plan

The Kambi Group Executive Share Option Plan (ESOP) was introduced in December 2013. Under the scheme, the Board can grant options over shares in the Group entities to employees of any entity within the Kambi Group.

Options are granted with a fixed exercise price equal to 130 per cent of the average share value, based on an external valuation. Awards under the scheme are generally made to employees at a senior level. Options will be exercisable in accordance with a vesting schedule set at the date of grant and will expire not later than the tenth anniversary of the date of grant. The performance conditions in relation to this plan have been satisfied and therefore the options are exercisable.

Grants made under the ESOP are valued using the Black-Scholes option-pricing model. The fair value per option granted and the assumptions used in the calculation are as follows. The exercise price of the options was set in GBP as this was the functional currency of Kindred Group plc, which was the owner of the Group at the date of grant.

Grant date	14 Dec 2013
Exercise price GBP	1.23
Number of employees	53
Shares under option	961,000
Vesting period (years)	3
Expected volatility %	21
Option life (years)	10
Expected life (years)	3.50
Risk-free rate %	1.23
Expected dividends expressed as dividend yield %	0
Fair value per option GBP	0.08

The expected volatility is based on the standard deviation of Kindred Group's share price over a year, prior to the grant date. During 2013, Kambi Group plc was not publicly traded and therefore Kindred Group's share price was used to calculate the expected volatility. The risk-free rates of return applied to the ESOP grant is the approximate implicit risk-free interest rate for the options' term to maturity, based on the three-year maturity rate offered by Riksbanken at the date of each grant.

Share Option Schemes approved at 2015 Annual General Meeting

Kambi Group plc Share Option Plan 2015

The Kambi Group plc Share Option Plan 2015 was introduced in December 2015. Under the scheme, the Board can grant options over shares in the Group to employees of any entity within the Kambi Group.

Options are granted with a fixed exercise price equal to 110 per cent of the average share value, based on the average market value of a Kambi share on the First North Exchange, for the 10 business days before the options are granted. Awards under the scheme are generally made to employees at a senior level. Options will normally be exercisable in accordance with a vesting schedule set at the date of grant and will expire not later than the fourth anniversary of the date of grant. A performance condition based on an EPS target for the 12 months to 30 September 2018 was set. This condition was 80% satisfied, but the Board determined that the scheme should vest in full. This decision was made considering the recent wins in major markets, the exceptional costs incurred by the company and significant effort input by option holders in optimising its future prospects which were expected to generate profits in a time period falling beyond that considered by the performance condition.

Grants made under this plan are valued using the Black-Scholes option-pricing model. The fair value per option granted and the assumptions used in the calculation are as follows:

Grant date	23 Dec 2015
Exercise price SEK	121.165
Number of employees	38
Shares under option	404,000
Vesting period (years)	3
Expected volatility %	33.17
Option life (years)	4
Expected life (years)	3.50
Risk-free rate %	-0.06%
Expected dividends expressed as dividend yield %	0
Fair value per option EUR	2.60

The future volatility assumption is an average of the Company's share price performance over the 18 months immediately preceding grant, and Kindred's share price performance over a period of 36 months immediately preceding grant. This reflects the Company's own performance since its IPO in June 2014. However, the future vesting period for these options is 3 years. A 3 year volatility assumption should also reflect an historic 3 year period. The most appropriate historic 3 year volatility for Kambi is that of Kindred Group plc, Kambi's former parent company.

Kambi Group plc Share Option Plan 2018

The Kambi Group plc Share Option Plan 2018 was introduced in June 2018. Under the scheme, the Board can grant options over shares in the Group to employees of any entity within the Kambi Group.

Options are granted with a fixed exercise price equal to 110 per cent of the average share value, based on the average market value of a Kambi share on the First North Exchange, for the ten business days before the options are granted. Awards under the scheme are generally made to employees at a senior level. Options will normally be exercisable in accordance with a vesting schedule set at the date of grant and will expire not later than the fourth anniversary of the date of grant. Options are exercisable only to the extent that certain performance conditions in relation to EPS growth have been satisfied and are subject to continued employment.

