Kambi annual report and accounts 2019

Kambi

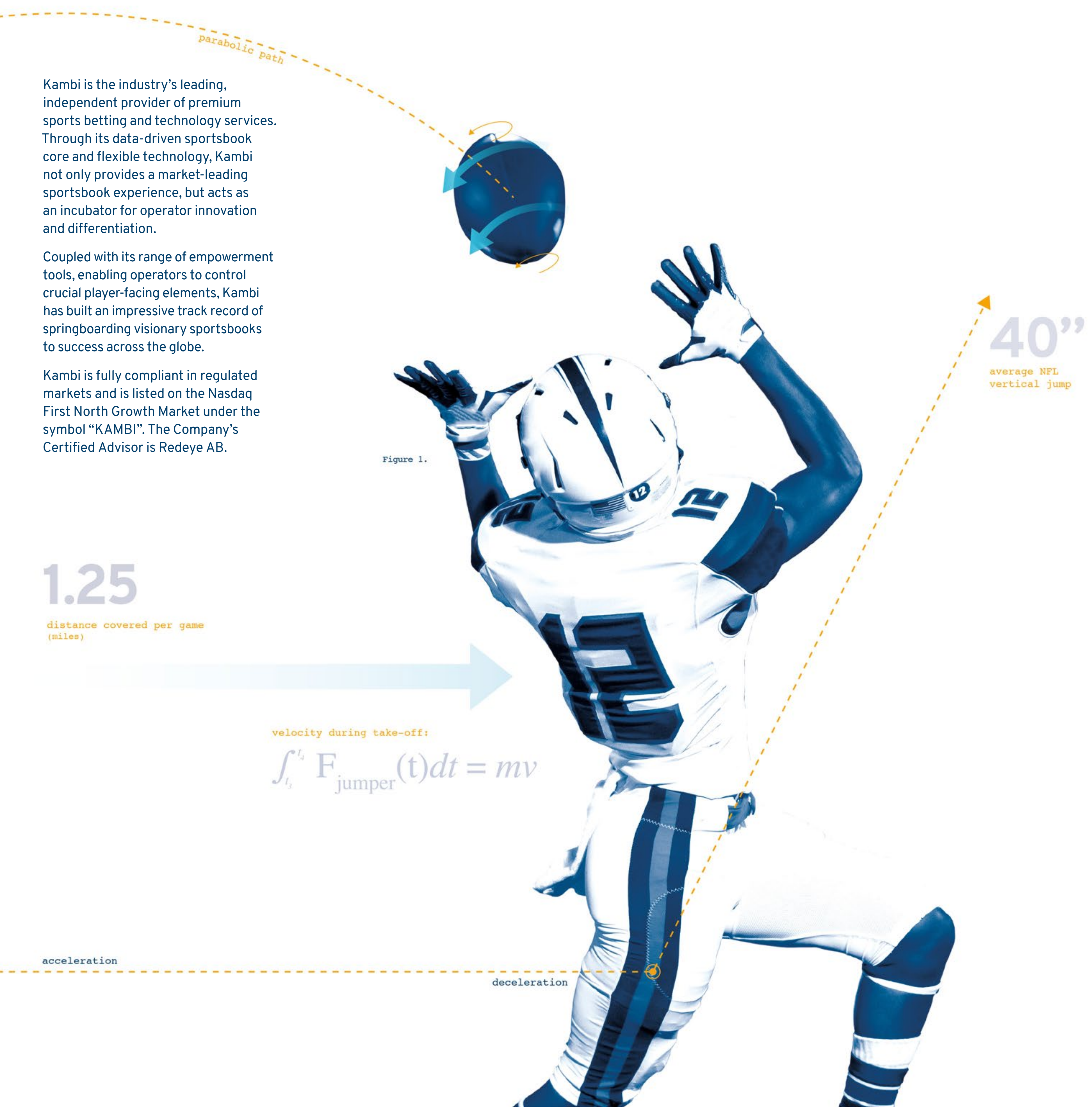
Optimising partner performance

Kambi

Kambi is the industry's leading, independent provider of premium sports betting and technology services. Through its data-driven sportsbook core and flexible technology, Kambi not only provides a market-leading sportsbook experience, but acts as an incubator for operator innovation and differentiation.

Coupled with its range of empowerment tools, enabling operators to control crucial player-facing elements, Kambi has built an impressive track record of springboarding visionary sportsbooks to success across the globe.

Kambi is fully compliant in regulated markets and is listed on the Nasdaq First North Growth Market under the symbol "KAMBI". The Company's Certified Advisor is Redeye AB.

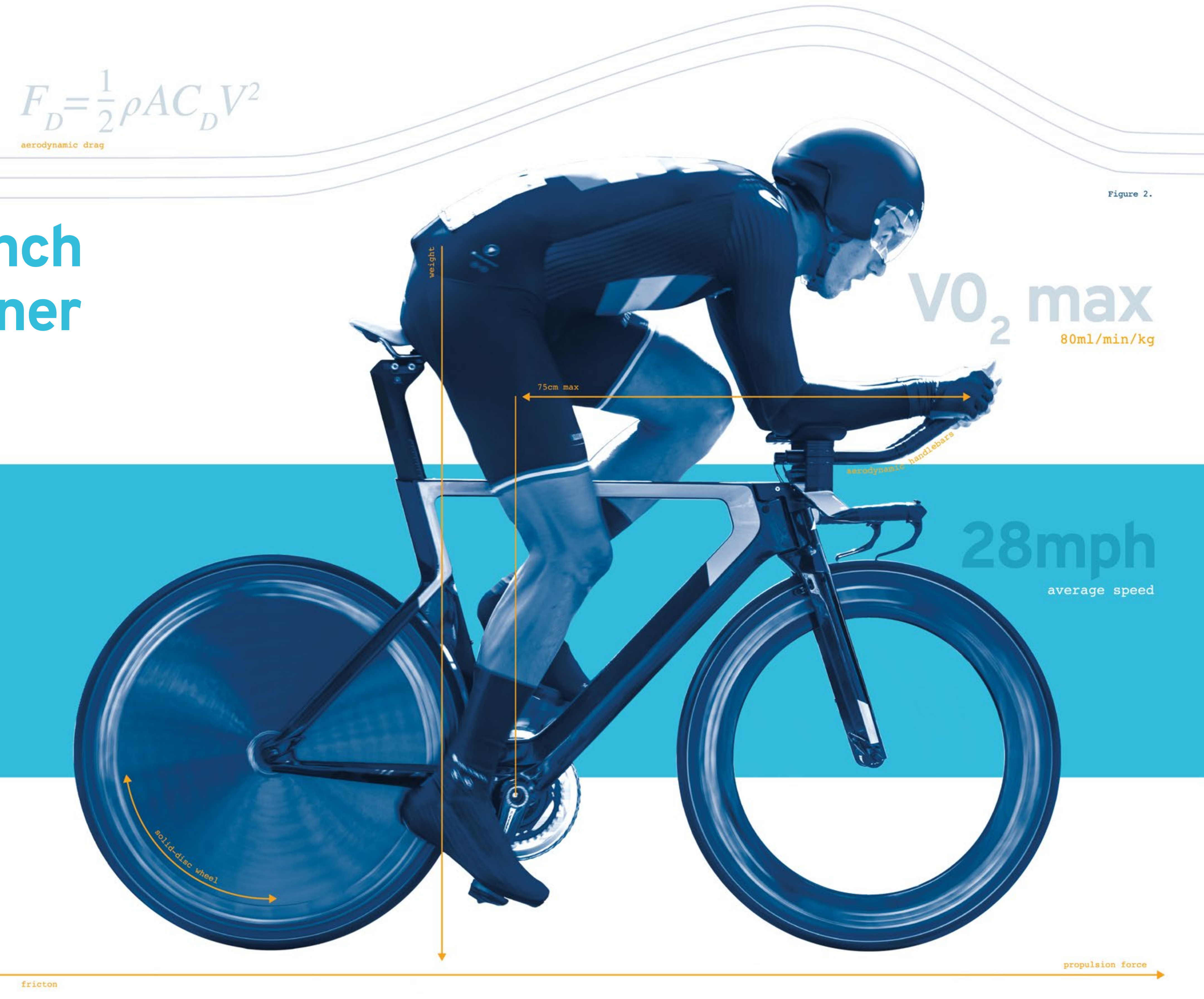


Kambi annual report and accounts 2019

Contents

Strategic report

Delivering inch-by-inch gains to enable partner success



Kambi at a glance

The trusted partner to visionary sportsbooks worldwide

Kambi is the leading, independent partner to visionary operators worldwide, trusted to provide the tools and insight required to achieve long-term success in regulated markets, as well as offering the ultimate in sports betting technology.

Kambi powers more than 20 operators across six continents, delivering engaging and tailored sports betting experiences to their players, enhancing both acquisition and retention due to a scalable technology stack and unparalleled sports coverage.

With regulatory complexity rising for operators worldwide, Kambi's outsourced sportsbook model continues to experience growing demand. Not only does our technology enable partners to launch ahead of the market, its capacity for differentiation ensures a sportsbook can be true to its brand and distinct from competitors.

Kambi's services encompass a broad offering from front-end user interface through to odds compiling, customer intelligence and risk management, built on our in-house developed software which scales across channels. Kambi leverages its powerful real-time network data to feed its algorithmic trading models and deliver valuable, actionable insights that enable partners to reach their peak.

Employing more than 850 highly skilled, sports-passionate people from across the world, last year Kambi opened its eighth office in Philadelphia. The skill and experience of our growing team gives Kambi capabilities beyond our competitors, providing our partners with the support they need to realise their sports betting ambitions and become market leaders.

Kambi's success is anchored in its long history in risk management, technology and dedication to the highest levels of corporate probity and sports integrity. Kambi operates in an ethical manner, ensuring it only conducts business in markets where gambling isn't prohibited and employs sophisticated risk processes to detect signs of sports manipulation at the earliest of stages. In 2019, Kambi became the first sports betting technology provider to attain affiliate membership of the International Betting Integrity Association.

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

drag

Kambi's success is anchored in its knowledge of sports and risk management combined with its ability to develop cutting-edge technology

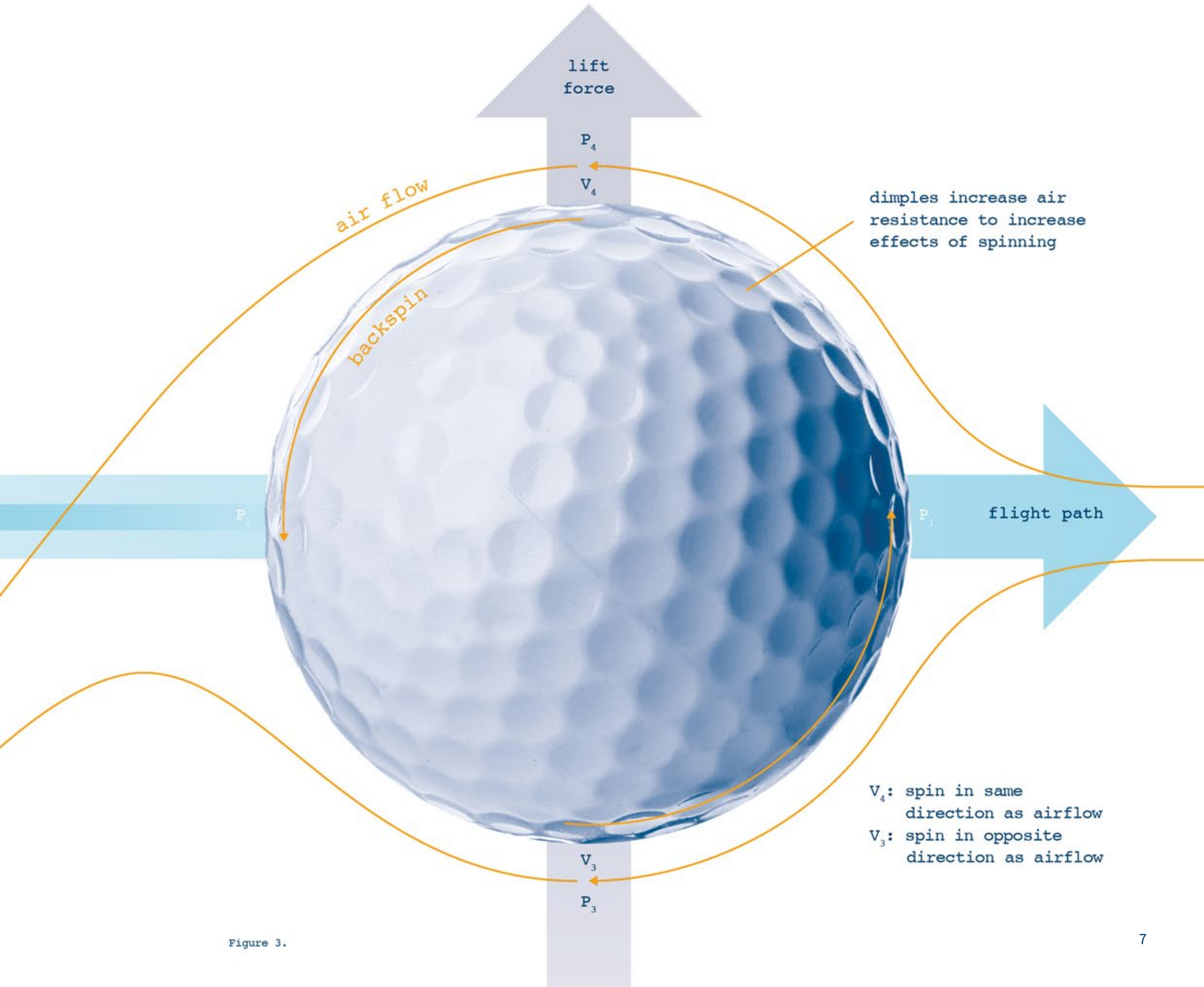


Figure 3.

Introduction

Partner with confidence

In highly competitive industries, fine margins are often the difference between success and failure. The smallest of details separate high achievers from underperformers. The sports betting industry is no exception.

Visionary operators understand the importance of offering players an excellent sports betting experience, rather than a good one. Market leaders realise the value of a trusted sports betting partner, one that can provide the technology and insight to achieve exceptional growth, over that of a basic, if functional, sportsbook provider.

Kambi has become the trusted partner to some of the world's leading operators. Active in regulated markets across six continents, Kambi is partnered with ambitious organisations that share its commitment to delivering a high-quality sports betting product across various touchpoints. Operators with a clear picture of the sportsbook they want to be turn to Kambi in order to make their vision a reality.

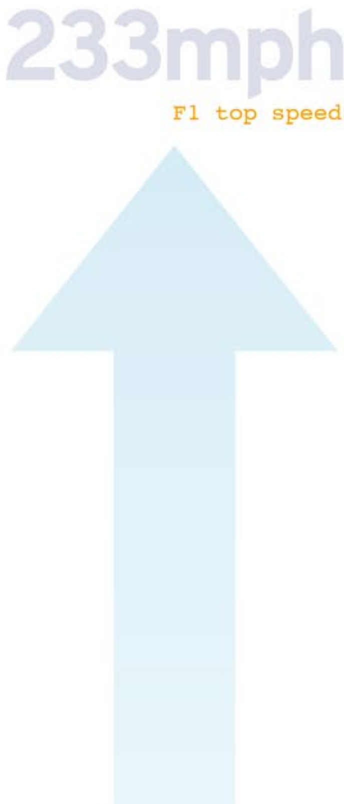
In short, operators partner with Kambi with confidence. Confident they'll be able to offer their players a best-in-class product. Confident Kambi's scalable and regulatory compliant technology will enable multi-jurisdictional growth. Confident Kambi's global network of partners will generate the quality data and insights required to stay ahead of the game. Confident Kambi's dedicated support and managed services will help guide them to success.

Having reached new heights in 2018, Kambi continued its momentum last year, becoming the trusted partner to an additional six operators, as well as entering five new jurisdictions. In total, Kambi completed more than 30 separate partner launches in regulated markets across online and retail platforms, often quick or first to market following the passing of enabling legislation. For instance, Kambi took the first legal wager in New York, the first legal online wager in Pennsylvania and launched six customers on day one of the re-regulated Swedish market opening.

Complementing a strong commercial performance in 2019, Kambi's

Operators with a clear vision of the sportsbook they want to be turn to Kambi to make their vision a reality

excellence was recognised with a number of industry award wins, including being named Sportsbook Platform Provider of the Year at the EGR B2B Awards, and Digital Supplier of the Year and the Global Gaming Awards. Furthermore, the successful partnerships Kambi has developed over the years was underlined when 11 Kambi partners were featured within the prestigious 2019 Power 50 list – the annual ranking of the biggest and most influential operators in the world – up from nine in 2018. The recognition of our partners highlights Kambi's position as the trusted sports betting partner to the industry's tier one operators.



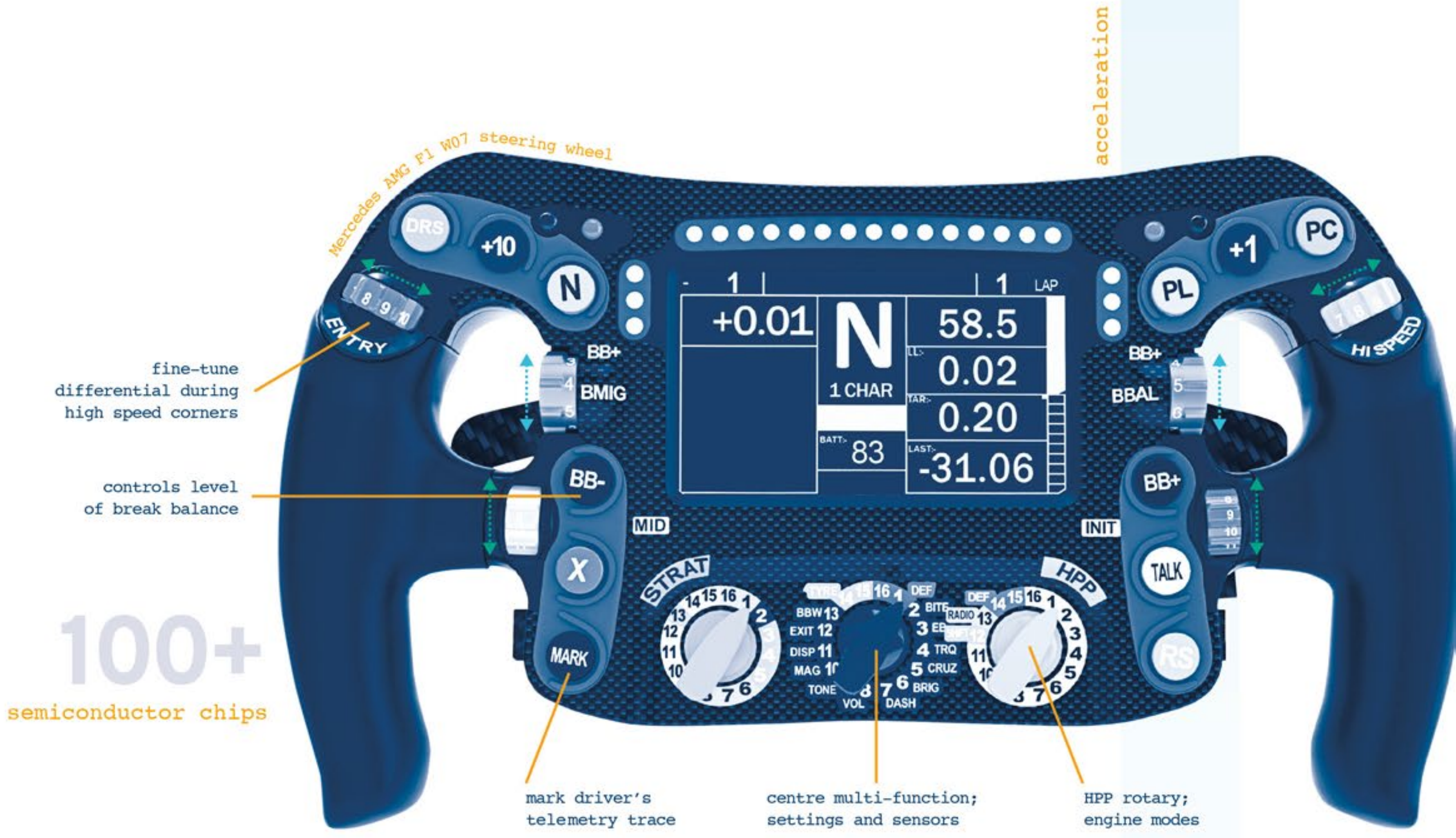


Figure 4.

