



 **Evolution**

ANNUAL REPORT 2022

Table of contents

The year in brief	03
Group CEO comments	05
STRATEGIC REPORT	
Our business model, vision and strategy	09
Our marketplace	11
Our global studios	13
Our online casino operations	15
Our world-leading online casino portfolio	19
Our growing customer base	25
The Evolution share	27
SUSTAINABILITY REPORT	
Sustainability report	31
Our employees	35
Our societies	38
Our environment	39
Diversity	41
Responsible gambling	43
Ethical business practices	45



GOVERNANCE

Directors' report	53
Corporate governance report	59
Our Board of Directors	69
Our group management team	71

FINANCIAL STATEMENTS

Financial reports	75
Notes	84
Declaration by the Board of Directors	111
Auditor's report	112
Glossary and definitions	119

The year in brief

A summary of another outstanding year in Evolution's history.

THE YEAR IN FIGURES

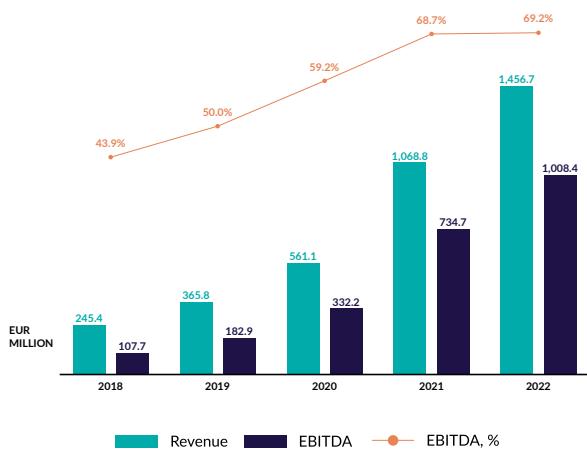
EBITDA **+37.3%** to
€1,008.4 million (734.7)
 EBITDA margin
69.2% (68.7)

Profit **+39.3%**
 to **€843.4 million**
 (605.4)

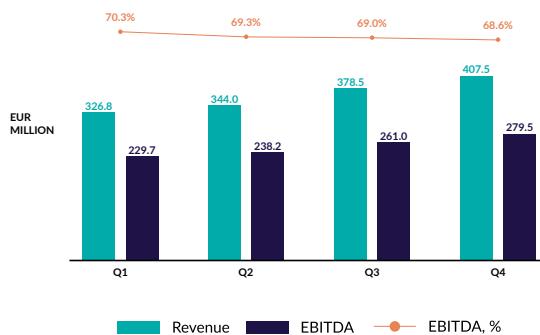
Earnings per
 share **€3.95** (2.83)

The Board proposes
 a dividend of
€2.00 (1.42) per share

5-year Financial Development



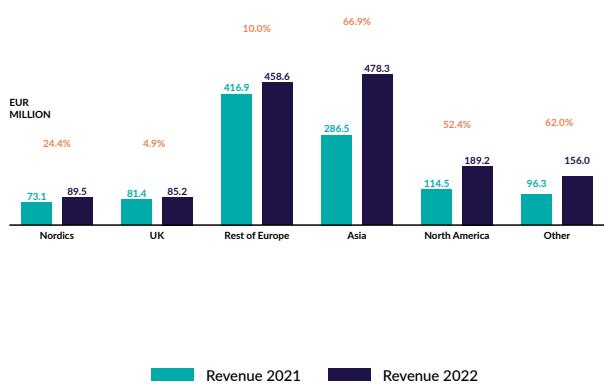
Financial Development 2022



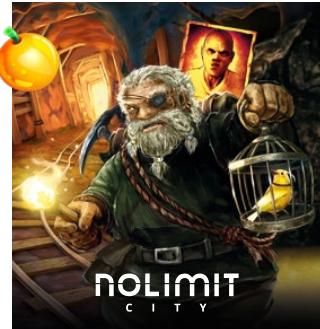
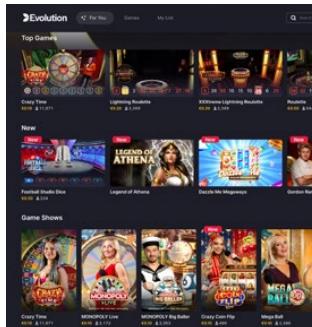
Cost Structure



Geographic Growth 2022



►► HIGHLIGHTS



88 new games and continued growth

We launched 88 new games across our Group brands. Our new big-name live game shows — MONOPOLY Big Baller, XXXtreme Lightning Roulette and Crazy Coin Flip — all built on the success of existing hugely popular Evolution titles. In 2022 we took the entertainment factor to yet a new high level and delivered unexpected and thrilling quality gaming experiences. We expanded our range of immersive and engaging game shows, we continued to build on the success of our First Person range, there were several new variants and unique twists on some of our existing games and we launched more games where we combine slots with live in various formats.