Grants made under this plan are valued using the Black-Scholes option-pricing model. The fair value per option granted and the assumptions used in the calculation are as follows:

Grant date	5 June 2018
Exercise price SEK	125
Number of employees	55
Shares under option	452,500
Vesting period (years)	3
Expected volatility %	45.00
Option life (years)	4
Expected life (years)	3.50
Risk-free rate %	-0.3%
Expected dividends expressed as dividend yield %	0
Fair value per option EUR	5.26

The future volatility assumption is an average of the Company's share price performance over the 48 months immediately preceding grant. This reflects the Company's own performance since its IPO in June 2014.

27. Share based payments (continued)

A reconciliation of option movements over the year to 31 December 2018 is shown below:

Kambi Group Executive Share Option Plan

	2018		2017	
	Number	Weighted average exercise price GBP	Number	Weighted average exercise price GBP
Outstanding at 1 January	**656,000**	**1.23**	930,000	1.23
Exercised	**(165,000)**	**1.23**	(274,000)	1.23
Granted	**-**	**-**	-	-
Lapsed	**-**	**-**	-	-
Forfeited	**-**	**-**	-	-
Outstanding at 31 December	**491,000**	**1.23**	656,000	1.23

Kambi Group plc Share Option Plan 2015

	2018		2017	
	Number	Weighted average exercise price SEK	Number	Weighted average exercise price SEK
Outstanding at 1 January	**342,000**	**121.165**	370,000	121.165
Exercised	**-**	**-**	-	-
Granted	**-**	**-**	-	-
Lapsed	**-**	**-**	-	-
Forfeited	**(8,000)**	**121.165**	(28,000)	121.165
Outstanding at 31 December	**334,000**	**121.165**	342,000	121.165

Kambi Group plc Share Option Plan 2018

	2018	
	Number	Weighted average exercise price SEK
Outstanding at 1 January	**-**	**-**
Exercised	**-**	**-**
Granted	**452,500**	**125**
Lapsed	**-**	**-**
Forfeited	**(15,000)**	**125**
Outstanding at 31 December	**437,500**	**125**

The weighted average remaining contractual life at 31 December 2018 was five years (2017: six years) for the Kambi Group Executive Share Option Plan, one year (2017: two years) for the Kambi Group plc Share Option Plan 2015 and four years for the Kambi Group plc Share Option Plan 2018.

Dilution effects: During 2018, 23,000 (2017: 28,000) options over shares were forfeited during the year due to employees leaving the Group. If all options are fully exercised, the nominal share capital of the Group will increase by a total maximum of €3,788 (2017: €2,994) by the issue of a total maximum of 1,262,500 ordinary shares (2017: 998,000) corresponding to 4.2% (2017: 3.3%) of the nominal share capital of the Group.

28. Other equity and reserves

	Share based payment reserve €000	Defined benefits €000	Convertible shares €000	Capital contribution €000	Total €000
At 1 January 2017	**1,037**	**(9)**	**399**	**59**	**1,486**
Share based payments expense for the year	318	-	-	-	318
Tax on share based payments	331	-	-	-	331
Actuarial gain/(loss) for the year	-	-	-	-	-
At 31 December 2017	**1,686**	**(9)**	**399**	**59**	**2,135**
Share based payments expense for the year	578	-	-	-	578
Tax on share based payments	969	-	-	-	969
Actuarial gain/(loss) for the year	-	(57)	-	-	**(57)**
Convertible bond renegotiation	-	-	(129)	-	**(129)**
At 31 December 2018	**3,233**	**(66)**	**270**	**59**	**3,496**

Share-based payments

The share-based payment reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration package.

Defined benefits

The defined benefits reserve is used to recognise any actuarial gain/(loss) from the employee defined benefits scheme in place.