Chairman and CEO statements

Chairman's statement
Lars Stugemo

Entertainment all around us. It's omnipresent. No further away than a touch of a button or a click of a mouse. Fuelled by the technological and digital revolution witnessed over the past few decades, we have reached a point wherein almost every conceivable form of entertainment is available on-demand, 24/7, 365 days of the year.

No longer must we wait for a film to begin at a scheduled time or be on tenterhooks to watch our favourite TV series at a fixed slot each week. And should we have the urge to listen to a particular song, album or artist, we can do so in the short time it takes to type out the desired name in a search bar. Indeed, if you like to enjoy a slice of pizza while watching a film, there's an app for that.

In short, the consumer has an almost limitless choice at their fingertips. In addition, the abiding forms of in-person entertainment, such as music concerts, theatre and cinema, means the battle for the consumers' pound, euro or dollar has never been as intense.

Similarly, the global nature of sport ensures that there is always a sporting event available for consumers to enjoy, day or night. Even during these challenging times, with the current lighter sporting calendar, there are sports ongoing. Driven by increased TV coverage, the development of online streaming and a huge growth in data collection companies, sports, and by extension sports betting, has in recent years further widened the scope of on-demand entertainment.

Conventional wisdom tells us sports betting is in direct competition with other forms of gambling, such as casino or poker, for consumer eyeballs, not to mention the choice between the many sports betting options available. While this may be true – after all, sports bettors have on average four sports betting apps on their mobile phone - Kambi and its partners also find themselves vying for a share of wallet that spreads across entertainment of all kinds.

Sports betting, like any other form of entertainment, must provide consumers with exciting and exhilarating experiences to ensure they return. Furthermore, the experience must be intuitive and friction free, so that consumers don't feel they have to choose between placing a few bets and watching a TV show, for example. The simplicity of placing a wager is key to retaining customers and ongoing engagement.

Watching sports is one of the most popular pastimes in the world. Whatever corner of the globe you reside in, you are likely to be exposed to a sport or sports in some way. Whether it's baseball in the US, soccer in the UK or ice hockey in Sweden, sport transcends geographies and demographics alike. Be they in the stadium or following the action at home, fans also often like to add to their sports viewing experience.

Kambi remains focused on developing the best sports betting experiences possible to ensure its partners are the natural choice for consumers looking for their piece of on-demand entertainment. And although the current global situation makes this more of a challenge for us, we know this won't last forever, and we'll continue to develop and perfect the sports betting experiences consumers love, so that when normality does return, which it will, our partners are best placed to secure their share of consumer spend.

In the meantime, my thoughts go out to everyone affected by the Covid-19 outbreak and I'd like to put on record my gratitude for all the health and care workers on the frontline who are doing their utmost to look after us all during this time of need. But I'm sure that, if we all stick together, the good times will return, and with that so too will sports.

Lars Stugemo
Chairman

A view from the CEO
Kristian Nylén

As I look back on 2019, I can say with confidence that it was a year which reinforced Kambi's status as the sportsbook partner which operators in regulated markets can trust to deliver. An independent partner offering the regulatory expertise, technological scalability and scope for differentiation operators need to achieve market leadership.

Since Kambi's inception, our focus has always been on developing the business for players in regulated markets, and the previous 12-month period has underlined the importance of this strategy as new regimes continue to be put in place across the globe. Regulators the world over have been placing their trust in Kambi due to our long-track record of regulatory compliance and corporate probity.

The success of this approach is evidenced by the position we now hold in the US. We have continued our track record of delivering market firsts for our partners, taking the first legal online wagers in Pennsylvania and Indiana, going live on day one in Iowa and processing the first wagers in New York and New Hampshire.

Our efforts in developing our retail offering have been a significant element in our progress. The year 2019 saw Kambi go beyond being an established partner in the land-based arena to leading the market with an offering that is transforming the player journey, an evolution which is most pronounced in the US. For example, the Kambi kiosk is driving huge numbers of on-property bets while our Bring Your Own Device functionality has streamlined the over-the-counter experience, particularly in states without online regulation.

It was also a year of significant progress for the business in Europe. We began 2019 by going live across 2,000 retail stores in Sweden, deploying our market leading land-based solution on the first day of the new market opening, further vindicating our investment in ensuring our retail offering is adaptable to properties of all shapes and sizes. We also went live with William Hill in Sweden and powered the re-launch of the popular mybet brand in Germany, among others.

The year closed with the news our partner DraftKings had entered into a transaction with a view to owning its own sportsbook technology. The revenues generated from this partnership are unlikely to be affected in 2020. And while we were unable to convince DraftKings their interests would be best served with Kambi, I am confident that a competitor supplier being absorbed by a large operator will enhance the appeal of Kambi moving forward.

In financial terms, we performed strongly throughout the year, recording a revenue uplift of 21% and a rise in operating profit of 16%. In turn, operator turnover rose by 37%, a particularly impressive figure in a year with no major international summer football tournament. We also built on our commercial momentum, signing new agreements with six operators and extending partnerships with four.

In closing, I am proud to say that we can look back on 2019 with great satisfaction and reflect on a year in which we continued to establish the business as the independent provider of sports betting services to the world's regulated markets. Our sportsbook is stronger than ever, and I'm confident that, once we come through the unique situation the world finds itself in, Kambi will be in an incredibly strong position for the long-term.

Kristian Nylén
CEO

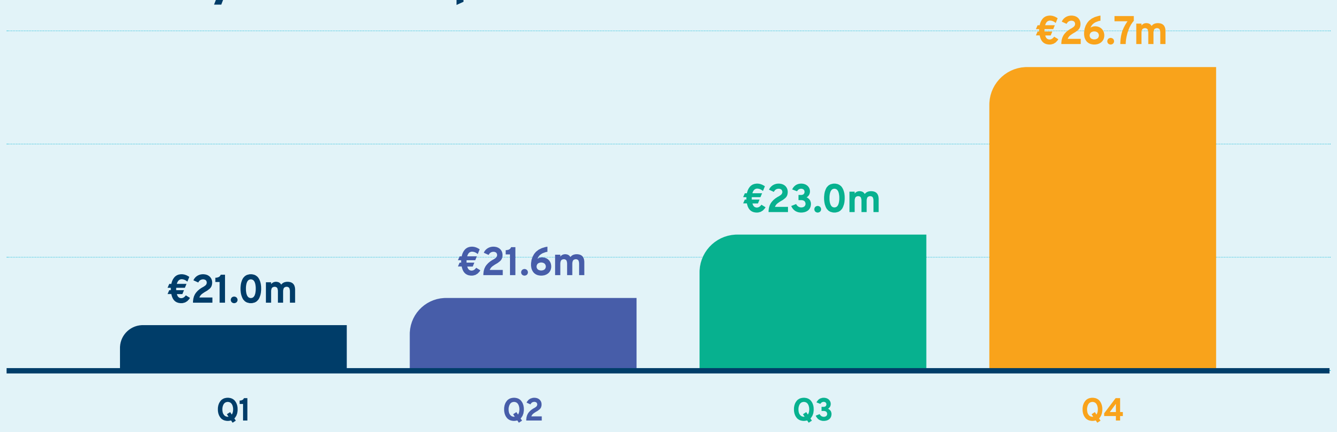
Overview and highlights

2019 in numbers

Kambi revenue:
up 21% to €92.3m

Operator turnover:
up 37%

Quarterly revenue performance



20+
operators across 6 continents

Active players: increased 52%
(Dec 2018 versus Dec 2019)
52%

Bets placed: increased 40%
(year-on-year)
40%

Monthly transactions: 500,000,000
(approximately)

Active in 7 US states

Market firsts in 5 US states

Launched in 18 US properties

11 partners named in EGR Power 50 ranking
(increased from 9 in 2018)

6 new partners signed

BetWarrior, JACK Entertainment, Mohegan Sun, mybet, Penn National Gaming, Inc., Seneca Resorts & Casinos

865 employees across seven locations

Industry recognition

Global Gaming Awards Las Vegas 2019 Winner – Digital Industry Supplier
Global Gaming Awards London 2019 Winner – Online Sports Betting Supplier
EGR North America Awards 2019 Winner – Sportsbook Platform Provider – Kambi
EGR North America Awards 2019 Winner – Sports Betting Supplier – Kambi
EGR B2B Awards 2019 Winner – Sportsbook Platform Provider – Kambi

Strategic review

A clear and consistent path to market leadership

Kambi's strategy has long been guided by one clear objective: to provide partners across the globe with industry leading sports betting technology that not only delivers a best-in-class experience for their players across all channels but also provides the flexibility and empowerment visionary operators require to become the sportsbook they want to be.

Delivering on this objective is no easy task and is one which becomes ever more complex over time, creating barriers to entry which are difficult to overcome. Indeed, many have tried and failed to develop a high-performance sportsbook, one capable of giving players the experiences they desire while also meeting the growing number of regulatory requirements applied across multiple jurisdictions.

Kambi's success at executing on its strategy can be traced back to the long-term decisions it took during the period of its inception, routes which were influenced by management's expectation that the emerging regulatory developments of the time would begin a domino effect that would be felt right across Europe and the rest of the world for years to come.

Therefore, to succeed in providing operators and players all over the globe with the leading sports betting experiences, Kambi realised it would have to build a technology with the capability to meet a myriad of regulatory demands. A sportsbook lacking in this capability would suffer from severe limitations, which is widely reflected in the market today. Indeed, many major operators are hamstrung by a lack of scalability in their technology, suffering from technical debt which prevents them from taking their sportsbook into multiple jurisdictions without third-party assistance.

In parallel with the development of a flexible and scalable sportsbook platform, Kambi took the conscious decision to focus its operations on markets which were either regulated or moving towards regulation. With it becoming clear that market entry would be dependent upon obtaining a local permit or licence, Kambi placed integrity and sustainability at its core, not even contemplating to follow many of its competitors into markets where gambling was not permitted.

A combination of sophisticated technology, which can be reconfigured at speed to meet regulatory demands across the globe, and an unblemished track record of operations in markets where sports betting is prohibited, has given Kambi a remarkable competitive edge which has in recent years led to Kambi and its partners being able to swiftly obtain licences and certification in order to enter newly regulated markets ahead of the competition.

In 2019, this edge was underlined by Kambi's partners achieving market firsts in multiple US states, including taking the first legal online bets in Pennsylvania and Indiana and first legal bets in New York State and New Hampshire. In short, Kambi's long-term strategy and technical capability has provided partners with the confidence and assurance they need to be among the first to launch in their chosen jurisdictions, if not the first.

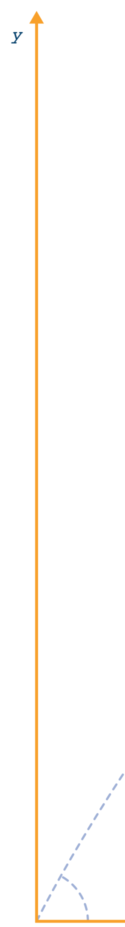
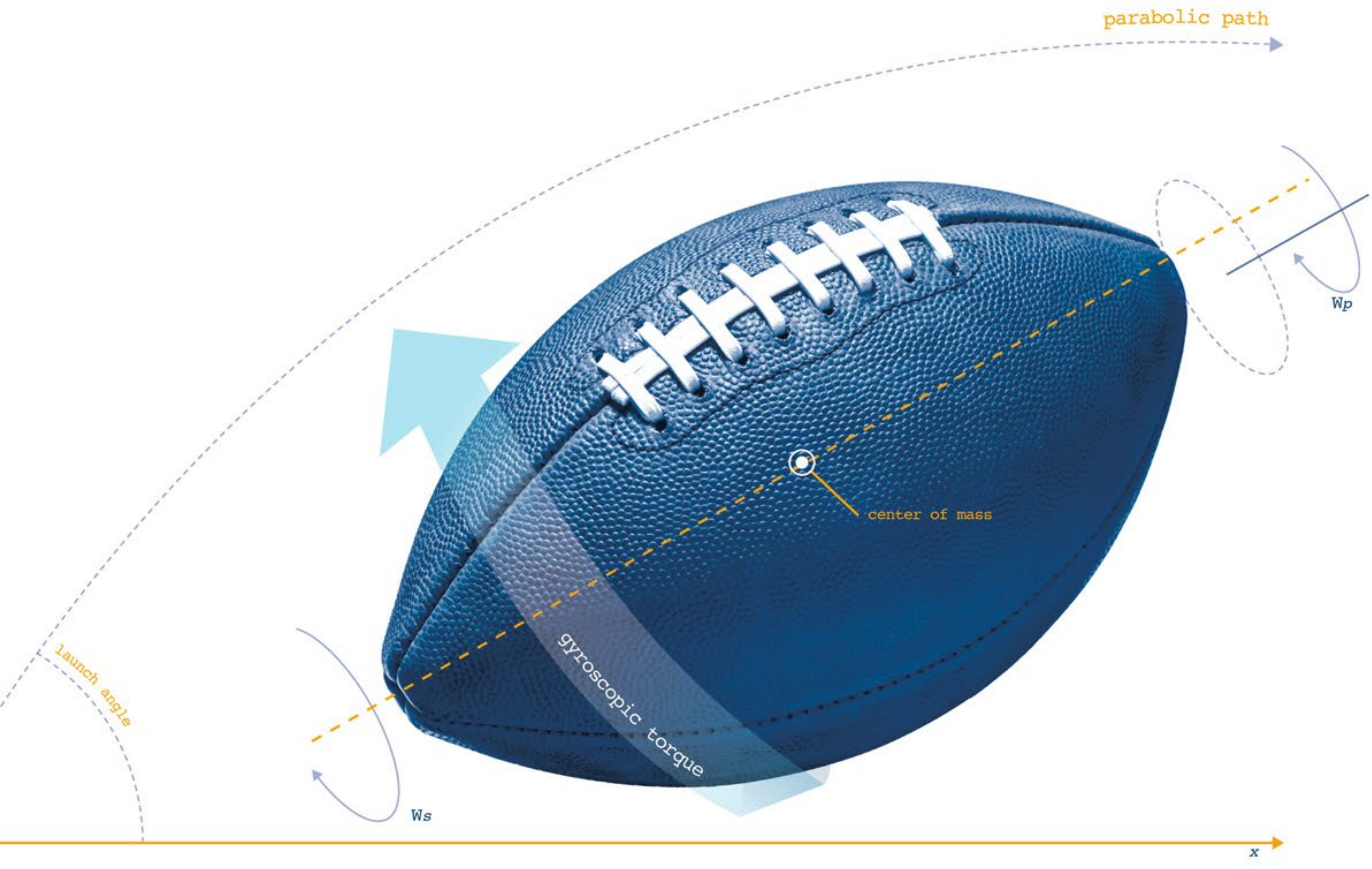


Figure 5.

In 2019, the number of monthly active players betting with Kambi partners exceeded one million



Clear focus

To ensure the provision of a high-quality sportsbook, Kambi has remained 100% focused on the sports betting vertical. In 2019, the number of monthly active players betting with Kambi partners exceeded one million, a landmark which can only be achieved with a product that players continue to enjoy. Undistracted by other industry products, such as casino or player account management platforms, Kambi has established itself as the leading supplier of sports betting technology and services across online and retail environments.

Kambi's unrelenting dedication to sports betting ensures its partners have a market-leading sportsbook to offer their players. A key contributing factor to this product leadership is Kambi's obsession with continuous improvement. We understand minor adjustments deliver major results and therefore we strive to improve each and every day, thus optimising our partners' performance.

Just as in high-level sports, in sports betting fine margins matter. The highly complex and technical nature of sports betting means that while on the surface there may be little noticeable difference between a good sportsbook and an excellent one, what takes place below the surface is the difference between success and failure. From platform stability, to odds creation, to speed of delivery, to machine learning and much more, Kambi has set a standard others struggle to match.

As an example, Kambi processes in excess of half a billion transactions in any given month, on a platform tailored for a myriad of regulations and in environment that demands uptime 24/7 and 365 days a year. This requires a robustness and sophistication of technology to ensure continued delivery, particularly during periods where volumes spike. Kambi is proud it offers its partners a sportsbook which can be relied upon to be available at all times, particularly when it matters most.

However, it's not just the end user that Kambi must offer a supreme service to. In parallel to offering an available and compliant sportsbook that players enjoy, we understand our partners also have their own unique requirements. Kambi partners with operators with a clear picture of the sportsbook they want to be and therefore it is incumbent on us to provide them with the tools they require to realise their sole vision.

Kambi rises to this technical and operational challenge in a scalable way; by providing a sportsbook core that meets the needs of all, while also empowering operators to innovate, integrate and differentiate through our open platform and additional empowerment features. This gives partners the control of player-facing elements, including the ability to develop tailored products and functionality best suited to their end users and target market.

We understand minor adjustments deliver major results and therefore we strive to improve each and every day

Furthermore, in understanding partners' desire to have greater input in odds setting and risk management, Kambi has developed both a price differentiation tool and risk management capability which provides such freedom. Operators are increasingly able to alter margin or move odds on specific outcomes to reflect their chosen strategy, all while accepting bets in line with their unique risk profiles.

