

The Board of Directors' complete proposal for resolution on incentive programme and issue of warrants (item 12)

Summary

The Board of Directors proposes that the AGM resolves to establish an incentive programme under which the company invites approximately 40 members of Group management and other key employees (including consultants) in the Evolution Gaming Group to purchase warrants in the company at market value.

The right to subscribe for warrants shall accrue to wholly-owned subsidiaries of the company after which the warrants will be transferred to participants at market value.

To stimulate participation in the programme for participants outside Sweden, it is proposed that for each warrant acquired at market value, one additional warrant may be granted free of charge. Warrants granted free of charge to participants outside Sweden may be used for subscription of shares only on the condition that the warrants acquired at market value have been retained by the participant until the first day on which share subscription is possible as per the below.

The number of warrants to be issued under the programme shall not exceed 547,000. There can be no over-subscription.

The rationale for the proposal

The rationale for the proposal is to create conditions for retaining and recruiting competent personnel to the Group, increase the motivation amongst participants, reward loyalty, and thereby increase shareholder value and the long-term value growth in the company.

Against this background, the Board of Directors is of the opinion that the adoption of the incentive programme as set out below will have a positive effect on the Evolution Gaming Group's future development and thus be beneficial for both the company and its shareholders.

The terms of the warrants

- (i) The warrants shall, with disapplication from pre-emption rights, be able to be subscribed for by wholly-owned subsidiaries of the company. The warrants shall be subscribed for free of charge. Subscription shall be made no later than on 31 July 2016.
- (ii) Each warrant entitles the holder to subscribe for one new share in the company at a subscription price equal to 130 per cent of the volume-weighted average price of the company's share on Nasdaq First North Premier during the period from 16 May 2016 until 20 May 2016. The subscription price calculated in accordance with the above shall be rounded to the closest SEK 0.10, where SEK 0.05 shall be rounded down. The subscription price and the number of shares each warrant entitling the holder to subscribe for are subject to customary recalculations in accordance with the full terms and conditions of the warrants.
- (iii) The warrants can be used to subscribe for shares during the period from the day after the release of the second quarterly report 2019 until and including 30 September 2019.
- (iv) Shares issued following subscription shall entitle the holders thereof to participate in the distribution of dividends for the first time on the record date that occurs immediately thereafter.

The CEO shall be authorised to undertake such minor adjustments in the decision that may be required for the registration with the Swedish Companies Registration Office.

The full terms and conditions for the warrants are set forth in Schedule 1.

Transfer of warrants to participants

After the wholly-owned subsidiary has subscribed for the warrants, the company will offer the warrants to members of Group management and other key employees (including consultants) within the Group.

For warrants transferred at market value, the price (the warrant premium), will be calculated according to the Black & Scholes valuation model. The valuation of the warrants shall be made by PwC. Payment for the warrants shall be made in cash.

The market value of the warrants is, in accordance with a preliminary valuation based on a market value on the underlying share corresponding to the closing price of the company's share on 18 March 2016, SEK 24.70 per warrant, assuming a subscription price of SEK 369.20 per share. The Black & Scholes valuation has assumed a risk free interest of -0.3 per cent and a volatility of 30.0 per cent.

The company shall in connection with the transfer of the warrants to the participants reserve a pre-emption right regarding the warrants if the holder's employment within the Group is terminated or if the holder wishes to transfer its warrants.

Allocation

The allocation of warrants shall be decided by the Board of Directors in accordance with the following guidelines.

Participants in Sweden: approximately 4 members of Group management and approximately 2 other key employees may in total purchase up to 185,000 warrants.

Participants outside Sweden: approximately 2 members of Group management may in total be assigned up to 85,000 warrants and approximately 32 other key employees (including consultants) may in total be assigned up to 277,000 warrants.

Warrants may be allocated at the latest on 31 July 2016. Allocation may take place only to the extent that the total number of warrants under the programme does not exceed 547,000 warrants.

The CEO and members of members of the Board of Directors shall not be eligible to participate in the incentive programme.

Cost and dilution

The number of warrants to be issued under the programme shall not exceed 547,000. If all warrants are used to subscribe for a maximum of 547,000 new shares, the share capital of the company will increase by EUR 8,205, corresponding to a dilution of approximately 1.5 per cent of the company's share capital and votes.

Warrants allocated to participants outside Sweden will be accounted for in accordance with IFRS 2 and will be recorded as a personnel expense in the income statement during the vesting period.

Assuming a share price of SEK 284.00 (closing share price of the company's share on 18 March 2016), a subscription price of SEK 369.20, a maximum participation and an annual employee turnover of 5.0 per cent among the participants, the cost for the incentive programme, including administrative costs but excluding social security costs, is estimated to approximately EUR 570,000. The cost will be allocated over the years 2016-2019.

The estimated costs for social security for participants outside Sweden will also be recorded as a personnel expense in the income statement by current reservations. The social security costs are estimated to around EUR 5,000 with the assumptions above, an average social security rate of 1.3 per cent and an annual share price increase for the company's shares of 10.0 per cent during the vesting period.

The programme is estimated to entail only limited direct costs for the company. Therefore, no measures to secure the program are planned to be made.

Effect on key ratios

If the incentive programme had been introduced in 2015 with the assumptions above, the impact on earnings per share would have been 1.8 per cent, or from EUR 0.56 to EUR 0.55 on a pro forma basis.

The annual cost of the incentive programme including administrative costs and social security is estimated to approximately EUR 190,000 given the above assumptions. This cost can be related to the company's total personnel costs, including social security, of EUR 35 million in 2015.

Preparation

The incentive programme has been prepared by the Board of Directors and has been dealt with at Board meetings during the end of 2015 and the first months of 2016.

Majority requirements

A resolution to approve the incentive programme as set out above, is valid only where supported by shareholders holding not less than nine-tenths of both the shares voted and of the shares represented at the Meeting.

Stockholm, March 2016
Evolution Gaming Group AB (publ)
The Board of Directors