Convertible shares

The convertible share reserve covers the equity component of the issued convertible bond. The liability component is reflected in other financial liabilities. During 2018, €399,000 was recycled from the convertible share reserve to accumulated profits upon renegotiation of the convertible bond.

Capital contribution

The capital contribution is unsecured and interest-free and is repayable exclusively at the option of the Group

29. Foreign currency translation reserve

	2018 €000	2017 €000
Opening balance	**(1,547)**	(953)
Movement for the year	**(277)**	(594)
Closing balance	**(1,824)**	(1,547)

The translation reserve of the Group comprises all foreign currency differences arising from the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency. This amount is recognised in other comprehensive income and accumulated in the foreign currency translation reserve. This reserve is non-distributable.

30. Earnings per share

Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the parent, by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible preference shares), by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all outstanding share options. The following reflects the income and share data used in the basic and diluted EPS computations:

	2018 €000	2017 €000
Profit attributable to ordinary equity holders	**9,818**	5,902
Profit attributable to ordinary equity holders adjusted for the effect of dilution	**9,818**	5,902

	2018 '000	2017 '000
Weighted average number of ordinary shares for basic EPS	**30,098**	**30,015**
Effects of dilution from:		
Share options	**772**	**720**
Weighted average number of ordinary shares adjusted for the effect of dilution	**30,870**	**30,735**

Earnings per share	€	€
Basic	**0.326**	0.198
Diluted	**0.318**	0.192

The convertible bond has been excluded from the earnings per share calculation as it is considered antidilutive. If the convertible bond was included in the calculation, profit attributable to ordinary equity holders on dilution would increase by €344,000 (2017: €315,000) and the weighted average number of ordinary shares on dilution would increase by 418,179 shares (2017: 849,534 shares).

31. Related party disclosures

The Group has no transactions with related parties for the year ended 31 December 2018 and 2017 apart from Directors' and Key Management Remuneration. For details of Directors' and Key Management Remuneration, please refer to note 12.

32. Operating leases

	2018 €000	2017 €000
Recognised as expense for the year	**2,285**	2,098

At the end of the reporting period, the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2018 €000	2017 €000
Within one year	**2,608**	2,479
Between one and five years	**5,652**	7,714
Over five years	**-**	450
	8,260	10,643

Operating lease payments represent rentals payable by the Group for certain buildings. Leases are negotiated and rentals are fixed for a remaining average term of 4 years (2017: 5 years).

33. Capital commitments

There were no capital commitments at 31 December 2018 or 31 December 2017.

34. Contingent assets

There were no contingent assets at 31 December 2018 or 31 December 2017.

35. Contingent liabilities

The Group has recognised employer's social security costs that can be reliably measured at 31 December 2018. Due to the uncertainty in timing and amount of particular costs due up to 31 December 2023, the Group have not yet recognised an estimated amount of €1,056,360 relating to the social security due upon exercise of certain vested, unexercised share options.

There were no contingent liabilities at 31 December 2017.

36. Financial risk management

Financial risk factors

The Group's activities potentially expose it to a variety of financial risks: market risk (including unfavourable outcomes on the events where it offers odds, foreign exchange and interest rate risks), credit risk and liquidity risk. The Group's overall risk management approach, covering risk exposures for all Group undertakings, focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The exposures to risk and the way risks arise, together with objectives, policies and processes for managing and measuring these risks, are disclosed in more detail below. The objectives, policies and processes for managing financial risks and the methods used to measure such risks are subject to continual improvement and development.

(a) Market risk

Unfavourable outcomes on the events where the Group offers odds: The Group has adopted specific risk management policies that control the maximum risk level for each sport or event on which the Group offers odds. The results of the most popular teams in major football leagues comprise the predominant market risk. Through diversification, which is a key element of the Group's business, the risk is spread across a large number of events and sports. The Kambi Compliance Officer is responsible for day-to-day monitoring of market risk. It is also their responsibility to advise the odds compilers and risk managers on appropriate levels for certain events. The Kambi Compliance Officer assesses risk levels for individual events as well as from a longer term perspective. The Group continuously monitors its risk limits for each operator and end user.