When taken together, Kambi is positioned as the industry's most trusted and independent sports betting partner. A partner that provides the technology, insight and empowerment that continues to springboard visionary operators to success across the globe.

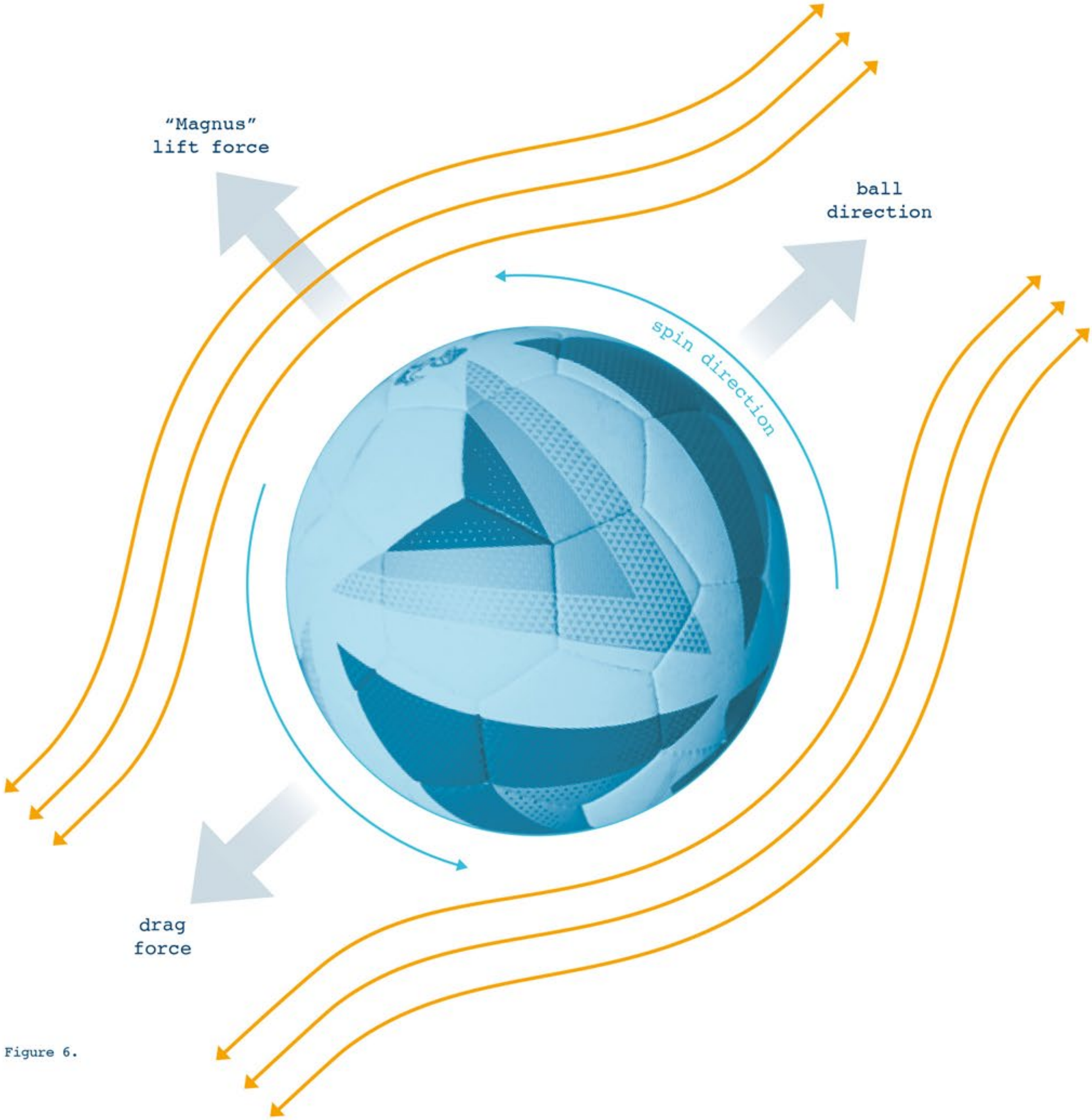


Figure 6.

Product review

Enhancing the experience for players and partners

The strength and flexibility of Kambi's retail product was key to its success in 2019. Partnerships formed in 2018 with the likes of ATG, Rush Street Interactive and Parx Casino flourished in 2019 due to the speedy roll-out and quality of Kambi's retail sportsbook.

Further, Kambi's stand-out retail sportsbook was a key consideration for Penn National Gaming when they decided to partner with Kambi in August 2019. As the largest regional gaming operator in the US, with 41 properties across 19 states, a strong and scalable on-property offering was an absolute necessity for Penn National Gaming.

Bringing the online pace to the retail space

The high quality of Kambi's retail offering is no surprise. In anticipation of the US market regulating sports betting, the retail channel had been a strategic focus for a number of years. This means that while developed over period of time, 2019 was the year which provided Kambi with the opportunity to illustrate the revenue-driving ability of its modern retail sportsbook to a scale not witnessed previously. In the US alone, Kambi launched multiple sportsbooks in New York, Indiana, Pennsylvania and Iowa, leveraging its sophisticated backend to quickly and seamlessly comply with local regulations.

The year began with Kambi launching its sportsbook across more than 2,000 ATG retail stores in Sweden, using sophisticated API-based integration technology to offer the product on devices of all shapes and sizes. In the US, Kambi completed 18 retail installations, more than one every three weeks, often in large casinos. Kambi leads the market with its ability to get customers to market quickly and efficiently. For example, in December, Kambi launched its sportsbooks in three Seneca Gaming Corporation-owned casinos, just weeks after having signed their partnership agreement. Meanwhile, in November, Kambi made its retail debut in South Africa with Sun International.

Kambi's on-property sportsbook brings the online pace to the retail space. This means players can enjoy the same betting experience in a casino or shop as they do online. A key component of providing players with a high-quality retail experience is Kambi's Self-Service Betting Terminals, or kiosks as they are called in the US. Kambi's kiosks leverage the same core technology stack that drives the online sportsbook, meaning retail players receive the same speed, market depth and in-play offering as players do betting online.

Kambi's kiosks have revolutionised the way players bet on-property in the US. Having been accustomed to betting over the counter, at Kambi sportsbooks players are increasingly switching to placing bets at kiosks. Across more than 25 casinos where the Kambi sportsbook is currently present in the US, approximately 75% of bets placed are via more than 500 kiosks. Not only do they enable players to explore the client for additional betting opportunities, but the kiosks alleviate queuing pressures during busy times for over the counter bets.

Another key part of Kambi's retail armoury is its Bring Your Own Device (BYOD) technology. BYOD enables players to view betting markets and odds on their mobile and build their betslips. When betslips are complete, a QR-code is created which can then be scanned on-property for quick and easy bet placement. BYOD significantly reduces over the counter waiting times, with clerks not required to request and enter players' bet details into the system. This product is unique to the US market and has been particularly effective in states where online sports betting remains prohibited. On average, approximately 20% of over the counter bets are placed using BYOD, with this rising to as much as 40% in some casinos.


Thu
7:30 PM
Washington Redskins
Cleveland Browns
Thu
7:30 PM

As the popularity of Kambi's retail sportsbook grows, so too has its all-round performance, with our team continuously making improvements in response to data insights garnered from higher betting volumes, as well as product requests from partners. During the course of the year Kambi has, among other improvements, optimised its sportsbook for omni-channel player cards, delivered the ability to implement operator's loyalty schemes, significantly extended the range of betting markets available for display on digital signage and expanded the sports available for printed coupons, which are an integral part of the US retail sports betting experience.

Building the sportsbook of tomorrow

One of the major trends over the past decade has been the demand for players to have more control over their betting experiences. Over the years, we have seen the further development of the cash out product, a significant expansion in the betting offer and the introduction and growth of 'request a bet' style bets, which allow for greater combinability of bet offers.

Having been the first to create a cash out product, and with an already leading selection of sports betting opportunities, Kambi has been focused on building out a sports betting platform which offers players a far greater choice in their bet combinations, approaching an infinite offer. In an advancement of industry standard 'request a bet', which involves a manual and time-consuming process, Kambi has reconfigured its sports betting platform to enable in-event bet combinations to be priced and offered instantaneously upon request.

Kambi's football Bet Builder, launch in March 2019, was the first stage of this process. Bet Builder enables players to combine in-event outcomes that would otherwise be unavailable due to direct correlations. In reconstructing algorithms and removing the boundaries from within our platform which once prevented these bet types being offered, Bet Builder has quickly become a popular addition to the Kambi sportsbook and engagement continues to grow as more sports are added.

Building on this, Kambi continued to evolve its platform to enable not just in-event combinations alone, but for these in-event combinations to be combined with other in-event combinations. For example, a player can now select 'team A to win' a football match and for there to be 'over 2.5 goals' in the game, with 'team B to win' an ice hockey match and for 'player x to score anytime' during the game. In essence, Kambi has created an 'odds on demand' sportsbook service, providing players with unlimited combinations.

However, Kambi also realises a self-service combination product is not for everyone. In fact, many players prefer to be served ready-made combination bets by the operator. This is why Kambi recently introduced 'pre-packed' combination bets, which effectively enables the operator to build their own combination bets and promote them on their client to the player. This gives the operator greater marketing flexibility to serve players tailored betting opportunities and is another effective way in which operators can package Kambi's infinite offering.

Kambi has reconfigured its sports betting platform to enable in-event bet combinations to be priced and offered instantaneously upon request

Delivering empowerment through odds differentiation

The scalability of Kambi's sportsbook is illustrated in the differentiation capability it provides its partners. Kambi encourages operator differentiation and has developed a range of tools to empower partners to become the distinct sportsbook they want to be. By developing these empowerment tools once, for use by all, Kambi is able to maintain its scalability.

A key part of this differentiation capability comes in the odds partners offer to their players. Kambi has long offered odds differentiation capability, which has been leveraged by partners to control the competitiveness of their pricing across different jurisdictions. However, over the past year Kambi has developed a much more dynamic odds differentiation tool, which provides its partners with even more control of the odds they seek to offer.

For example, Kambi partners now have the ability to alter the odds offered right down to a single selection. Therefore, should an operator want to offer a slightly more generous price on a particular team in order to attract players, a common occurrence, they now have the ability to do so by altering the percentage payback on that outcome. Further, if the operator only required this more generous price to be available in one particular market, rather than across all of the markets where it is present, this can easily be configured on the Kambi back-end.

Offering this capability ensures that Kambi partners operating in the same market have the ability to provide players with different price offers, giving them greater ability to control their competitiveness, marketability and risk. When this odds capability is combined with Kambi's wide range of differentiation tools, our partners have the levers they need to take their own unique paths to market leadership.

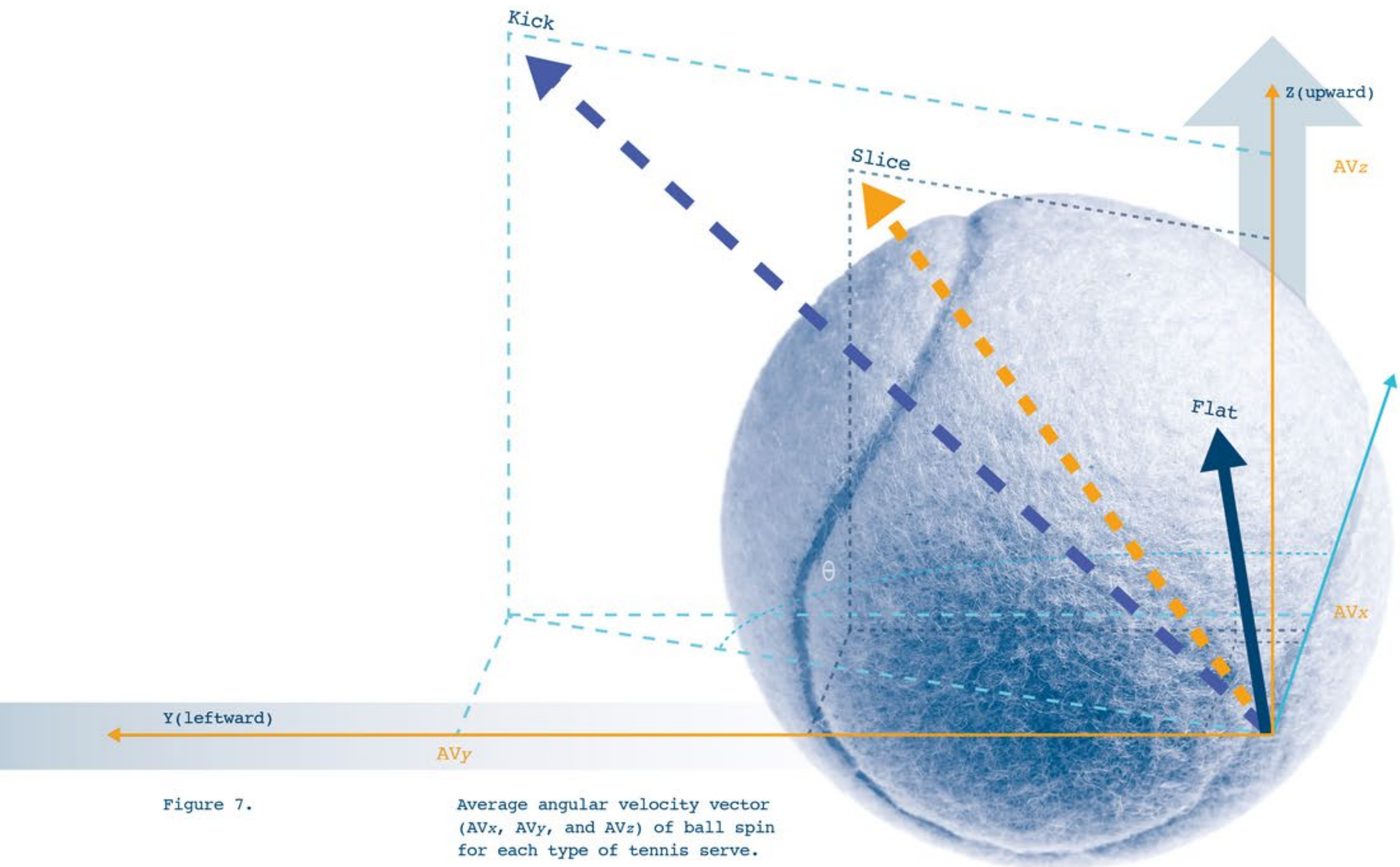


Figure 7.

Average angular velocity vector (AVx, AVy, and AVz) of ball spin for each type of tennis serve.

Sports betting market

Growing our coverage as regulated markets expand

Sports betting is a product vertical with a wide appeal, capable of delivering exciting experiences and capturing the imaginations of people all over the globe. The regulated global market has consistently grown in size as new territories introduce the necessary regulatory frameworks and, coupled with the ongoing rise in digital interconnectivity, its popularity is flourishing.

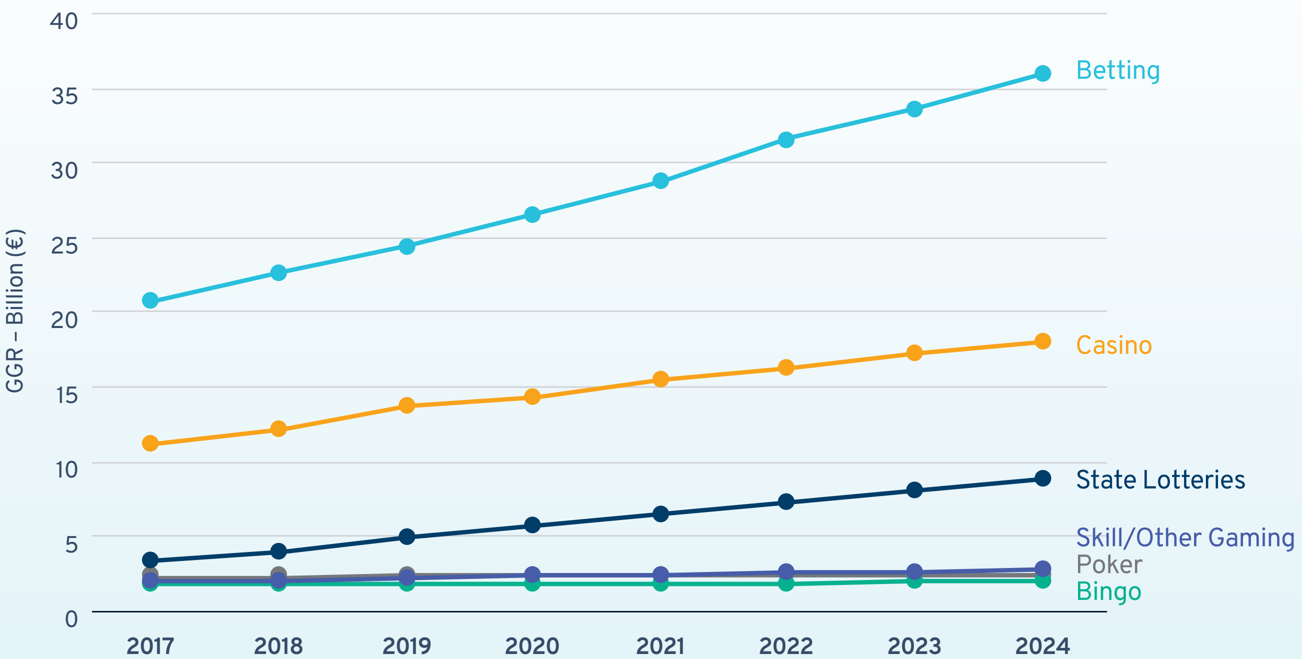
The global sports betting market was valued at €64.4bn GGR in 2019 and continues to grow, anticipated to rise at a compound annual growth rate of 6.6% to €88.5bn by 2024. Regulated sports betting, where Kambi maintains a singular commercial focus, generated €17.9bn in online GGR in 2019 according to figures from market research firm H2 Gambling Capital. It is anticipated that this figure will rise to €29.8bn by 2024, driven by Kambi's key target markets of Europe, Latin America and the US.

The growth in sports betting underlines why Kambi's strategy of focusing purely on a single vertical is the right choice. As the data in the chart below highlights, sports betting is where the greatest opportunity exists for both Kambi and our partners, and developing the best available product, which offers maximum support to our partners while also prioritising a seamless, engaging experience for the end user, is paramount when it comes to maximising that opportunity.

Kambi has grown its presence in a number of markets over the past 12 months. We launched partners across Europe in online markets including the UK, Spain and Germany. Meanwhile, Kambi's strength in land-based technology and deployment was demonstrated in Sweden, where we launched across more than 2,000 retail stores with ATG.