New Smart Lobby

A new Smart Lobby was introduced to provide even slicker, easier access to Evolution live casino and First Person games for players on any device. Amongst a host of new features are a modern and responsive design for quick and clever navigation, personalised content and explanatory game previews, and a unique search engine powered by Artificial Intelligence. The Smart Lobby also allows customised branding for licensees, enabling each licensee to create a tailored lobby experience unique to their brand. Overall, the new lobby is a one-of-a-kind development that further distinguishes Evolution from its competitors.

Acquisition of Nolimit City

2022 saw us welcome another truly innovative, world-leading producer of online slots to the Group. Nolimit City is a slots brand with a difference, having created its own niche in the market through games with sometimes provocative themes and a humorous touch.

Studio expansion, new markets and more

Our live casino studio estate continued to expand with the opening of new studios in Madrid, Spain; Yerevan, Armenia; Connecticut, USA; as well as a second studio in New Jersey, USA. All of these new facilities support our continued growth.

New market activity was particularly focused on North America. In Q2, we went live in Ontario, Canada, and we launched in West Virginia, with games streaming live from our Pennsylvania studio.

Group CEO comments

Innovation, global growth and aiming for even greater heights.



In the very challenging market environment of 2022 – impacted by the war in Ukraine, widespread inflationary pressure, and strained supply chains - our results clearly reflect our strong competitive offering and relentless focus on execution. In 2022 revenues amounted to EUR 1,456.7 million, an increase of 36.3 percent compared to last year, while EBITDA amounted to EUR 1,008.4 million, corresponding to a margin of 69.2 percent.

Our ambition is always to do more and do better every day of the year. I am pleased that we managed to increase EBITDA-margin to 69.2 percent for the full-year (68.7), despite increased costs in many areas outside our control in 2022.

Within Live Casino we continue to see strong demand across all regions. We have a world-leading offering, and I see us continuing to increase the gap to competitors, supported by extraordinary end-user experience and a continuous flow of new games and incremental improvements to the existing ones.

During the year, we continued to develop and improve our RNG offering. We did so through in-house innovation and creativity, but also through the acquisition of Nolimit City, an innovative and world-leading brand in online slots games. With this addition, we currently have one of the market's strongest and broadest offerings, covering four different brands - NetEnt, Red Tiger, Big Time Gaming and Nolimit City. All these four have distinct profiles, addressing their own set of audiences, but also allowing for cross-fertilisation.