36. Financial risk management (continued)

Foreign exchange: The Group undertakes transactions denominated in foreign currencies and is also exposed to foreign exchange risk from recognised assets and liabilities in foreign currency. Currency risk is managed by means of holding funds on short-term deposit in the currencies of the Group's principal cash outflows. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Liabilities		Assets	
	31/12/18 €000	31/12/17 €000	31/12/18 €000	31/12/17 €000
GBP	5,126	5,013	9,911	7,573
SEK	4,413	3,268	11,696	4,646
PHP	373	450	928	250
RON	750	453	1,081	453
AUD	334	343	589	548

Foreign currency sensitivity analysis: The Group is mainly exposed to the currencies of GBP and SEK. The following table details the Group's sensitivity to a 2% increase and decrease in the EUR against the relevant foreign currencies. A 2% shock is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 2% change in foreign currency rates.

The sensitivity analysis includes external cash flows as well as cash flows within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in profit or equity where the EUR strengthens by 2% against the relevant currency. For a 2% weakening of the EUR against the relevant currency, there would be a comparable negative impact on profit or equity.

	GBP Impact		SEK Impact	
	€m			
	2018	**2017**	**2018**	**2017**
Profit or loss	0.1	0.1	0.3	0.1
Equity	0.1	0.1	0.1	0.1

The exposure is mainly attributable to the net outstanding value in GBP and SEK receivables, payables and cash of the Group at the end of the reporting period.

Interest rate: The Group is exposed to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has managed this risk through the negotiation of a fixed interest rate on the convertible bond and has no other borrowings.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

Financial assets which potentially subject the Group to credit risk consist principally of receivables and cash at bank, which is all callable. The latter is placed with various reliable financial institutions. For receivables, an allowance would be made for doubtful debts if there was an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Credit risk with respect to receivables is limited due to credit control procedures, ongoing credit evaluation and to a policy of only dealing with creditworthy counterparties. Moreover the debtor base comprises a number of customers spread across geographical areas thus serving to also mitigate concentration risk.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Group monitors and manages its risk to a shortage of funds by maintaining sufficient cash and short-term deposits and by monitoring the availability of raising funds to meet commitments associated with financial instruments, and by maintaining adequate banking facilities.

The following tables detail the Group's remaining contractual maturity of its non-derivative financial liabilities and non-derivative financial assets. The tables are based on the undiscounted cash flows and in the case of financial liabilities on the earliest date on which the Group can be required to pay.

	Weighted average effective interest rate (%)	Less than 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	5+ years	Total	Carrying Amount
Financial assets 31 December 2018				**€000**				
Cash & cash equivalents	0.1%	38,350	-	-	-	-	38,350	38,350
31 December 2017								
Cash & cash equivalents	0.1%	34,303	-	-	-	-	34,303	34,303
Financial liabilities 31 December 2018								
Convertible bond	3.0%	-	-	-	-	7,500	7,500	7,251
31 December 2017								
Convertible bond	3.0%	-	-	-	7,500	-	7,500	7,407

Capital management

The Group's objectives when managing capital are:

- to safeguard its ability to continue as a going concern; and
- to maximise the return to stakeholders through optimising the debt to equity balance.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group is not subject to any externally imposed capital requirements.

The capital structure of the Group consists of debt, cash and cash equivalents and items presented within equity in the consolidated statement of financial position. The Group's directors manage the capital structure and makes adjustments to it, in light of changes in economic conditions. The capital structure is reviewed on an ongoing basis and has remained unchanged from the prior year. Based on recommendations of the directors, the Group balances its overall capital structure through the payments of dividends, new share issues, the issue of new debt or the redemption of existing debt.