We were also proud to make our retail debut in South Africa, complementing our online launch with Sun International

Global online gross gambling revenue by product vertical



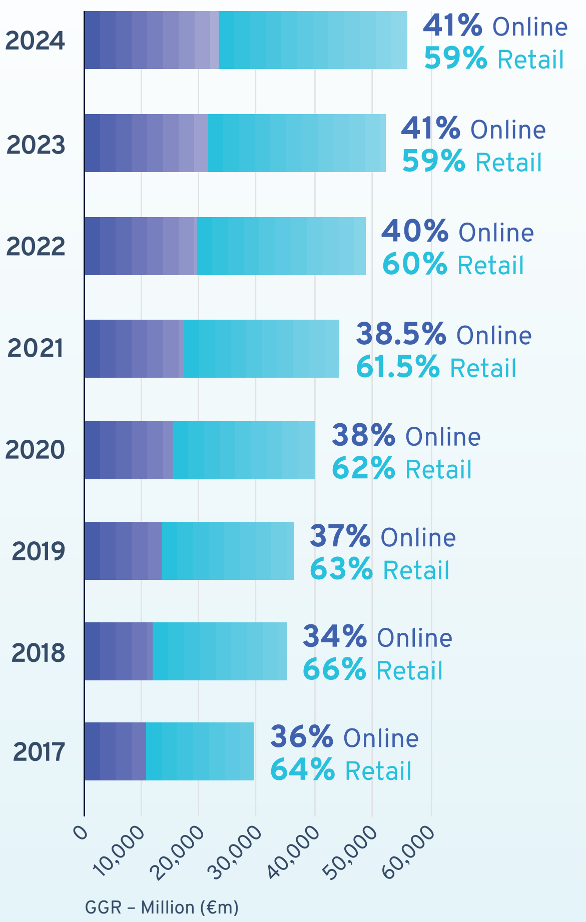
Source: H2 Gambling Capital

in 2018. The South African market grew by 21% in 2019 and Kambi is working with its partner to make the most of the growth opportunity in future years.

The US (explored in depth on pages 26 to 29) is another exciting source of potential revenue growth (see bottom, right), with 20 states now having authorised sports betting since prohibition was lifted in May 2018, and more than 20 states with sports betting bills currently on the books. By the end of 2019, Kambi was active in seven US states, five of which were online, more than any other end-to-end sports betting supplier.

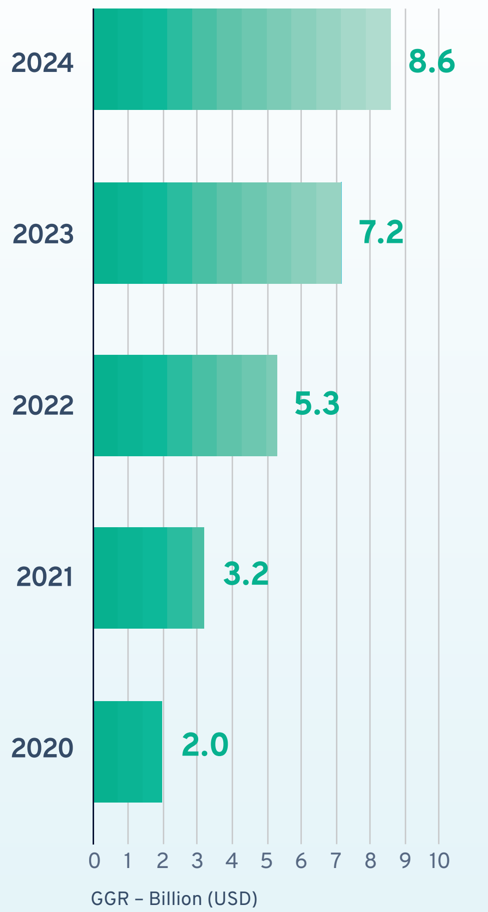
The expansion of the global sports betting market will only be accelerated by the introduction of licensing regimes in a greater number of jurisdictions. There have been encouraging signs in several markets yet to regulate, with Latin America and Asia remaining key points of interest to Kambi in the immediate and mid-term respectively.

Global sports betting market size by channel



Source: H2 Gambling Capital
Please note this incorporates sports betting and horse racing

Projected regulated US sports betting



Source: Vixio/GamblingCompliance and Kambi estimates (February 2020)

Market outlook

Europe

In 2019, Kambi underlined Kambi's ability to adapt, thrive and drive our partners to consistent success in Europe against a backdrop of shifting regulatory conditions.

Sweden is a sports betting market which proved particularly challenging throughout 2019 for a number of industry stakeholders from a compliance perspective, with several providers and operators struggling to reconcile their technology with new requirements. Kambi's experience and expertise in the compliance and regulatory fields are second to none and provide our customers with a competitive advantage. We believe our approach is one of the reasons why our customers have performed strongly in the market, while operating within regulatory guidelines.

The re-regulated Swedish market opened on 1 January 2019, and Kambi went live on day one with six partner brands, as well as across more than 2,000 retail locations with our partner ATG. ATG is a high-profile brand at the forefront of the Swedish market, and one which partnered with Kambi to extend its leadership position in trotting and horse racing into the sports betting space.

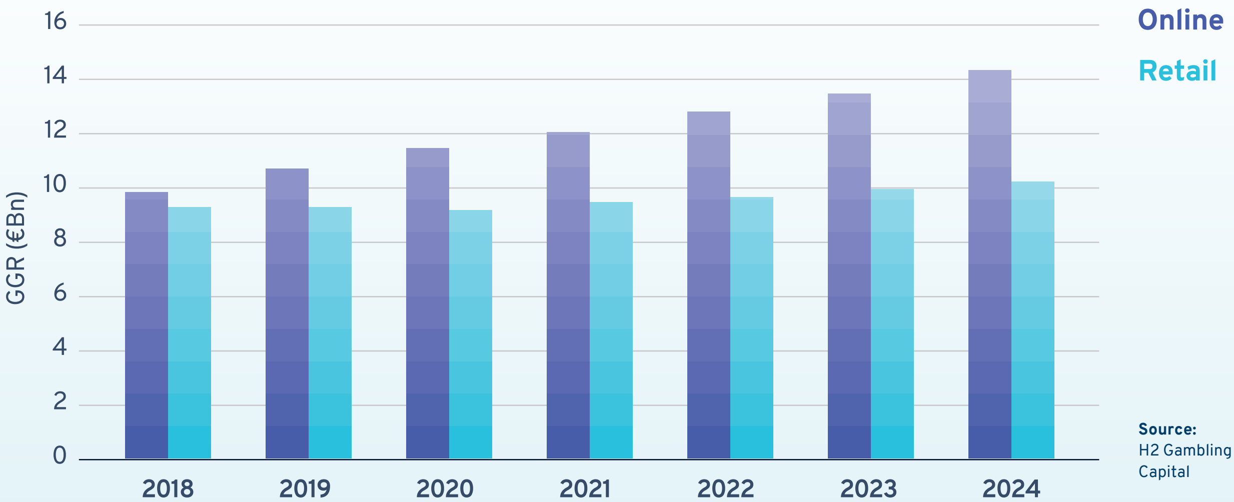
Kambi's concurrent launch of more than 2,000 retail locations underlined its land-based expertise and, as can be seen in the graph below, although retail is becoming a smaller proportion of overall sports betting turnover in Europe, it is projected to continue to grow, and Kambi's success with ATG further vindicates our investment in developing our retail offering.

Meanwhile, in 2019 Kambi also launched a William Hill-branded sportsbook, launched partners such as LeoVegas and Casumo into multiple markets, and powered the relaunch of popular German brand mybet in its local market. In addition to this, Kambi continues to partner one of the continent's largest operators in Kindred Group, which operates, among others, the popular Unibet sportsbook brand. Kambi has a strong presence in a large number European jurisdictions, driving the sportsbook success of market leaders throughout the region.

This vast European footprint will benefit Kambi during the UEFA European Championship, delayed until next year, which has the potential to be the biggest football event in Kambi's history. The tournament will be hosted by multiple countries across the continent and will deliver a host of opportunities for sports betting operators, which we are committed to helping our partners deliver on.

Despite its relative maturity compared to other global regions, the potential for growth in Europe remains compelling, as can be seen in the chart below. There is still the upcoming regulation and reregulation of markets such as the Netherlands, Austria and Germany, which we expect will open up sports betting to new companies. In addition, we believe the appeal of Kambi has been strengthened by its position as the industry's only independent end-to-end sports betting supplier focused purely on B2B.

European betting market size 2018-2024



Source: H2 Gambling Capital

Latin America

Kambi's regulatory expertise and quality of product has put the business in a prime position in Latin America, where it is poised to take advantage as and when additional territories enact regulatory frameworks.

Kambi's success in Colombia has significantly raised its profile in the region, giving the company a springboard into other markets. Kambi signed with Corredor Empresarial in June 2017, to power the operator's BetPlay brand. Through the partnership, BetPlay has become the leader in the market, with its position underpinned by the strength of Kambi's core product. Kambi's partnership with Rush Street Interactive also sees Kambi support its RushBet brand, which in little over a year has secured a top three position in the competitive market.

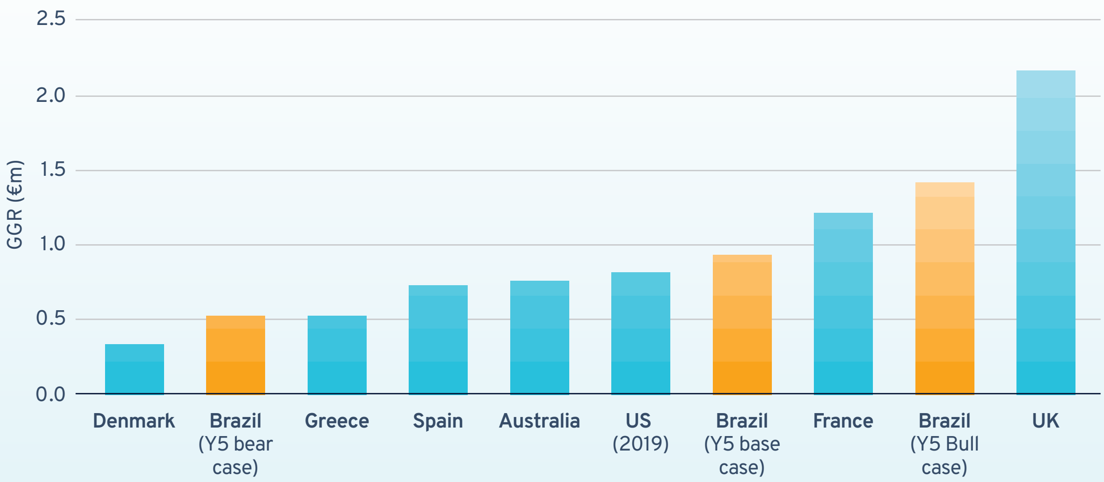
This experience in Colombia, combined with the partnership in Mexico with Grupo Televisa, where Kambi provides sports betting services to 18 PlayCity casinos, stands Kambi in good stead to capitalise on emerging opportunities in other Latin American countries.

Looking to the future, Brazil is a market with considerable potential, and signs are encouraging that a licensing regime allowing for fixed-odds sports betting is forthcoming. At the end of 2018, the country enacted a law legalising fixed-odds sports betting in the land-based and online environments. Although the core details of a regulatory framework are still to be established, concrete steps have been taken, with Brazil's Ministry of the Economy opening consultations and publishing draft plans on the outlook for licensing.

As the most populous nation in Latin America, home to more than 200 million people, the scale of the sports betting opportunity is undoubtedly vast. According to industry journal Gambling Compliance, a regulated Brazilian market could become the second largest in the world within the first five years, behind only the UK, although the US is expected to take the number one position over time.

There have been positive developments elsewhere in the region. In early 2020 the city of Buenos Aires adopted the final licensing requirements for online sports betting, opening the door for a significant market to develop in the Argentine capital, and one which Kambi will explore through potential and existing partnerships.

Brazil sports betting projections vs select markets



Source: Gambling Compliance estimates

The US opportunity

Where we are today

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.

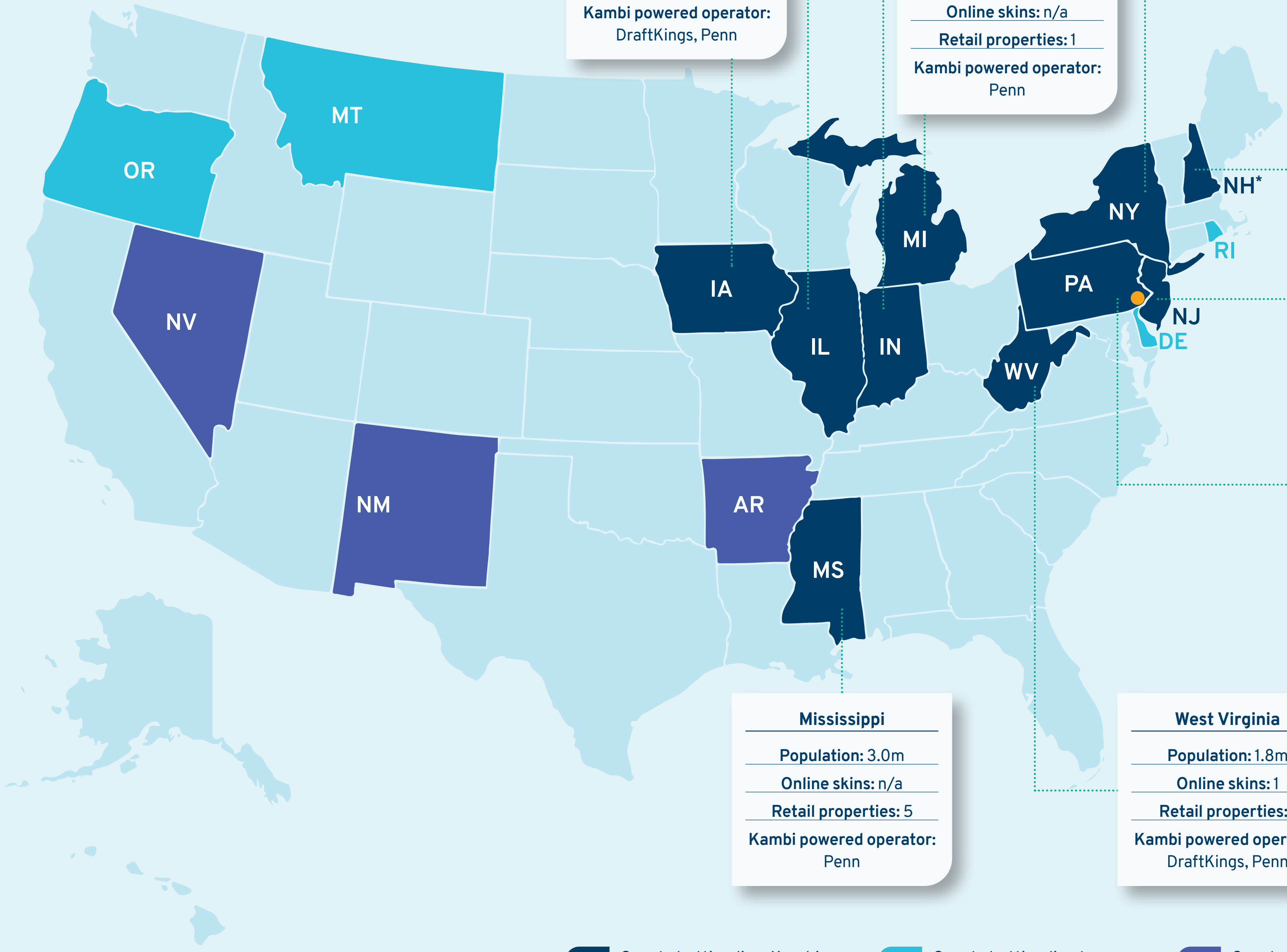
This historic judgment created an opportunity for US players to enjoy sports betting in a safe and regulated framework, as well as a licensed environment in which Kambi prefers to operate. On these pages we detail where Kambi has launched online and on-property in the US, up to March 2020.

Kambi's US journey

A countrywide passion for sports, a limited history of regulated bookmaking outside of the state of Nevada, and an absence of sports betting technology mean the US market represents a major opportunity for Kambi, one we have been focused on maximising. Our US journey began in 2018 when taking the first legal online sports bet post-prohibition in New Jersey and since then Kambi has taken a leading position in the country.

In the space of 18 months, approximately 20 states have either launched sports betting or passed enabling legislation to do so, with more states set to follow suit in 2020. Kambi is currently live in 10 states, of which five of those we entered for the first time in 2019, often taking the first legal retail or online wager in the process. Across those states, Kambi has launched a retail sportsbook in 31 properties, with more than 500 self-service (as of March 2020) kiosks in operation. Recent launches include taking the first legal bets in the states of Illinois and Michigan.

Kambi is committed to maximising the opportunity the US provides. We have an exciting US-facing partner network with great potential we believe we will be realised over the coming 12-24 months. Furthermore, as the number of regulated states increases, so do the opportunities presented to Kambi and its partners. Our leading position in the market, coupled with the potential for growth, is why we decided to establish an office in Philadelphia in June 2019, with this base enabling us to provide an even greater level of service to our growing number of US partners.



Illinois
Population: 12.7m
Online skins: n/a
Retail properties: 2
Kambi powered operator: RSI

Iowa
Population: 3.2m
Online skins: n/a
Retail properties: 4
Kambi powered operator: DraftKings, Penn

Indiana
Population: 6.7m
Online skins: 2
Retail properties: 3
Kambi powered operator: RSI, DraftKings, Penn

Michigan
Population: 10.0m
Online skins: n/a
Retail properties: 1
Kambi powered operator: Penn

New York
Population: 19.5m
Online skins: n/a
Retail properties: 5
Kambi powered operator: RSI, Seneca, DraftKings

New Hampshire*
Population: 1.4m
Online skins: 1
Retail properties: n/a
Kambi powered operator: DraftKings

New Jersey
Population: 8.9m
Online skins: 4
Retail properties: 1
Kambi powered operator: RSI, Kindred, DraftKings

Pennsylvania
Population: 12.8m
Online skins: 5
Retail properties: 9
Kambi powered operator: RSI, Parx, Kindred, DraftKings, Penn

Mississippi
Population: 3.0m
Online skins: n/a
Retail properties: 5
Kambi powered operator: Penn

West Virginia
Population: 1.8m
Online skins: 1
Retail properties: 1
Kambi powered operator: DraftKings, Penn

Sports betting live, Kambi partner in operation
Sports betting live to lottery monopolies only
Sports betting live
Kambi Philadelphia office

RSI – Rush Street Interactive **Penn** – Penn National Gaming *** New Hampshire sports betting authorised to lottery monopoly only

The US opportunity
Looking ahead

State focus for 2020

Kambi's scalable technology and regulatory expertise enables its network of partners to take advantage of the opportunities newly regulated states bring. Already in 2020, we have seen states go live with regulated sports betting while many other states are expected to make regulatory progress during the year. In total, bills seeking to regulate or expand sports betting are currently active in more than 20 US states. Below are some states expected to make progress in 2020:

1) California

Although there is no path to sports betting this year, a coalition of 18 Native American tribes in California have proposed sports betting be legalised at the state's tribal casinos and that the proposal is put to the people of California via a November 2020 ballot. The proposal makes no recommendation for online betting at this stage.

