

Remuneration Report – Evolution AB (publ)

Remuneration report for Evolution AB (publ), corporate ID 556994-5792 (Evolution) according to Chapter 8 Section 53 a of the Swedish Companies Act (2005:551)

1. Introduction

This Remuneration Report gives an overview of how the guidelines for remuneration to senior executives of Evolution, adopted by the Annual General Meeting 2021, have been applied in 2021. The Remuneration Report also contains detailed information about the remuneration to the CEO of Evolution. In addition, the report also contains a compilation of Evolution's outstanding share-based incentive programmes. The Remuneration Report has been prepared in accordance with Chapter 8, Section 53 a of the Swedish Companies Act (2005:551), the Swedish Code of Corporate Governance Board's Rules on Remuneration of the Board and Executive Management and on Incentive Programmes.

Information according to Chapter 5, Sections 40-44 of the Annual Reports Act (1995:1554) are available in Note 3 on pages 90-91 in Evolution's Annual Report for 2021 (Annual Report 2021).

The Board of Directors has appointed a Remuneration Committee consisting of Joel Citron (Chairman), Ian Livingstone and Jonas Engvall. Joel Citron and Jonas Engvall are independent in relation to Evolution and the Company's management, Ian Livingstone is related to one of Evolution's larger shareholders and is not independent to Evolution, but to the Company's management. Information regarding the Remuneration Committee's work in 2021 can be found in the Corporate Governance Report on page 60 in the Annual Report 2021.

Remuneration to the Board of Directors who are not employed by Evolution is not covered by this report. Remuneration to the Board of Directors is resolved annually by the Annual General Meeting of Evolution and is presented in Note 3 on pages 90-91 in the Annual Report 2020. The Board of Directors receives no remuneration in addition to remuneration resolved by the Annual General Meeting, except for any travel expenses in connection with board meetings.

2. Significant events in 2021

Evolution's development in 2021

The CEO of Evolution summarises the Company's development in his statement on pages 4-5 in the Annual Report 2021.

Overview of the application of the guidelines for remuneration to senior executives in 2021

A successful implementation of Evolution's business strategy and the safeguarding of the Company's and the shareholders long-term interests, including its sustainability, require that the Company can recruit and retain qualified employees. In order to do this, the Company needs to be able to offer market-based remuneration. The Remuneration Guidelines enable senior executives to be offered market-based remuneration.

According to the Remuneration Guidelines, the remuneration to the Company's management must be market-based and may consist of a fixed cash salary, pension benefits and other benefits. In addition, the Annual General Meeting may – and regardless of the Remuneration Guidelines – resolve on, for example, share and share price related remuneration or incentive programmes based on warrants, as well as remuneration to the Board of Directors. The Remuneration Guidelines adopted by the Annual General Meeting 2021 can be found on pages 61-62 in the Annual Report 2021. The Auditor's Report on whether the Remuneration Guidelines have been followed is available on Evolution's website evolution.com/investors.

The Remuneration Committee has evaluated the performance of the CEO in 2021 and prepared the Board of Director's resolution on remuneration for the CEO as well as for other persons in the Company's management.

Furthermore, the Remuneration Committee has reviewed the Remuneration Guidelines. The Remuneration Committee has also reviewed the Company's remuneration structures and remuneration levels, including the Company's incentive programme. A long-term ownership interest in the Company is encouraged through the possibility for the Company's management to purchase warrants in the incentive programme that is aimed for employees in Evolution.

In 2021, Evolution did not make any deviations from the decision-making process that, according to the Remuneration Guidelines, must be applied to determine the remuneration. Neither has Evolution deviated from the Remuneration Guidelines for special reasons.

Table 1 – Total remuneration to the CEO

Table 1 below sets out the total remuneration to the CEO of Evolution and the Chairman of the Board who is employed by the Company, EUR thousands.

Name of director (position)	Financial year	1 Fixed remuneration		2 Variable remuneration	3 Extraordinary remuneration	4 Pension benefits	5 Total remuneration	6 Portion of fixed and variable remuneration
		Base salary	Other benefits					
Martin Carlesund (CEO)	2021	1,941	15	-	5,759*	-	7,715	100/0
	2020	1,362	22	-	-	-	1,384	100/0
Jens von Bahr (Chairman)	2021	418	-	-	-	-	418	100/0
	2020	406	-	-	-	-	406	100/0

Other benefits comprise company car and health care insurance.

*Conditional for acquiring warrants in Evolution.

3. Share-based remuneration

Outstanding share and share-related incentive programmes

Evolution currently has three outstanding incentive programmes with subscription 2023 and 2024, respectively. Senior executives, including the CEO, have had the opportunity to acquire warrants in these programmes, like other employees in Evolution.

Incentive programme 2021/2024: The Extra General Meeting on 28 January 2021 resolved to issue a maximum of 5,000,000 warrants. Each warrant entitles to subscribe for one new share in the Company of SEK 1,113.80 during the period from and including 20 March 2024 (however not earlier than the day after the publication of the Company's year-end report for the period January-December 2023, the "First Exercise Date") up to and including the date that falls 30 calendar days thereafter. For each warrant that the participant acquires at market value, the participant shall be granted an additional warrant free of charge.