36. Financial risk management (continued)

The gearing ratio at the end of the reporting period was as follows:

	2018 €000	2017 €000
Debt	**(7,251)**	(7,407)
Cash and cash equivalents	**38,350**	34,303
Net debt	**31,099**	26,896
Equity	**57,770**	(46,319)
Net debt to equity %	**-54%**	-58%

Fair values of financial instruments

The fair values of cash and short-term deposits, trade & other receivables, trade & other payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Set out below is a comparison of the carrying amounts and fair value of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

	Carrying Amount 2018 €000	Fair Value 2018 €000	Carrying Amount 2017 €000	Fair Value 2017 €000
Financial liabilities				
Convertible bond	7,251	7,500	7,407	7,500

The fair values of the Group's convertible bond are determined by using the Discounted Cash Flow method using a discount rate that reflects the revised borrowing rate as at the end of the reporting period.

AGM and company information

Shareholders in Kambi Group plc are invited to participate in the AGM on Thursday 16 May 2019 at 11:00 CET at Kambi, Wallingatan 2, 4tr, 111 60 Stockholm, Sweden.

Rights to participate

Holders of Kambi Group plc who wish to attend the AGM must be entered on the Company's register of members by Tuesday 23 April 2019.

In order to be entitled to participate in the proceedings at the AGM, shareholders who have their shares registered with a nominee account, must ensure their shares are temporarily registered in their own name latest by Tuesday 23 April 2019.

Financial calendar

24 April 2019	Q1 Report
16 May 2019	AGM
24 July 2019	Q2 Report
25 October 2019	Q3 Report

Company information

Registered office	Level 3, Quantum House Abate Rigord Street Ta' Xbiex XBX1120, Malta
Company registration number	C 49768
Certified advisor	Redeye AB, Stockholm
Company secretary	Maureen Ehlinger
Auditors	Mazars Malta, Sovereign Building Zaghfran Road 32, Attard ATD 9012, Malta
Corporate website	kambi.com

Glossary

A

Average number of employees
Average number of employees based on headcount at each month end

B

B2B
Business-to-Business

B2C
Business-to-Consumer

C

Cash flow per share
Net increase/(decrease) in cash and cash equivalents, divided by the number of ordinary shares at the balance sheet date

Customer
B2C operator to whom Kambi provides services

E

Earnings per share, fully diluted
Profit after tax adjusted for any effects of dilutive potential ordinary shares divided by the fully diluted weighted average number of ordinary shares for the period

EBIT
Earnings before interest and taxation, equates to operating profit

EBIT margin
EBIT as a percentage of revenue

EBITDA
Operating profit before depreciation and amortisation charges

End user
A player that places bets with an operator

Equity/assets ratio
Total shareholders' equity as a percentage of total assets

Equity per share
Total shareholders' equity divided by the number of ordinary shares at the balance sheet date

G

Gross Gaming Revenue (GGR)
The amount wagered minus the winnings returned to players

GRL
Government Regulated Lottery

I

iBetting
Online betting including mobile

Instant betting
An instant bet is a bet that typically has a lifetime of around one minute

L

Live betting
Odds set and played during an event

N

Net cash
Total cash less debt at period end

Net Gaming Revenue (NGR)
GGR less deductible costs such as gaming tax

O

Operating margin
Operating profit as a percentage of revenue

Operator
A B2C gambling operator

Operator Turnover and Margin Index
This index shows Kambi's operators' turnover and margin based on the total stakes and payouts of their players

P

Pre-match odds
Odds set and played on prior to the start of the event

R

Return on total assets
Profit after tax as a percentage of average total assets

Revenue
Income from Kambi's operators based on fixed and variable elements

S

Sportsbook
A platform where bets are placed and accepted on sporting and other events

T

Turnover
The total amount staked/wagered

W

Weighted average number of shares
Calculated as the weighted average number of ordinary shares outstanding during the year

Weighted average number of shares, fully diluted
Calculated as the weighted average number of ordinary shares outstanding and potentially outstanding (i.e. including the effect of exercising all share options) during the year

U

UX
User Experience

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