2) Colorado

Colorado legalised sports betting following a state-wide referendum in November 2019 and could go live as early as May 2020. Penn National Gaming operates a casino property in Colorado while DraftKings has already secured a market access deal. Colorado is home to major city Denver and its NFL Denver Bronchos franchise.

3) Connecticut

Connecticut holds much potential for Kambi due to a tribal pact which the state's two tribal groups believe gives them exclusivity to sports betting in the state. A bill which is currently being progressed through the state legislature upholds that exclusivity. Should the bill succeed, Kambi partner Mohegan Gaming & Entertainment would make up half of the duopoly in the state.

4) Maryland

Sports betting has been approved by the Maryland Senate and should be approved by the House of the legislature later this year. Should it make it through the legislature, it will then be put to a public referendum in November before it's ratified by the Governor. In its current form, the bill allows for online and retail sports betting, which would likely begin in early 2021.

5) Ohio

Ohio's population ranks among the top 10 US states and is home to a number of professional sports teams including the Cleveland Browns of the NFL and Cleveland Cavaliers of the NBA. The state is in the final stages of the regulatory process and the market is expected to go live at some point in 2020. Kambi partners JACK Entertainment and Penn National Gaming operate casinos in the state.

6) Tennessee

Tennessee is an outlier among US states due to the fact that it is a state with no brick and mortar casinos. As a result, the regulation under discussion would allow online only licensees to enter the market, similar to what takes place in most of Europe.

7) Virginia

With a population of 8.5m, Virginia is a sizeable US state that is inching closer to regulated sports betting. Two bills are currently being considered to regulate sports betting, with up to 12 online licences to be made available in addition to retail permits. The state's lottery board must complete regulations for sports betting by September 15 2020 making a live launch possible in Q4 2020.

The Native American gaming opportunity

In the US, there is a large number of federally recognised Native American tribal governments that operate gambling enterprises on a reservation or other tribal lands. US laws recognise certain forms of tribal sovereignty and therefore native-owned casinos can enjoy independence from regulation by state laws. However, all tribal gaming operations must conform to the Indian Gaming Regulatory Act of 1988.

The Native American gaming market has grown rapidly since the first operation was opened in 1979. Today there are approximately 500 gaming operations run by more than 240 tribes across 29 states, with total annual revenue in excess of $30bn, which is roughly 40% of the total US gaming market. Therefore, the tribal gaming community represents an attractive opportunity and one which Kambi has already begun to explore.

Native American tribes are keen to offer sports betting. Indeed, Kambi has already partnered with two large and well-respected tribal owned gaming companies: Mohegan Gaming & Entertainment (MGE) in Connecticut and Seneca Gaming Corporation in New York State, while Kambi partner Kindred Group is partnered with Mohegan in Pennsylvania. Depending on local regulation and the tribal pacts that exist from state-to-state, Native American tribes will either compete with in-state commercial casinos or be granted the exclusivity to offer sports betting without competition from commercial casinos.

Connecticut, where MGE is situated, is currently discussing whether the state's two tribes should be given exclusivity to offer sports betting as per their state compact which gives them exclusivity to gaming verticals. Likewise, in California, 18 of the state's leading tribes formed a coalition and initiative to limit sports betting to brick and mortar tribal casinos in the state. Other states with a large tribal influence, such as Florida, will likely follow a similar path.

Having already partnered with two major tribes, Kambi believes it has the attributes, business model and product to be a leading supplier to the Native American tribal gaming community. Kambi's focus on integrity, sports wagering excellence and building long-term, trusted partnerships are closely aligned with the values tribes expect from a sports betting partner.

Kambi partners

Building on strong foundations

Kambi's commercial team secured six new customer signings in 2019, adding to a client base of sports betting leaders and continuing to further our global reach. We have an unrivalled group of partners which share our ambition and align with our vision to deliver innovative and engaging sports betting experiences to players in regulated markets all over the world.

Throughout 2020 and in years to come, Kambi will continue to evaluate and pursue high value commercial opportunities. Europe will remain a key area of commercial focus - our clear record of delivering success for our partners in European markets was reinforced by our successful launch of seven partner brands in Sweden (888sport, ATG, LeoVegas, Mr Green, Paf, RedBet and Unibet) simultaneously on the first day of the re-regulated market opening, January 1 2019.

Our reputation for delivery and series of market firsts in the US speaks for itself, and securing further agreements with visionary operators across the country will remain a core priority. We are also seeing positive signs for regulation in South America and will look to build on our excellent foothold there.

Delivering on our partners' potential

Kambi succeeds when our partners succeed, and our revenue-share business model underpins our work as we seek to optimise both our partners' performance as well as our own. Kambi's experienced team of dedicated partner managers provide a level of service to our clients which is unmatched throughout the industry. Our Partner Success team continues to grow, with a particular focus on our new Philadelphia office as we hire the right skills to ensure we provide the required high levels of support to our growing number of US partners. These technical partners help to develop our partners' understanding of how to get the most from Kambi's scalable technology and unlock their full potential. They provide continual analysis and insights in order to allow our partners to attain the best results and provide enduring value to the operators we work with as they underline market opportunities and guide on future development.

Kambi succeeds when our partners succeed, and our revenue-share business model underpins our work as we seek to optimise both our partners' performance as well as our own

New partners in 2019

US-facing:

Penn National Gaming

Kambi agreed the largest deal of its kind in the US in August 2019, signing a multi-state sportsbook agreement with Penn National Gaming following a highly competitive selection process. Kambi will provide its online and land-based sportsbook services in every state where Penn National operates a gaming facility, as regulation permits. With 41 properties across 19 states, Penn National recognised the potential for differentiation a Kambi Sportsbook brings, and at the time of writing was live with a Kambi Sportsbook in 14 properties across Iowa, Illinois, Indiana, Pennsylvania, Michigan and Mississippi. In January 2020, Penn National acquired a stake in multi-media company Barstool Sports and will leverage the Barstool brand for a nationwide online sportsbook, which is expected to launch in Q3 2020. Penn National will also use the Barstool brand for its on-property sportsbooks to create an omni-channel experience for Barstool's 66m active customers.

Mohegan Gaming & Entertainment

Connecticut-based Mohegan Gaming & Entertainment signed with Kambi in March 2019. With a global reputation for first-class gaming and entertainment facilities, the Native American operator's 3.5m sq. foot Mohegan Sun resort boasts two casinos, a state-of-the-art poker room and three major entertainment venues. A free-to-play Kambi Sportsbook is already operational and building a customer database, with a full online and on-property sportsbook scheduled to launch as soon as regulation permits. Mohegan is one of only two tribes currently operational in Connecticut and therefore has a large market share.

Seneca Gaming Corporation

The second major tribal nation to sign with Kambi in 2019, Seneca Gaming Corporation agreed a deal with Kambi in November. The multi-channel agreement saw Kambi install its cutting-edge portfolio of on-property sports wagering products inside Seneca's three New York casinos, including our state-of-the-art betting kiosks, fully-configurable digital signage and innovative Bring Your Own Device technology. The deal also provides conditions for Kambi to provide Seneca with online and mobile sports wagering should enabling regulation be passed by New York State legislators.

JACK Entertainment

An urban gaming company which owns and operates casino gaming and racing facilities in Ohio, one of the country's most populous states, JACK Entertainment agreed an exclusive, multi-channel sportsbook deal with Kambi in September. A much-loved brand in its home state, JACK's Cleveland Casino and Thistledown Racino properties will roll out Kambi's proven on-property solutions on the passage of enabling legislation, with online to follow thereafter.

Rest of the world:

BetWarrior

Kambi signed a multi-year partnership with ambitious online venture BetWarrior in June, following a competitive selection process for a sportsbook partner capable of providing the freedom to develop unique and innovative sports betting experiences. The operator will focus operations on the European and Latin American markets – two regions where Kambi has already enjoyed great success. Kambi is also powering the operator's personalisation strategy through the delivery of real-time player data.

mybet

Having signed with mybet parent company Rhinoceros Operations in February, Kambi's technology powered the re-launch of one of Germany's most recognisable sports betting brands in April 2019, underlining Kambi's consistent track record of rapid deployment. The multi-year agreement also contains a provision for Rhinoceros Operations to launch a Kambi Sportsbook with other brands under its ownership.

Kambi people

A tech company powered by humans

Kambi employs more than 850 people, with 35 nationalities represented and over 30 languages spoken across our seven global locations. Kambi's offices are situated in UK, Sweden, Malta, the Philippines, Romania, Australia and the US; a global reach that elevates our ability to seamlessly and efficiently serve the needs of our clients all over the world.

In 2019, Kambi opened an office in Philadelphia, Pennsylvania. Philadelphia is a city with a vibrant passion for sports and a growing tech sector and has proven to be an ideal location in which to scale up our US-facing customer service operations, trading expertise and risk management.

The HR teams in every one of Kambi's global hubs tap into local talent to ensure we have the skills and tools required to deliver the highest levels of value to our customers, and the story in Philadelphia has been no different.

A platform for personal growth

At Kambi, an emphasis is placed on the nurturing of talent and personal growth. In 2019, this saw the launch of the Kambi Learning Hub, which provides every Kambi employee with on-demand access to hundreds of carefully curated learning and development modules. Each member of the team has a tailored homepage through which they can access and receive direction to guidance and training on all aspects of the Kambi business, considerably streamlining the onboarding process for new starters and providing easily accessible intelligence to every member of our team.

The Learning Hub is the centrepiece of a number of internal development programmes we have introduced this year, boosting the cohesion of our global team as we strive towards our vision to become the industry's sportsbook partner of choice.

The launch of the Learning Hub further highlights our commitment to not only hiring the best talent but ensuring that Kambi is the ideal employer for furthering personal development and

offering a meaningful, fulfilling career in technology and sports betting. To underline this, Kambi always looks to promote from within and in 2019 approximately a quarter of new positions were filled internally. In addition, where possible, we seek to hire the youngest and brightest minds. As an example, when hiring for the new office in Philadelphia, approximately 35% of appointments were recent graduates of local universities.

Furthermore, in 2019, the growth in Kambi's headcount was driven by a considerable number of employee referrals, thanks in part to our efforts in ensuring that every employee can understand and buy into Kambi's strategy. We believe this engagement is reflected in the high number of referrals, with Kambi being viewed as a good place to work.

In general, we believe investing in our people is the key to achieving sustainable long-term growth, and our values reinforce that it is not just achieving success that is important to Kambi, but the manner in which we achieve it. We unveiled our new careers site in early 2020 with a view to promoting these values and underlining the global nature of our business. Our brand as an employer will continue to be an important asset as the company continues to grow.

We believe investing in our people is the key to achieving sustainable long-term growth

Business model

Delivering growth through scalability

Creating value for our partners

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 in conjunction with specific marketing campaigns and provide a unique experience to end users. Kambi's large network enables us to see player activity across the entire network, monitored by our Sportsbook Control team and a real-time alerts system, to notify our customers of any suspicious activity which often leads to interception before any manipulation, match-fixing or corruption takes place.

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.

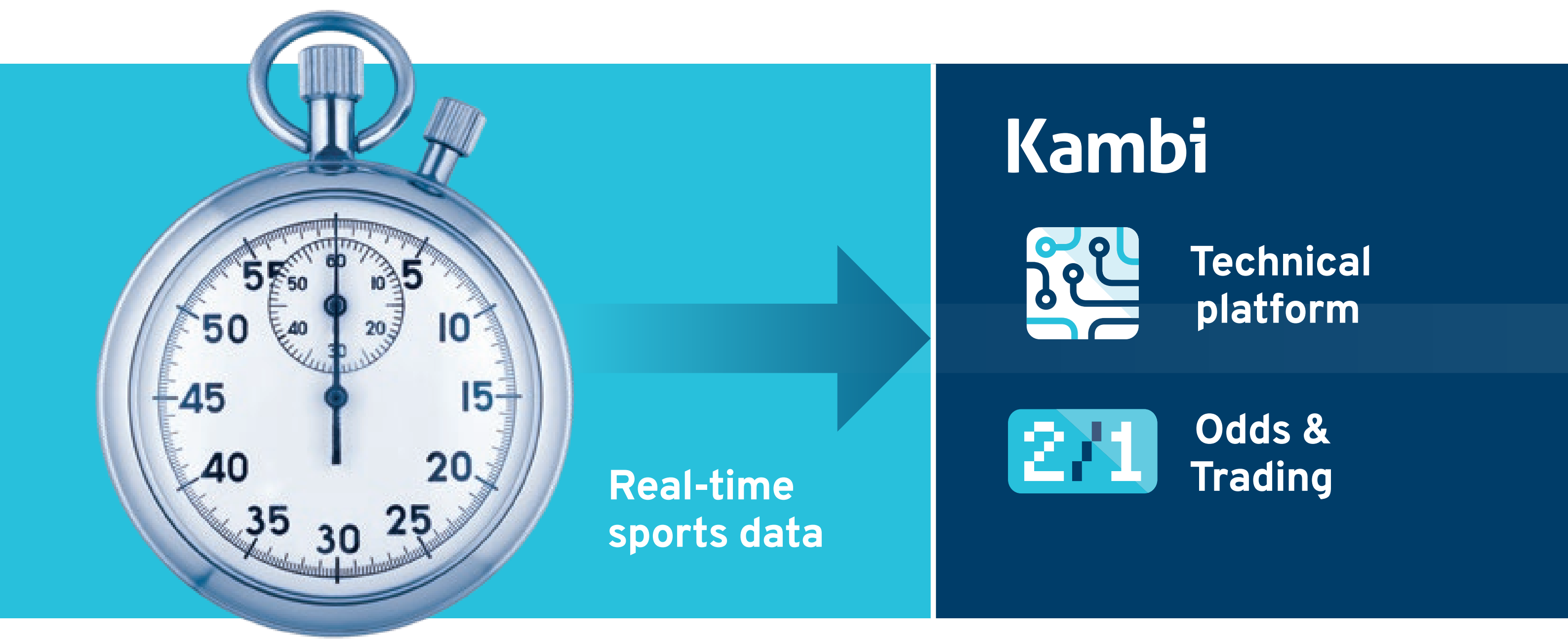
The fully scalable Sportsbook

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. The scalability in the business model enabled Kambi's customers achieving market firsts in multiple jurisdictions.

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

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 (GGR) – 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.



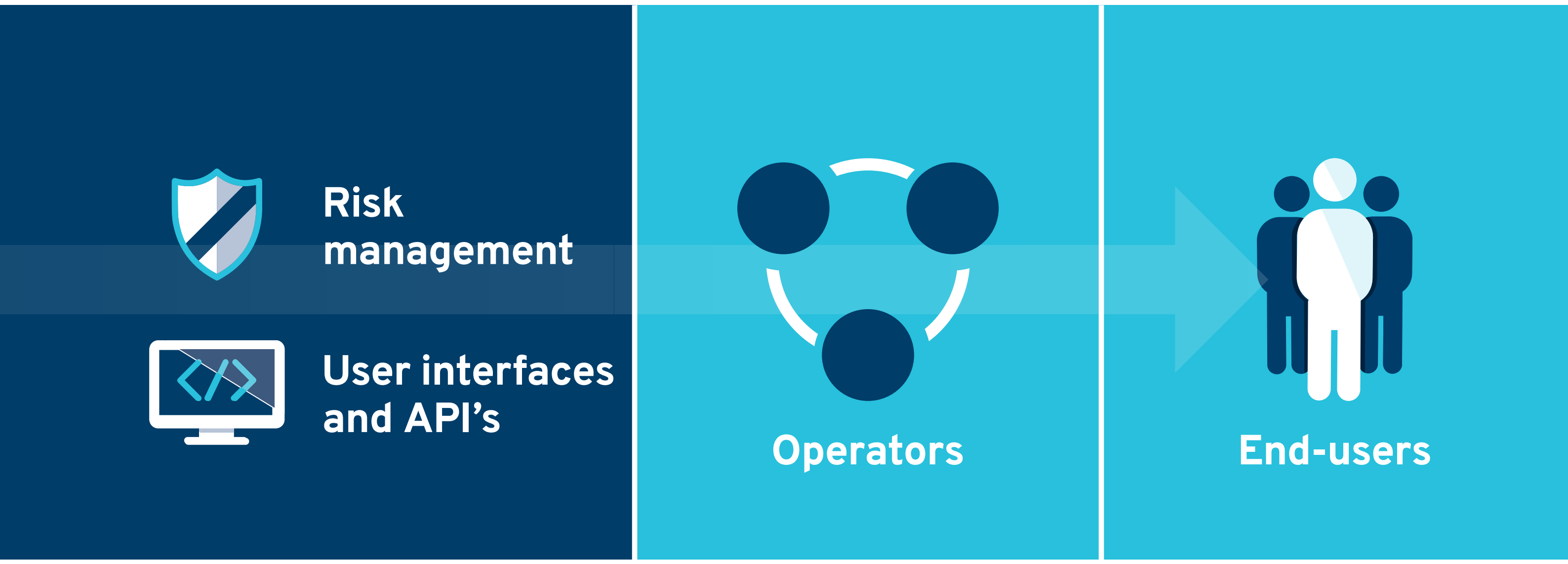
Our business model provides strong operating leverage in a revenue-sharing model, driving Kambi's earnings growth and margin expansion

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. In the interest of commercial sensitivity and instead of disclosing actual turnover figures, Kambi presents its customers' sports betting turnover as an index called The Kambi Turnover Index, with the first quarter of 2014 indexed at 100. The graph shown on the left-hand axis (see next page), shows the index since Q1 2016. The operator trading margin is shown on the right-hand axis and illustrates Kambi's operators' quarterly trading margin.