In total 3,948,875 warrants were subscribed, of which 49,770 has been terminated or bought back during 2021. If all 3,899,105 warrants are exercised for subscription of 3,899,105 shares, the dilution effect will be approximately 1.8 percent. The recipients were key employees throughout the Group. Employees in Sweden paid the market value for the warrants. Employees outside Sweden have paid market value for one warrant, while receiving one without payment for each warrant that had been paid for. For warrants acquired at market value, the price (warrant premium) has been determined using Black & Scholes valuation model, with the valuation being carried out by Svalner Skatt.

Incentive programme 2020/2023: The Extra General Meeting on 16 January 2020 resolved to issue a maximum of 4,000,000 warrants. Each warrant entitles to subscribe for one new share in the Company of SEK 373.90 during the period from and including 31 March 2023 (however not earlier than the day after the publication of the Company's year-end report for the period January-December 2022, the "First Exercise Date") up to and including the date that falls 30 calendar days thereafter.

In total 4,000,000 warrants were subscribed, of which 71,350 was bought back during 2020-2021. If all 3,928,650 warrants are exercised for subscription of 3,928,650 shares, the dilution effect will be approximately 1.8 percent. The recipients were key employees throughout the Group. Employees in Sweden paid the market value for the warrants. Employees outside Sweden have paid market value for one warrant, while receiving one without payment for each warrant that had been paid for. For warrants acquired at market value, the price (warrant premium) has been determined using Black & Scholes valuation model, with the valuation being carried out by Svalner Skatt.

Incentive programme 2018/2021: During July-August 2021, the incentive programme that was adopted on the Annual General Meeting on 20 April 2018 exercised. In total, 1,880,030 warrants were subscribed, of which 200,955 have been bought back during 2019-2021. Upon exercise, 1,679,075 new shares were subscribed for by a number of key employees in the Group. Dilution effect amounted to 0.8 percent.

Table 2 – Incentive programmes based on warrants, CEO

Name of director (position)	Principal terms and conditions of the incentive programme				Financial year 2021			
					Opening balance	During the year		Closing balance
	1 Programme	2 Premium paid and allotment date	3 Subscription period / subscription dates	4 Subscription price and subscription dates for shares	5 Warrants at beginning of the year	6 Warrants allotted	7 Warrants exercised	8 Warrants at end of the year
Martin Carlesund (CEO)	2021/2024	SEK 72.60 20/03/2021	20/03/2024 until and including 19/04/2024	SEK 1,113.80 Subscription not yet possible	-	650,000	-	650,000
	2020/2023	SEK 17.87 27/02/2020	31/03/2023 until and including 30/04/2023	SEK 373.90 Subscription not yet possible	1,000,000	-	-	1,000,000
	2018/2021	SEK 8.81* 01/07/2018	22/07/2021 until and including 21/08/2021	SEK 141.06*	175,000*	-	175,000*	-

*Restated according to the terms and conditions of the programme after split 1:5 decided by the Annual General Meeting 2019.

4. Compliance with the Remuneration Guidelines and application of performance criteria

Evolution's vision is to be the world's leading provider of online casino by making gaming operators successful and offering an unbeatable gaming experience for their end users. Evolution strives to constantly improve its offering and at the same time develop the entire online casino market through product innovation at the forefront. Evolution's market-leading position is mainly based on the competitive advantage that has come from the Company's operational cutting-edge expertise and sophisticated platform that provides scalability and the opportunity to expand without having to replicate software locally. This enables continued development and provides shareholder value.

A successful implementation of the Company's business strategy and the safeguarding of the Company's and

shareholders long-term interests, including sustainability, require the Company to be able to recruit and retain qualified employees. In order to do this, the Company needs to be able to offer market-based remuneration. Because the CEO's individual goals are linked to the overall goals of Evolution, these contribute to the Company's business strategy and the safeguarding of the Company's and shareholders long-term interests.

Evolution does not apply variable remuneration for the CEO. Therefore, there are no variable remuneration that is linked to certain performance criteria.

The Board has decided on remuneration to the CEO of EUR 5,759 thousand, the entire remuneration is subject to conditions on acquiring warrants in Evolution within the incentive programme 2021/2024. This is reported as an extraordinary remuneration in Table 1.

5. Comparison of the Company's performance and changes in remuneration

Table 3 – Change in remuneration and the Company's performance during the last five reported financial years, EUR thousand

	2017	2018	2019	2020	2021
Remuneration to the CEO	513	816	760	1,384	7,715
Evolution's operating profit	66,882	89,484	157,472	299,700	654,004
Remuneration per employee*	111	82	80	107	330**

*Average remuneration on a full-time equivalent basis for employees in the parent company, excluding senior executives.

**EUR 196 thousand per employee is conditional for acquiring warrants in Evolution.