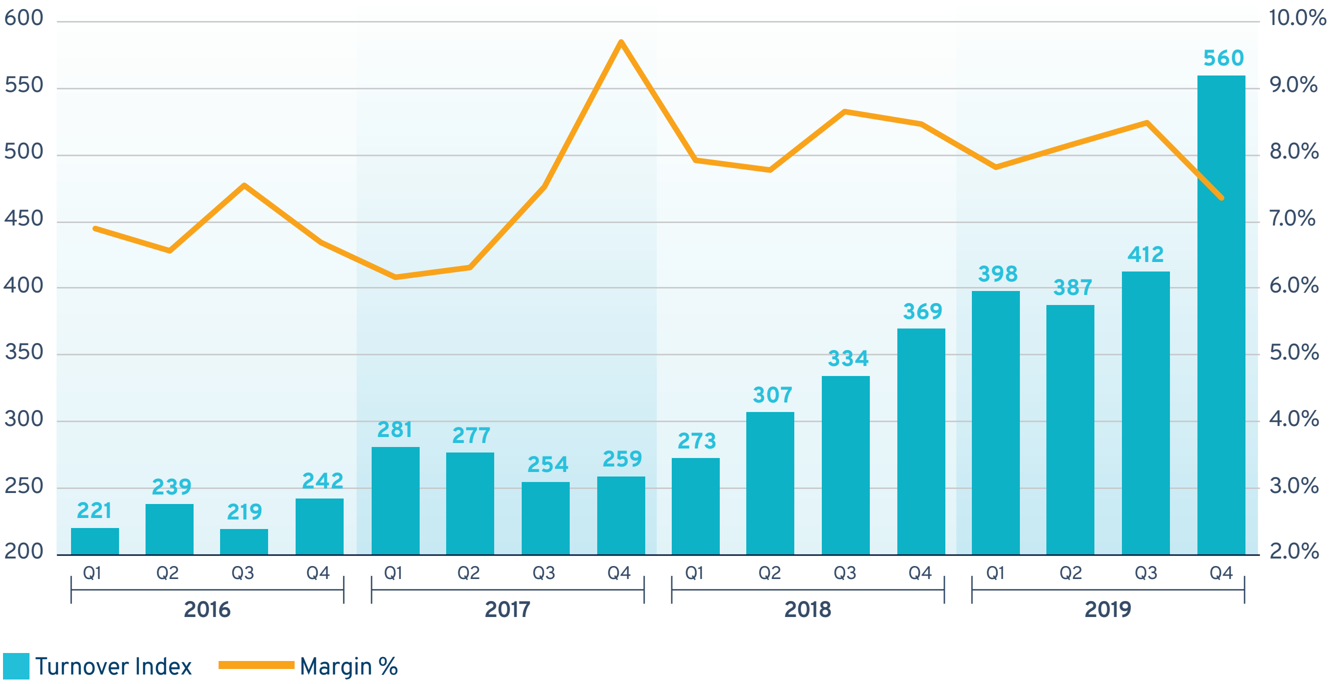
The operator turnover increased by 37% in 2019 which can largely be attributed to growth in two key areas: an 8% increase in Kambi's core European market and the US expansion into five new US states.



Operator trading margin

The operator trading margin can fluctuate from quarter to quarter, mainly due to the outcome of sporting events with the highest betting volumes and value. Based on the current commercial and market outlook, with increased US exposure at a slightly lower margin, Kambi expects the operator trading margin for the coming 12-month period to be in the range of 7.0 – 8.0%. The operator trading margin for the past 12-month period has been 8.0%.

Operator turnover index and trading margin



The Kambi Turnover Index illustrates the operators' quarterly turnover and betting margin.

The Kambi Turnover Index, with the first quarter of 2014 indexed at 100, is shown on the left-hand axis and shows the index since Q1 2016. The operator trading margin is shown on the right-hand axis. Kambi charges its operators a commission based on the Net Gaming Revenue (NGR), 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 revenue share of operators' Gross Gaming Revenue (GGR) less deductible costs, such as certain capped marketing incentives and tax (i.e. NGR, as shown in the graph below). The most significant portion of Kambi's revenue comes from the revenue-share element, which enables us to grow and be aligned with our customers.

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 37% in 2019. As illustrated in the Kambi Turnover Index, the operator trading margin can fluctuate. Multiplying the margin by the turnover generates the GGR. The 2019 operator trading margin stood at 8%, compared to 8.2% in 2018. As a result of this lower margin, combined with a number of other factors, operator GGR increased by 32% year-on-year. As part of Kambi's revenue model, we share certain costs with our operators.

These include:

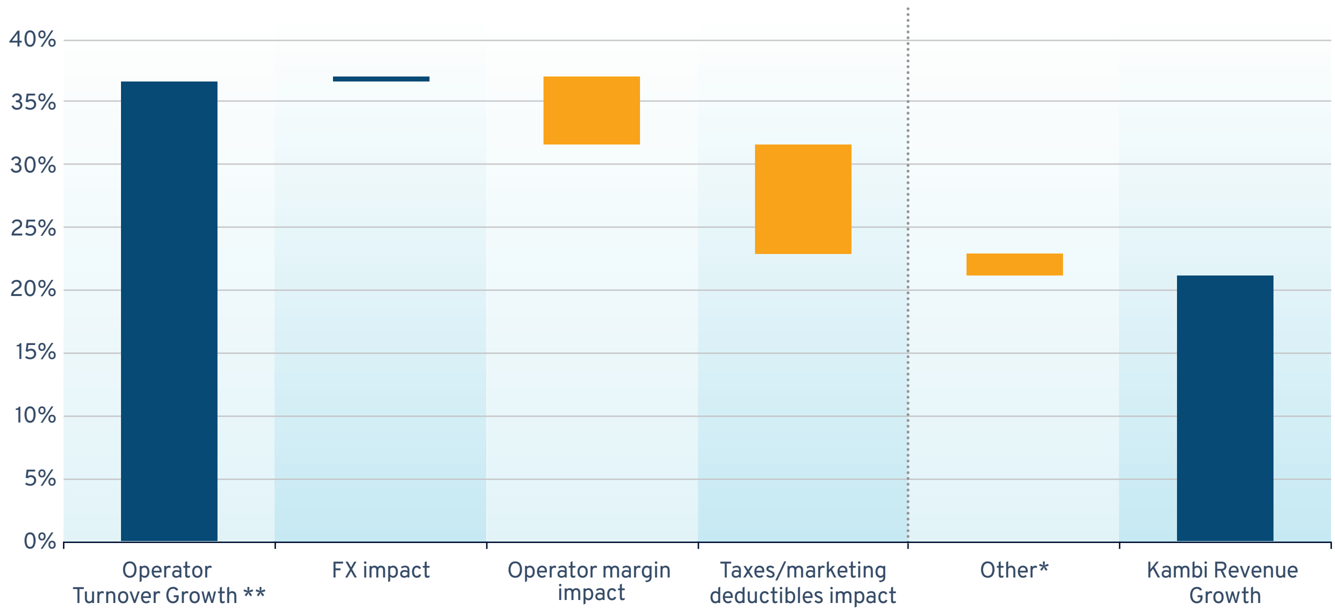
i) Marketing deductibles: certain capped costs for player incentives linked to sports betting, such as free bets.

ii) Tax: 74% (2018: 52%) 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 other gaming related taxes, added to additional deductions for player incentives, impacted the growth of operators' NGR to 23% in 2019.

Kambi's commission is based on a percentage of the operators' NGR. 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 operators resulted in a lower effective commission rate in 2019 than in 2018. In addition, contract renewals with updated commission rates due to the significant growth of Kambi's customers had an impact on revenue growth. Further, some parts of Kambi's revenues are fixed and not linked to the growth in operators' businesses. Overall, this resulted in Kambi's revenues growing by 21% year-on-year.

Operator turnover and Kambi revenue growth: 2019 vs. 2018

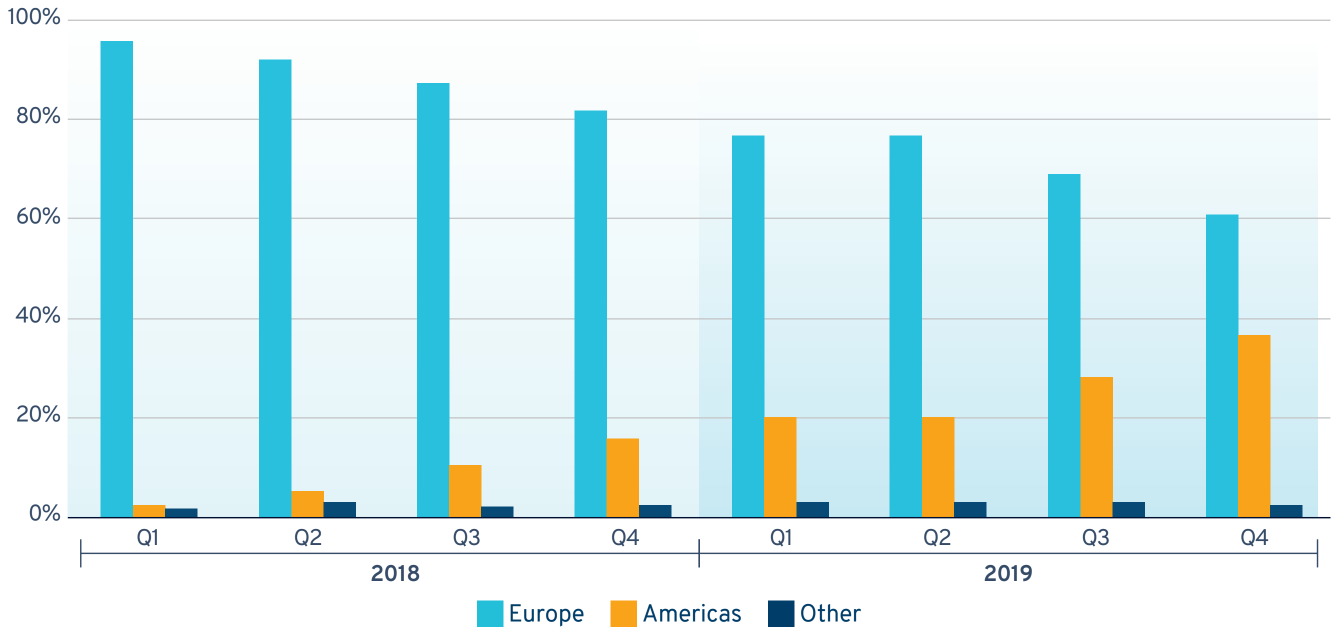


*Other includes the impact of volume-related commission tiers and fixed revenues and 888 impact
** Operator turnover growth shown is based on Q4 2018 exchange rates
- - Denotes components of NGR from which Kambi's revenue share is calculated

Geographical revenue analysis

Kambi derives its revenue from numerous markets globally, which can be split into three areas of focus for the Company: Europe, Kambi's historical core market; the Americas (being North, Central and South America), an emerging market for Kambi; and the Rest of the World, being those other opportunities that may arise outside of Kambi's two main focal areas. Kambi's revenues have historically been dependent upon the European market, however, with the emergence of the US market, alongside the success of Kambi's Central and South American operators, it can be seen from the below graph that Kambi's reliance upon the European market has decreased substantially year-on-year to 61% (82%), with the Americas comprising 37% (16%) by the end of 2019. This demonstrates not only the underlying continued importance of the European market for Kambi, but also how the aforementioned developments in the Americas market have diversified Kambi's product and customer portfolio.

Operator Gross Gaming Revenue by geographical area



Sustainability as a competitive advantage

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 into 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.

Kambi also continued our participation in the American Gaming Association's Sports Betting Task force, a key forum to discuss and shape the industry's involvement in a successful state by state roll out of sports wagering regulation across the US.

During 2019, Kambi became a member of the International Betting Integrity Association, underlining our commitment to the fight against the manipulation of sporting events. We are the first supplier to become a member of the association, allowing us to share with the network the output of our extensive monitoring capabilities and enhance the protections provided by the regulated market for both sports and consumers.

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 remains 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. Often leading to interception before any manipulation takes place.

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 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.

Kambi once again joined the North American Gaming Regulators' Association for their annual conference, sharing across a series of sessions our learnings and best practice in licensing and compliance in the US market. Our attendance confirmed our approach to building transparent, long term relationships with regulatory bodies wherever possible.

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. Kambi is listed on the First North Growth Market at Nasdaq Stockholm and in line with these rules, Kambi is not required to apply the principles of the Swedish Code of Corporate Governance and/or Maltese Corporate Governance Code (the Code). However, Kambi recognises the importance and value of good corporate governance practice and has therefore selected the procedures and committees of the Code considered relevant and appropriate to the Group, given its size and structure, e.g. accounting standards according to the International Financial Reporting Standards.

As a listed organisation, 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.

One of the main outcomes of this approach 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 2019, for example, taking the first legal online bets in Pennsylvania and the first legal bet in New York.

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.

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.

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. In addition, Kambi is proud of its record of hiring local talent to work at its local offices, ensuring it is the immediate community that benefits from our operations in their area. For example, our offices in Manila and Bucharest are almost entirely made up of local people and place a strong emphasis on promoting from within to senior positions, rather than simply migrating talent from elsewhere in the business.

Working towards a more sustainable world

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 more than 90% of the waste it removes from our offices. We have also invested in virtual meeting equipment to reduce business travel. Kambi continues to evaluate ways in which it can reduce its energy consumption and introduce effective carbon offsetting initiatives.


Kambi
Sportsbook Unlimited
Kambi
DRAFTKINGS
Kambi
NEXGEN

Corporate governance

Strong corporate governance unlocks future growth

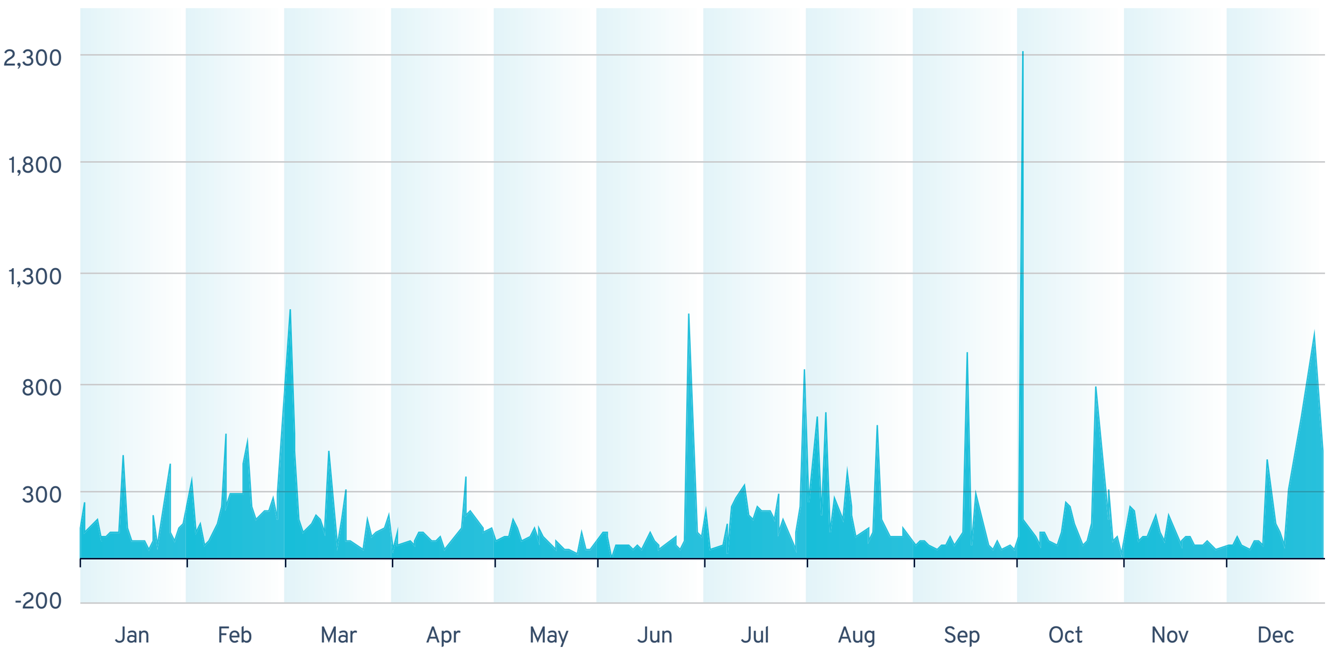
Share performance

The closing price on the first trading day of the year, 2 January 2019, was SEK200. The closing price on the last trading day of the year, 30 December 2019, was SEK132.70 with a market capitalisation of €388 million.

The highest closing price during the year was SEK210,50, on 2 February. The lowest closing price during 2019 was SEK119.80 on 23 December. The average daily volume traded during 2019 was 174,072 shares and the average closing share price was SEK168.51. Kambi Group plc is listed on First North Growth Market 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 2019

Total volume (thousands)



Share price development 2019

Closing price

Shareholders on 31 December 2019

Shareholder	Number of shares	% of total
Veralda Investment Ltd	6,103,564	20.0%
Fidelity Investments (FMR)	2,958,741	9.7%
Keel Capital	2,758,712	9.0%
Swedbank Robur Fonder	2,739,939	9.0%
Second Swedish National Pension Fund	1,406,333	4.6%
Total 5 largest shareholders	15,967,289	52.3%
Total other shareholders	14,554,908	47.7%
Total	**30,522,197**	**100%**

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. These 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 invoice in which it is issued, 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 procure 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.

Risk related to natural events

Kambi relies on the constant availability of its staff and offices to ensure the provision of its service to partners can continue without disruption, as well as a largely unaffected sporting calendar. Therefore, Kambi can be exposed to short-term risk related to natural events outside of its control. For example, a natural disaster which may impact Kambi offices and staff, or a global epidemic which may cause office closures and/or postponement or cancellation of sporting events. Kambi has in place mitigation protocols to minimize any direct impact such events may have on its operations, such as the establishment of disaster recovery sites, the ability for staff to work from home, and short-term travel restrictions.

Board of directors

The Company's Board of Directors consists of five members, including the Chairman of the Board. Holdings in Kambi Group plc include personal holdings, family holdings and holdings through companies in which Directors have an interest, and are as at 28 February 2020

Lars Stugemo, Chairman

Member of the Remuneration Committee

Born: 1961

Education: MSc. in Electronics Engineering from KTH

Nationality: Swedish

Board member since: 2014 (incorporation)

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: 30,130 shares

Independent: Yes

Anders Ström

Chairman of the Nomination Committee, Chairman of the Remuneration Committee

Born: 1970

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

Nationality: Swedish

Board member since: 2014 (incorporation)

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: 6,103,564 shares

Independent: No

Patrick Clase

Member of the Audit Committee

Born: 1968

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

Nationality: Swedish

Board member since: 2014 (incorporation)

Patrick is Chief Investment Officer and a director of Veralda Investment Ltd. 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: 31,119 shares

Independent: No

Marlene Forsell

Chairman of the Audit Committee

Born: 1976

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

Nationality: Swedish

Board member since: 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, having previously worked as an analyst at Ernst & Young.

Holdings in Kambi Group plc: 1,700 shares

Independent: Yes

Cecilia de Leeuw

Born: 1968

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

Nationality: Swedish

Board member since: 2019

Cecilia is currently Vice President Sales and Head of Telecom Services at Tieto Sweden AB. Before joining Tieto in 2018, Cecilia was with Ericsson AB where she held various senior leadership positions since 1995, most recently as VP Sales in Canada for Ericsson North America. Cecilia has vast experience from complex system sales and global product management, including postings in Asia and North America.

Holdings in Kambi Group plc: no shares

Independent: Yes

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 became CEO of Kambi upon its formation in 2010, and leads on all commercial aspects of the business.

Holdings in Kambi Group plc: 465,000 shares and 350,000 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: 71,999 shares and 100,000 options

Jonas Jansson

Chief Operating Officer

Born: 1969

Nationality: Swedish

Employed: 2010

Education: BSc. in Financial Economics and Mathematics from the University of Karlstad and studies in Data and System development at Stockholm University

Jonas joined Unibet almost two decades ago, becoming head of trading in 2003 and COO of Kambi upon its formation in 2010. He leads on all operational aspects of the Sportsbook, including pricing, risk management and responsible gaming.

Holdings in Kambi Group plc: 211,500 shares and 37,500 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 87,500 options

Cecilia Wachtmeister

EVP Business & Group Functions

Born: 1966

Nationality: Swedish

Employed: 2019

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

Cecilia joined the Kambi executive management team in 2019, where she took on responsibility for the Group's Commercial, Marketing Communications, Strategy and Human Resources functions. Cecilia previously spent more than 20 years at Ericsson, during which time she held various senior and international positions in the company, gaining vast experience of long sales cycles in B2B.

Holdings in Kambi Group plc: 10,000 shares and 67,500 options

Andreas Söneby

Chief Technology 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 37,500 options

Senior executives

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:
32,500 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 and Regulatory 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:
32,500 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:
14,417 shares and 30,000 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:
30,000 options

David Jacquet

Senior Vice President Analytics

Born: 1977

Nationality: Swedish

Employed: 2019

Education: PhD in pure mathematics from Stockholm University

David is responsible for the Analytics Department, which includes the mathematical modeling, machine learning and Artificial Intelligence powering Kambi's trading systems, and the data analytics insights Kambi leverages to make informed decisions, including the allocation of resources. David has a background working as a cryptologist and mathematician for Swedish signal intelligence; mathematics consultant; algorithmic trader and start-up entrepreneur. While studying for his PhD, David helped build the first soccer trading model for Unibet in 2006.

Holdings in Kambi Group plc:
15,000 options

Corporate governance report

Kambi Group plc is listed on First North Growth Market 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 international experience and diverse backgrounds within the entertainment, sports betting, technology, finance and other related sectors. This versatility of skills provides 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 2019, 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

Directors' remuneration	Fees/salary €000	Other €000	2019 €000	2018 €000
Anders Ström	57	-	57	48
Lars Stugemo	107	-	107	97
Patrick Clase	57	-	57	129
Susan Ball	-	-	-	24
Cecilia Wachtmeister	19	-	19	163
Marlene Forsell	54	-	54	4
Cecilia de Leeuw	31	-	31	-
	325	-	325	465
Kristian Nylén (CEO)	891	-	891	464
Management remuneration	2,396	327	2,723	3,335
	3,612	327	3,939	4,264

The basic salary per annum is €50,000 (2018: €50,000) per director. The Chairman of the Board receives an additional fee of €50,000 (2018: €50,000) and each member of the Remuneration and Audit Committee receives €6,500 (2018: €6,500) per annum.

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 Marlene Forsell and Patrick Clase and is chaired by Marlene Forsell.

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 for the 2020 AGM are: Anders Ström – Veralda Investment Ltd, Lars Stugemo – Chairman of the Board, Mathias Svensson – Keel Capital, and Jonas Eixmann – The Second Swedish National Pension Fund. 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. Remuneration for the CEO and executive management team are dependent on a combination of personal and company-related performance targets which are reviewed annually.

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 is in proportion to the executive's responsibilities and authority. It is also 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 are maximum 50% of the fixed salary cost, depending on the attainment of personal and company performance targets. These targets include quantitative financial data such as EBIT target and customer signings as well as qualitative targets such as personal performance.

Salaries in 2019 were increased by an average of 3.5% compared to 2018. 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 2019.

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 60. The profit after tax was €10.4 (€9.8) 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 2019. 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. Six new customer contracts were signed: BetWarrior, JACK Entertainment, Mohegan Gaming & Entertainment, Penn National Gaming, Rhinoceros Operations Ltd and Seneca Gaming Corp. The Group renewed its contract with four customers: Bulgaria's National Lottery, DraftKings Inc, Rank Group Plc and NagaWorld Ltd.

The directors have also conducted a review of the Group's Key Financial and Non-financial Performance Indicators, detailed in the table below.

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 46-47 of this annual report.

Future developments

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

	FY 2019
Operating (EBIT) margin	16.0%
EBITDA (€m)	29.1
EBITDA margin	31.5%
Equity/assets ratio	71.4%
Employees at period end	865
Earnings per share (€)	0.345
Fully diluted earnings per share (€)	0.339

Directors

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

- Lars Stugemo (Chairman)
- Anders Ström
- Patrick Clase
- Marlene Forsell
- Cecilia Wachtmeister (resigned 16 May 2019)
- Cecilia de Leeuw (appointed 16 May 2019)
- Lars Stugemo, Anders Ström, Patrick Clase, Marlene Forsell and Cecilia de Leeuw 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, has indicated its willingness to continue in office and a resolution for its reappointment will be proposed on behalf of the Board at the Annual General Meeting on 13 May 2020.

Financial report

Driving forward at pace

Figure 9.

Financial review

Revenue

Revenue represents fees received for sports betting services rendered to Kambi's operators. Kambi charge our 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 2019 increased to €92.3 (2018: €76.2) million. The increase of 21% year-on-year demonstrates Kambi's continued growth, underpinned by the success of our operators.

Administrative expenses

Administrative expenses for 2019 were €77.7 (2018: €62.9) million. Excluding depreciation and amortisation, ongoing administrative expenses were €63.4 (2018: €53.1) million, of which €37.0 (2018: €28.2) 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 74 provides more analysis of operating costs.

EBITDA and operating profit

Earnings before interest, tax and depreciation and amortisation (EBITDA) for the full year 2019 were €29.1 (2018: €22.5) million. Profit from operations for the full year 2019 was €14.7 (2018: €12.7) million.

Profit after tax

Profit after tax for the full year 2019 was €10.4 (2018: €9.8) million.

Development and acquisition costs of intangible assets

In the full year 2019, development expenditure of €14.9 (2018: €9.9) million was capitalised. The key elements of capitalised development costs during 2019 were sportsbook enhancement, US product development, market expansion and evolution of our retail channel.

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 82) and trade and other payables (see note 22 on page 82).

Cash flow

The net cash inflow for 2019 was €6.6 (2018: €4.1) million, increasing the total cash balance at the end of 2019 to €45.0 (2018: €38.4) million.

Kambi
Kambi
GLOBAL BET
SPOTLIGHT
SPOTLIGHT
Kambi
Kambi
ZZART

Financial statements

Statement of consolidated profit or loss and other comprehensive income for the year ended 31 December 2019

	Note	2019 €000	2018 €000
Revenue	**6**	**92,294**	76,187
Administrative expenses	7	**(77,680)**	(62,937)
Other operating expenses	8	**112**	(464)
Finance costs	9	**(636)**	(483)
Investment income	10	**35**	32
Profit before items affecting comparability		**14,125**	12,335
Items affecting comparability			
Impairment/Share of loss of equity-accounted associate	19	**(494)**	(75)
Profit before tax	**11**	**13,631**	12,260
Income tax expense	14	**(3,182)**	(2,442)
Profit for the year		**10,449**	9,818
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation adjustments	29	**(578)**	(277)
		(578)	(277)
Items that may not be reclassified subsequently to profit or loss			
Actuarial gain/(loss) on defined benefit scheme	24	**(43)**	(57)
		(43)	(57)
Other comprehensive income for the year		**(621)**	(334)
Total comprehensive income for the year		**9,828**	9,484
Earnings per share	**30**		
Basic		**0.345**	0.326
Diluted		**0.339**	0.318

The notes on pages 64 to 97 form an integral part of these consolidated financial statements.

Statement of consolidated financial position as at 31 December 2019

	Note	2019 €000	2018 €000
ASSETS			
Non-current assets			
Intangible assets	16	**18,458**	13,353
Plant and equipment	17	**11,661**	3,918
Investment in associate	19	**-**	494
Deferred tax assets	25	**3,321**	3,599
		33,440	21,364
Current assets			
Trade and other receivables	20	**21,994**	18,329
Cash and cash equivalents	21	**44,988**	38,350
		66,982	56,679
Total assets		**100,422**	78,043
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	26	**91**	90
Share premium	26	**57,640**	53,810
Other equity & reserves	28	**3,377**	3,496
Currency translation reserve	29	**(2,402)**	(1,824)
Accumulated profits/(losses)		**13,037**	2,198
		71,743	57,770
Non-current liabilities			
Other financial liabilities	23	**7,297**	7,251
Deferred tax liabilities	25	**280**	96
Other liabilities	24	**225**	134
Lease liabilities	32	**5,011**	-
		12,813	7,481
Creditors: Amounts falling due within one year			
Trade and other payables	22	**11,076**	9,930
Current tax liabilities		**2,071**	2,862
Lease liabilities	32	**2,719**	-
		15,866	**12,792**
Total equity and liabilities		**100,422**	78,043

These consolidated financial statements were approved by the board of directors, authorised for issue on 30 March 2020 and signed on its behalf by:

Lars Stugemo, Director

Patrick Clase, Director

The notes on pages 64 to 97 form an integral part of these consolidated financial statements.

Statement of changes in equity for the year ended 31 December 2019

	Share Capital €000	Share premium €000	Other reserves €000	Foreign currency reserve €000	Accumulated profits/(losses) €000	Total €000
Balance at 1 January 2018	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
Changes in equity for 2019						
Value of employee share options	-	-	647	-	-	647
Tax on share options	-	-	(333)	-	-	(333)
Proceeds from issue of shares	1	3,830	-	-	-	3,831
Fully exercised share options	-	-	(390)	-	(390)	-
Total comprehensive income for the year	-	-	(43)	(578)	10,449	9,828
Balance at 31 December 2019	**91**	**57,640**	**3,377**	**(2,402)**	**13,037**	**71,743**

The notes on pages 64 to 97 form an integral part of these consolidated financial statements.

Consolidated cash flow statement for the year ended 31 December 2019

	Note	2019 €000	2018 €000
Cash flows from operating activities			
Profit before taxation		**13,631**	12,260
Depreciation	17	**4,534**	1,835
Amortisation	16	**9,796**	7,956
Finance costs	9	**636**	483
Investment income	10	**(35)**	(32)
Impairment/Share of loss of equity-accounted associate	19	**494**	75
Share based payment expense	27	**647**	578
Movement in working capital:			
Decrease/(increase) in trade and other receivables		**(3,665)**	(3,743)
Increase/(decrease) in trade and other payables		**1,148**	(292)
Increase/(decrease) in other liabilities		**91**	73
Cash generated from operations		**27,277**	19,193
Investment income received		**35**	32
Tax paid		**(3,727)**	(2,279)
Net cash generated from operating activities		**23,585**	16,946
Cash flows from investing activities			
Purchase of tangible fixed assets	17	**(2,508)**	(1,875)
Development costs of intangible assets	16	**(14,889)**	(9,872)
Acquired assets – investment in associate	19	**-**	(569)
Net cash used in investing activities		**(17,397)**	(12,316)
Cash flows from financing activities			
Proceeds from issuing new shares		**3,831**	150
Interest paid		**(340)**	(363)
Payments of lease liabilities		**(2,731)**	-
Net cash generated from/(used in) financing activities		**760**	(213)
Net movement in cash and cash equivalents		**6,948**	4,417
Cash and cash equivalents at the beginning of the year		**38,350**	34,303
Effect of foreign exchange rate changes		**(310)**	(370)
Cash and cash equivalents at the end of the year	21	**44,988**	38,350

The notes on pages 64 to 97 form an integral part of these consolidated financial statements.

Notes to the financial statements for the year ended 31 December 2019

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 2019:

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.

There are changes to 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 are recognised but the impact on net assets is not overall material to the Group.

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

At transition, lease liabilities were measured at the present value of remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Group used the practical expedients to apply the exemption not to recognise the right-of-use assets and liabilities for leases with less than 12 months of lease term.

The adoption of the following standards effective from 1 January 2019 did not have a material impact on the Group's consolidated financial statements:

- IFRIC 23 – Uncertainty over Income Tax Treatments – effective 1 January 2019
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Annual improvements to IFRSs 2015-2017 Cycle (Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs)
- Long-term interests in Associates and Joint Ventures (Amendments to IAS 28)

Standards, interpretations and amendments to published standards as adopted by the EU that are not yet effective for periods beginning on 1 January 2019

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:

- Amendments to References to the Conceptual Framework in IFRS Standards - effective 1 January 2020
- Definition of Material (Amendments to IAS 1 and IAS 8) – effective 1 January 2020
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform – effective 1 January 2020

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
- Definition of a Business (Amendments to IFRS 3)

3. Basis of preparation & consolidation

The Group financial statements consolidate those of the parent company and of all its subsidiaries as at 31 December 2019.

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 31 December 2019, together with the comparative period data as at and for the year ended 31 December 2018, 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 2019. 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 2019, as summarised below. These were used throughout all periods presented, except where stated otherwise.

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 & 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 derecognised 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 derecognised 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 derecognised 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.

The Group applies the simplified approach for trade receivables and contract assets that do not contain a significant financing component. The Group's trade receivables are of a short-term nature as they are based on credit terms of less than one year and, thus, do not include a significant financing component.

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 contracts with customers is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group and the Company recognise such revenue when (or as) they satisfy a performance obligation by transferring control of a promised good or service to the customer.

Finance income and finance costs

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 (under IFRS 16)

At the inception of a contract, the Group assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. Lease payments included in the measurement of the lease liability include fixed payments, variable lease payments that depend on an index or a rate and lease payments in an optional renewal period that the Group is reasonably certain to exercise an extension option.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise an extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets within Plant and equipment and lease liabilities within current and Non-current liabilities and Creditors: amounts falling due within one year accordingly in the Statement of consolidated financial position.

The Group has elected not to recognise right-of-use assets and lease liabilities for short term leases less than 12 months or leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

For items impacting only the comparative period

Leases (under IAS 17)

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 service costs and net interest expense or income in the net defined benefit obligation under Administrative Expenses in the Consolidated statement of profit or loss and other comprehensive 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; and
- 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 15.7% (2018: 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 optionholders 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, the Kambi Group plc Share Option Plan 2018 in June 2018 and the Kambi Group plc Share Option Plan 2019 in July 2019, 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 optionholders 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.

Leases

When assessing whether a contract is, or contains, a lease, management assesses whether the contract involves use, or right to direct use, of an identified asset or the rights to obtain substantially all of the economic benefits from the use of the asset. Management makes this assessment taking into consideration the substance of the terms of the lease and historical experience with similar contractual arrangements.

The recognition of the liability component of each lease requires an assessment of a discount rate which is assessed using the lessee's incremental borrowing rate. Management has estimated this rate based on current economic conditions and historical experience.

Where a lease includes the option for the Group to extend the lease term, the Group makes a judgement as to whether it is reasonably certain that the option will be taken. When doing this management consider the length of time remaining before the option is exercisable, current trading, future trading forecasts and planned future capital investment. These assumptions are reviewed at each reporting period.

6. Revenue and segmental information

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

	2019 €000	2018 €000
Revenue from contracts with customers	**92,294**	76,187

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. Revenue from external customers by geographical region is detailed below:

Revenue from external customers	2019 €000	2018 €000
Malta	**45,397**	49,934
Rest of World	**46,897**	26,253
	92,294	76,187

Information about major customers

Group revenue includes €53.4m (2018: €55.4m) of sales that cumulatively amount to 58% (2018: 73%) of total Group revenue arising from sales to the Group's two largest customers (2018: two largest customers).

7. Expenses by nature

Administrative expenses	2019 €000	2018 €000
Marketing costs	**1,261**	1,111
Fees payable to statutory auditor	**150**	129
Operating lease rentals on buildings	**-**	2,270
Staff costs (note 13)	**37,041**	28,205
Other employee related costs	**1,948**	1,812
Facilities costs	**6,169**	4,100
Depreciation of plant, equipment and right-of-use assets	**4,534**	1,835
Amortisation of intangible assets	**9,796**	7,956
Travel costs	**2,405**	1,925
Consultants	**5,704**	6,418
Third party information suppliers	**8,213**	6,608
Other	**459**	568
	77,680	62,937

8. Other operating expenses

	2019 €000	2018 €000
Foreign currency (gain)/loss	**(112)**	464

9. Finance costs

	2019 €000	2018 €000
Interest on convertible bond	**271**	344
Other interest	**365**	139
	636	483

10. Investment income

	2019 €000	2018 €000
Interest income on bank deposits	**35**	32

11. Profit before tax

	2019 €000	2018 €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	**150**	129

There were no fees paid to the statutory auditor for non-audit work during 2019 and 2018.

12. Key management personnel compensation

Directors' remuneration	Fees/salary €000	Other €000	2019 €000	2018 €000
Anders Ström	57	-	57	48
Lars Stugemo	107	-	107	97
Patrick Clase	57	-	57	129
Susan Ball	-	-	-	24
Cecilia Wachtmeister	19	-	19	163
Marlene Forsell	54	-	54	4
Cecilia de Leeuw	31	-	31	-
	325	-	325	465
Kristian Nylén (CEO)	891	-	891	464
Management remuneration	2,396	327	2,723	3,335
	3,612	327	3,939	4,264

The remuneration of the Directors and executive management is also disclosed on page 52. Management remuneration consists of payments to 11 executives (2018: 12). For management, other consists of remuneration for share based payments.

13. Staff costs and employee information

	2019 €000	2018 €000
Wages and salaries	29,327	21,424
Social security costs	4,644	4,401
Pension & retirement costs	2,423	1,802
Share based payments (note 27)	647	578
	37,041	28,205

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

	2019 Number	2018 Number
Operations	407	363
IT	221	169
Other	155	113
	783	645

14. Income tax expense

On taxable profit subject to income tax at 35%:

	2019 €000	2018 €000
Current tax (expense)/credit	**(3,044)**	(3,957)
Deferred tax (expense)/credit (note 25)	**(138)**	1,515
	(3,182)	(2,442)

Income tax in Malta is calculated at a basic rate of 35% (2018: 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:

	2019 €000	2018 €000
Profit/(loss) before tax	**13,631**	12,260
Tax (charge)/credit at the applicable rate of 35%	**(4,771)**	(4,291)
Tax effect of:		
Items of income/expenditure not taxable/deductible	**(481)**	(469)
Prior year (under) provision/over provision of tax	**194**	8
Overseas tax rates	**1,437**	1,233
Deferred tax recognised on unremitted earnings	**(172)**	1,395
Income tax recoverable	**1,536**	-
Other	**(925)**	(318)
Tax (charge)/credit for the year	**(3,182)**	(2,442)

The income tax (charged)/credited directly to equity during the year is as follows:

	2019 €000	2018 €000
Current tax credit in relation to:		
Share based payments	**64**	245
Deferred tax credit in relation to:		
Share-based payments	**(397)**	724
Total income tax credit recognised directly in equity	**(333)**	969

15. Dividends

There were no dividends paid during 2019 (2018: nil).

16. Intangible fixed assets

	Computer software €000	Development costs €000	Brands €000	Total €000
Cost				
At 1 January 2018	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
Additions	50	14,839	-	14,889
Released on disposal	-	-	-	-
Reclassification	-	-	-	-
Foreign currency translation	26	9	-	35
At 31 December 2019	**903**	**71,470**	**19,094**	**91,467**
Accumulated amortisation				
At 1 January 2018	(659)	(35,530)	(19,054)	(55,243)
Provision for the year	(44)	(7,872)	(40)	(7,956)
Released on disposal	-	-	-	-
Foreign currency translation	-	9	-	9
At 31 December 2018	(703)	(43,393)	(19,094)	(63,190)
Provision for the year	(69)	(9,727)	-	(9,796)
Released on reclassification	-	-	-	-
Foreign currency translation	(19)	(4)	-	(23)
At 31 December 2019	**(791)**	**(53,124)**	**(19,094)**	**(73,009)**
Carrying amount				
At 31 December 2019	**112**	**18,346**	**-**	**18,458**
At 31 December 2018	124	13,229	-	13,353

The amortisation charge for the year of €9,796,000 (2018: €7,956,000) has been included in administrative expenses.

17. Plant and equipment

	Office Equipment €000	Fixtures & Fittings €000	Computer Hardware €000	Leasehold Improvements €000	Right-of-use asset €000	Total €000
Cost						
At 1 January 2018	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
Additions	81	181	2,209	37	9,565	12,073
Released on disposal	(3)	(1)	(58)	-	-	(62)
Foreign currency translation	4	39	85	124	141	393
At 31 December 2019	**1,049**	**807**	**9,923**	**3,197**	**9,706**	**24,682**
Depreciation and impairment						
At 1 January 2018	(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)
Provisions for the year	(148)	(82)	(1,506)	(433)	(2,365)	(4,534)
Released on disposal	-	-	58	-	-	58
Foreign currency translation	15	(16)	(71)	(76)	(37)	(185)
At 31 December 2019	**(765)**	**(519)**	**(6,992)**	**(2,343)**	**(2,402)**	**(13,021)**
Carrying amount						
At 31 December 2019	**284**	**288**	**2,931**	**854**	**7,304**	**11,661**
At 31 December 2018	335	167	2,214	1,202	-	3,918

18. Group information

Subsidiaries and other related undertakings

The subsidiaries and other related undertakings of the Group at 31 December 2019 are shown below:

Subsidiaries and other related undertakings	Country of incorporation	Description of shares held	Percentage of shares held at 31/12/19 %	Percentage of shares held at 31/12/18 %
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	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	100

Global Technology & Sports Limited's effective place of management and registration with fiscal authorities as an overseas company in Malta was effective on 23 July 2019.

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, horseracing, greyhounds and motor sport.

The Group performs a periodic impairment analysis to assess the carrying value of its investments and whether any impairment triggers of the assets in question have been identified. Following such a review, it was concluded that the carrying value of Kambi's investment in Midia Holdings Limited can no longer be supported by future financial projections due to circumstances outside the control of both Kambi and Midia Holdings Limited. Therefore, in accordance with IAS 36, Kambi has fully impaired the investment in Midia Holdings Limited as at 31 December 2019, with an amount of €494,000 being recognised as an expense within items affecting comparability in the Consolidated statement of profit or loss.

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

	2019 €000	2018 €000
Carrying amount of interests in associates	**-**	494
Share of:		
- Profit/(loss) from continuing operations	**-**	(75)
- Impairment	**(494)**	-

20. Trade and other receivables

	2019 €000	2018 €000
Trade receivables	**7,168**	6,884
Prepayments and accrued income	**12,425**	9,102
Deposits	**1,139**	1,123
Other taxation	**1,035**	1,111
Other receivables	**227**	109
	21,994	18,329

Trade receivables are generally on terms of 30 days. As at 31 December 2019, there were no impairment charges (2018: 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
2019	7,168	6,360	782	26	-	-	-
2018	6,884	6,884	-	-	-	-	-

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:

	2019 €000	2018 €000
Cash at bank	**44,988**	38,350
Cash and cash equivalents in the statement of cash flows	**44,988**	38,350

22. Trade and other payables

	2019 €000	2018 €000
Trade creditors	343	647
Other taxes and social security	1,377	630
Other payables	246	515
Other accruals	9,110	8,138
	11,076	9,930

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

23. Other financial liabilities

	2019 €000	2018 €000
Convertible bond	**7,297**	7,251
Less amount due for settlement within 12 months	**-**	-
Amount due for settlement after 12 months	**7,297**	7,251

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 4.59 years (2018: 5.59 years) using an interest rate of 3.7 % (2018: 3.7%) which is the interest rate of an equivalent risk instrument that was not convertible. The rate used is based on the EURIBOR 5 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 2019, the number of shares that could be issued on conversion would have been 531,128 shares (2018: 392,012 shares).

24. Other liabilities

Net employee defined benefit liabilities	2019 €000	2018 €000
Philippines post-employment retirement plan	**225**	134
Total	**225**	134

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 2019 was €1,000 (2018: €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)	2019 €000	2018 €000
Current service cost	**40**	13
Past service cost	**-**	-
Interest cost on benefit obligation	**10**	3
	50	16

Movement in the present value of the obligation (PVO)	2019 €000	2018 €000
PVO at beginning of year	**134**	61
Current service cost	**38**	13
Interest cost	**10**	3
Actuarial loss due to:		
Experience adjustments	**22**	14
Changes in financial assumptions	**11**	61
Changes in demographic assumptions	**9**	(18)
Past service cost	**-**	-
Movement in exchange rate	**1**	-
PVO at end of year	**225**	134

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

Actuarial assumptions	2019	2018
Discount rate	**5.22%**	7.47%
Salary increase rate	**5.00%**	7.00%
Mortality rate	**2017 PCIM**	2017 PCIM
Turnover rate	**Scale**	Scale
Employees profile		
Number of plan members	**248**	205
Total annual compensation €000	**2,021**	1,647
Average annual compensation €000	**8**	8
Average attained age	**28.26**	28.20
Average years of service	**3.43**	3.40
Average expected future service years	**11.00**	10.00

A quantitative sensitivity analysis for significant assumptions as at 31 December 2019 is as shown below:

Discount rate	Present Value	Present Value
1% increase	**174**	102
Actual	**220**	129
1% decrease	**281**	165

Salary increase rate	Present Value	Present Value
1% increase	**282**	166
Actual	**220**	129
1% decrease	**172**	101

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

	2019 €000	2018 €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	**309**	376
More than 20 years	**4,851**	5,954

The average duration of the defined benefit obligation at the end of the reporting period is 28.21 years (2018: 28.82 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% (2018: 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:

	2017 €000	Movement for year €000	2018 €000	Movement for year €000	2019 €000
Unremitted Earnings	256	1,396	1,652	**(175)**	**1,477**
Tangible fixed assets	88	16	104	**19**	**123**
Intangible assets	-	-	-	**(133)**	**(133)**
Unrealised exchange differences	71	(60)	11	**43**	**54**
Tax losses	-	-	-	**100**	**100**
Other	871	865	1,736	**(316)**	**1,420**
	1,286	2,217	3,503	**(462)**	**3,041**

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:

	2019 €000	2018 €000
(Charge)/Credit to income for the year	**(138)**	1,515
Credit directly to equity	**(397)**	724
Foreign currency translation	**73**	(22)
	(462)	2,217

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

	2019 €000	2018 €000
Deferred tax assets	**3,321**	3,599
Deferred tax liabilities	**(280)**	(96)
	3,041	3,503

26. Share Capital and Share Premium

	2019 €000	2018 €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	**91**	90
Share premium		
Share premium reserve	**57,640**	53,810

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 €647,000 (2018: €578,000) 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 2019 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 optionholders in optimizing its future prospects which were expected to generate profits in a time period falling beyond that considered by the performance condition. All outstanding options that vested during December 2018 were exercised during the year to 31 December 2019.

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 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. 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.

Kambi Group plc Share Option Plan 2019

The Kambi Group plc Share Option Plan 2019 was introduced in July 2019. 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. 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	3 July 2019
Exercise price SEK	192.16
Number of employees	47
Shares under option	403,000
Vesting period (years)	3
Expected volatility %	46%
Option life (years)	4
Expected life (years)	3.50
Risk-free rate %	-0.55%
Expected dividends expressed as dividend yield %	0
Fair value per option EUR	3.94

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.

A reconciliation of option movements over the year to 31 December 2019 is shown below:

Kambi Group Executive Share Option Plan

	2019		2018	
	Number	Weighted average exercise price GBP	Number	Weighted average exercise price GBP
Outstanding at 1 January	**491,000**	**1.23**	656,000	1.23
Exercised	**(8,000)**	**1.23**	(165,000)	1.23
Granted	**-**	**-**	-	-
Lapsed	**-**	**-**	-	-
Forfeited	**-**	**-**	-	-
Outstanding at 31 December	**483,000**	**1.23**	491,000	1.23

Kambi Group plc Share Option Plan 2015

	2019		2018	
	Number	Weighted average exercise price SEK	Number	Weighted average exercise price SEK
Outstanding at 1 January	**334,000**	**121.165**	342,000	121.165
Exercised	**(334,000)**	**121.165**	-	-
Granted	**-**	**-**	-	-
Lapsed	**-**	**-**	-	-
Forfeited	**-**	**-**	(8,000)	121.165
Outstanding at 31 December	**-**	**121.165**	334,000	121.165

Kambi Group plc Share Option Plan 2018

	2019		2018	
	Number	Weighted average exercise price SEK	Number	Weighted average exercise price SEK
Outstanding at 1 January	**437,500**	**125**	-	-
Exercised	**-**	**-**	-	-
Granted	**-**	**-**	452,500	125
Lapsed	**-**	**-**	-	-
Forfeited	**(30,000)**	**125**	(15,000)	125
Outstanding at 31 December	**407,500**	**125**	437,500	125

Kambi Group plc Share Option Plan 2019

	2019	
	Number	Weighted average exercise price SEK
Outstanding at 1 January	-	-
Exercised	-	-
Granted	**403,000**	**192.16**
Lapsed	-	-
Forfeited	**(17,500)**	**192.16**
Outstanding at 31 December	**385,500**	**192.16**

The weighted average remaining contractual life at 31 December 2019 was 4 years (2018: 5 years) for the Kambi Group Executive Share Option Plan, nil (2018: 1 year) for the Kambi Group plc Share Option Plan 2015, 3 years (2018: 4 years) for the Kambi Group plc Share Option Plan 2018 and 4 years for Kambi Group plc Share Option Plan 2019..

Dilution effects: During 2019, 47,500 (2018: 23,000) 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 €3,828 (2018: €3,788) by the issue of a total maximum of 1,276,000 ordinary shares (2018: 1,262,500) corresponding to 4.2% (2018: 4.2%) 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 2018	**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 expense for the year	647	-	-	-	**647**
Tax on share based payments	(333)	-	-	-	**(333)**
Actuarial gain/(loss) for the year	-	(43)	-	-	**(43)**
Fully exercised share option schemes	**(390)**	-	-	-	**(390)**
At 31 December 2019	**3,157**	**(109)**	**270**	**59**	**3,377**

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

	2019 €000	2018 €000
Opening balance	**(1,824)**	(1,547)
Movement for the year	**(578)**	(277)
Closing balance	**(2,402)**	(1,824)

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:

	2019 €000	2018 €000
Profit attributable to ordinary equity holders	**10,449**	9,818
Profit attributable to ordinary equity holders adjusted for the effect of dilution	**10,449**	9,818

	2019 '000	2018 '000
Weighted average number of ordinary shares for basic EPS	**30,292**	30,098
Effects of dilution from:		
Share options	**532**	772
Weighted average number of ordinary shares adjusted for the effect of dilution	**30,824**	30,870

Earnings per share	€	€
Basic	**0.345**	0.326
Diluted	**0.339**	0.318

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 €271,000 (2018: €344,000) and the weighted average number of ordinary shares on dilution would increase by 531,197 shares (2018: 418,179 shares).

31. Related party disclosures

During 2019, Kambi has entered into an agreement for the provision of sportsbook services with Rhinoceros Operations Limited ('myBet'). Anders Ström, a Director of Kambi Group plc, ultimately has a controlling interest in myBet. All transactions between these related parties are on an arm's length basis. During the year to 31 December 2019, Kambi provided services to myBet totalling €432,838. The outstanding balance within trade receivables from myBet at 31 December 2019 was €60,166. No expense has been recognised in the current year for bad or doubtful debts in respect of the amounts owed by myBet.

For details of Directors' and Key Management Remuneration, please refer to note 12.

The Group had no other transactions with related parties for the year ended 31 December 2018 apart from Directors' and Key Management Remuneration.

32. Leases

On 1 January 2019, the Group adopted IFRS 16 *Leases* using the modified retrospective approach, with no restatement of comparative information and no adjustment to opening retained earnings recorded upon transition. All leases recognized are in relation to Property and typically last for 5 to 10 years. Refer to Note 17 where the Right-of-use assets have been recognised within Property, Plant and Equipment. Lease liabilities are classified between current and non-current on the Statement of Financial Position.

Included within finance costs for the year to 31 December 2019, €220,000 was recognised in relation to interest on lease liabilities under IFRS 16.

At 31 December 2019, the Group the following maturity analysis of cashflows on an undiscounted basis

	2019 €000
Within one year	**2,801**
Between one and five years	**4,766**
Over five years	**1,190**
	8,757

Lease liabilities included at 31 December included in the Consolidated statement of financial position:

	2019 €000
Creditors: Amounts falling due within one year	**2,719**
Non-current liabilities	**5,011**
	7,730

Previously applicable under accounting policy to 31 December 2018

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

At 31 December 2018, the Group had outstanding commitments under non-cancellable operating leases, which fell due as follows:

	2018 €000
Within one year	2,608
Between one and five years	5,652
Over five years	-
	8,260

Operating lease payments represented rentals payable by the Group for certain buildings. At 31 December 2018, leases were negotiated and rentals fixed for a remaining average term of 4 years.

33. Capital commitments

There were no capital commitments at 31 December 2019 or 31 December 2018.

34. Contingent assets

There were no contingent assets at 31 December 2019 or 31 December 2018.

35. Contingent liabilities

During the year to 31 December 2019, the Group recognised all outstanding employer's social security costs that can be reliably measured at 31 December 2019. There were no contingent liabilities at 31 December 2019.

At 31 December 2018, due to the uncertainty in timing and amount of particular costs due up to 31 December 2023, the Group had not yet recognised an estimated amount of €1,056,360 relating to the social security due upon exercise of certain vested, unexercised share options.

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.

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	
	31/12/19 €000	31/12/18 €000	**31/12/19 €000**	31/12/18 €000
GBP	**11,903**	5,126	**21,403**	9,911
SEK	**4,095**	4,413	**9,821**	11,696
PHP	**1,204**	373	**706**	928
RON	**1,200**	750	**1,097**	1,081
AUD	**418**	334	**636**	589
USD	**507**	34	**8,375**	1,389

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		USD Impact	
	€m					
	2019	2018	**2019**	2018	**2019**	2018
Profit or loss	**0.2**	0.1	**0.1**	0.3	**0.1**	-
Equity	**0.2**	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.

Receivables

The Group applies the IFRS 9 simplified approach to measurement expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped on the geographical location and the days past due. The expected loss rates are based on the corresponding historical credit losses experienced in the past. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Cash at bank

The Group principally banks with local and European financial institutions with high-quality standing or rating.

(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 2019**				**€000**				
Cash & cash equivalents	**0.1%**	**44,988**	**-**	**-**	**-**	**-**	**44,988**	**44,988**
31 December 2018								
Cash & cash equivalents	0.1%	38,350	-	-	-	-	38,350	38,350
Financial liabilities **31 December 2019**								
Convertible bond	**3.0%**	**-**	**-**	**-**	**-**	**7,500**	**7,500**	**7,297**
31 December 2018								
Convertible bond	3.0%	-	-	-	-	7,500	7,500	7,251

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.

The Group's policy in managing capital has remained unchanged from the prior year.

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

	2019 €000	2018 €000
Debt	**(7,297)**	(7,251)
Cash and cash equivalents	**44,988**	38,350
Net cash/(debt)	**37,691**	31,099
Equity	**71,743**	57,770
Net debt to equity %	**-53%**	-54%

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 2019 €000	**Fair Value 2019 €000**	Carrying Amount 2018 €000	Fair Value 2018 €000
Financial liabilities				
Convertible bond	**7,297**	**7,500**	7,251	7,500

37. Post Balance sheet event

Since the post year end development and global spread of COVID-19, the Group is closely monitoring the impact on the business. There will be an impact on the Group's revenue in the financial year ending 2020 due to cancellations and postponements of sporting events. The Group continues to take the situation seriously and has implemented Business Continuity Plans, which coupled with the strong balance sheet position, leave the Group in a healthy position for the long term. Should conditions relating to COVID-19 continue or worsen, measures will be implemented to further reduce the impact on our business. There is no material impact on the financial statements for the year ended 31 December 2019.

Independent auditor's report

To the Shareholders of Kambi Group plc

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Kambi Group plc (the Group), set out on pages 60 to 97, which comprise the statement of consolidated financial position as at 31 December 2019, 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.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019 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 dependent on two key customers. Such customers currently account for 58% 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 2019.
- Considering budgeted increase in the company portfolio and the consequent reduction in the dependency on these 2 key clients.

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 €18,458,000 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 52 to 53 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 six 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

30 March 2020

AGM and company information

Shareholders in Kambi Group plc are invited to participate in the AGM on Wednesday 13 May 2020 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 Monday 20 April 2020.

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 Monday 20 April 2020.

Financial calendar

24 April 2020	Q1 2020 report
13 May 2020	AGM
24 July 2020	Q2 2020 report
6 November 2020	Q3 2020 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

On-property
An American term for retail establishment.

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

U

UX
User Experience

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

kambi.com

For more information, contact:

CEO
Kristian Nylén
+44 (0)20 3617 7270

Head of Investor Relations
Mia Nordlander
+44 (0)785 091 0933
mia.nordlander@kambi.com

Kambi Group plc
Level 3
Quantum House
Abate Rigord Street
Ta' Xbiex XBX1120
Malta

Kambi