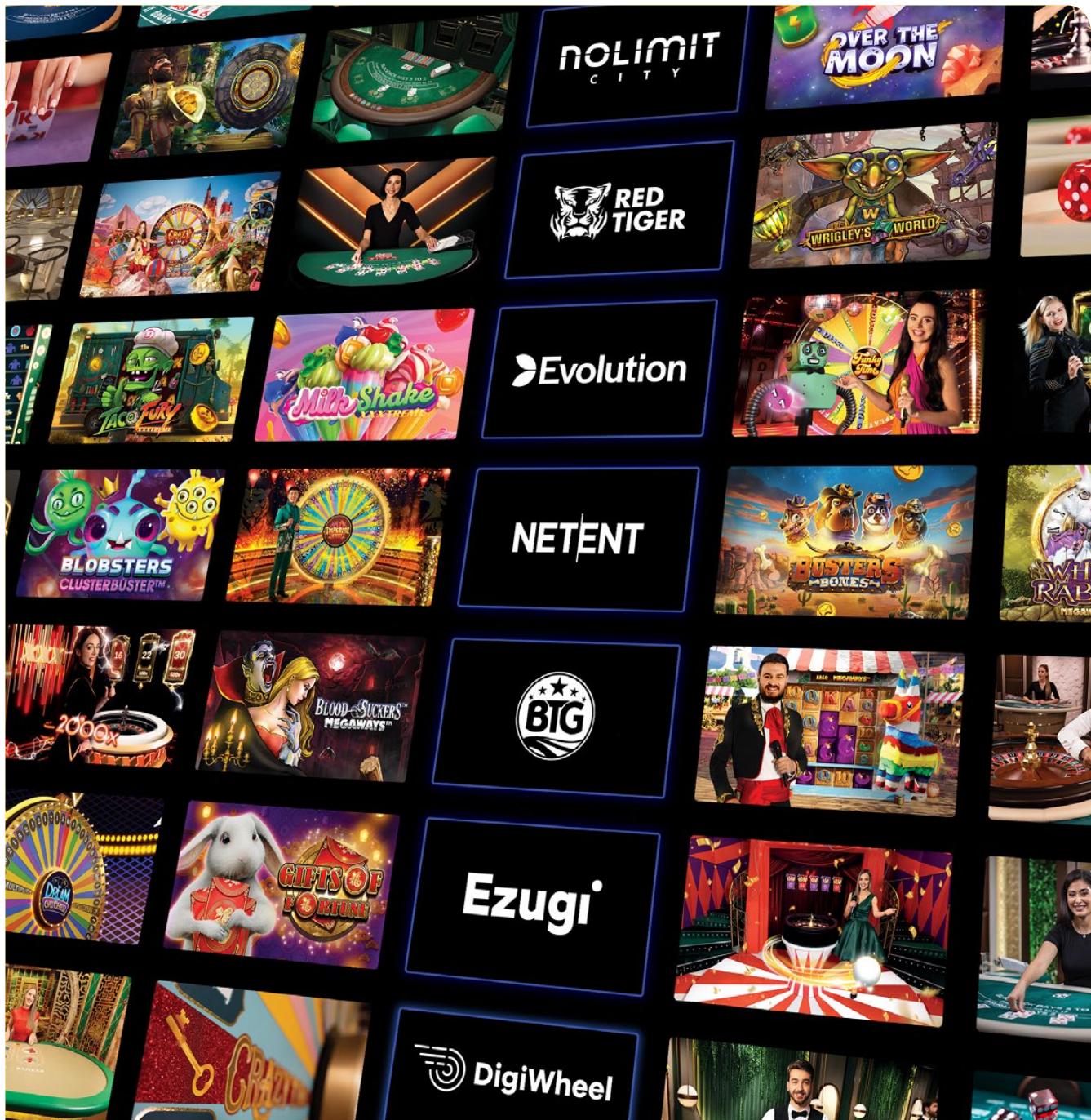
During 2022, we also continued working intensively towards the target of double-digit organic growth in RNG. Overall, revenue growth in RNG was below our expectations.

Structural efforts and the revamping of back-end systems have taken longer than expected but we can also perform better in several areas. We continue to see great potential in OSS (One Stop Shop) where our operators can access all our game content through one interface.

The roll-out of OSS continues also in 2023. We are clearly moving in the right direction but, as stated during the year, the path to our growth target will not be linear during 2023.

Already today our RNG business is highly profitable and significantly contributes to profit and cash flow for the group in the year. We see great benefits today, and also going forward, for Evolution to be able to offer both Live and RNG. In areas where Live Casino is in the early stage of development, being able to offer RNG games is a way to enter the market. Products combining Live and RNG elements are an increasing share of our portfolio. One of our most successful new releases 2022 was XXXtreme Lightning Roulette which is a good example of how we can leverage our growing portfolio of brands from both Live and RNG. Crazy Coin Flip, our first Live slot game, is another great example of a game combining both Live and RNG game mechanics. The strengths we identified when we decided to expand into RNG some years ago, are now making themselves felt.

Creating new innovative games and player experiences is always at the centre of what we do. During 2022 we released more games than we have ever done before – in total 88 new games. For 2023 we plan to release more than 100 games. For us, new games both build loyalty to existing players as well as attract completely new categories of players to our game content. New Live Casino titles in 2022 included MONOPOLY Big Baller - a bingo-style live game show and I am also happy that we managed to launch our beautiful version of Live Craps in its home market, the USA. We also added many great RNG titles in 2022 such as Narcos Mexico, Dragons Clusterbuster and 10,001 Nights Megaways. We always want to do more and better, we are fully focused on delivering an expanded line up of slot games for 2023.



We are a truly global company with worldwide operations at scale. Europe including UK and Nordics represents 43 percent of revenues in 2022, followed by Asia 33 percent and North America 13 percent. As part of our global expansion, we continued to invest in studio capacity in 2022. Total capex amounted to EUR 97 million, which is a significant increase compared to the previous year. With currently more than 1,300 live tables, investments in new studios as well as expansion of existing ones, will continue in 2023, and we are also planning for 1-2 new locations during the year.

At the end of 2022 we are over 17,000 employees at Evolution. Finally, I would like to take the opportunity to convey my gratitude to all employees at Evolution for all your great achievements and hard work in 2022. We have lots of work ahead of us also in 2023 and I am looking forward to the rest of the year together with you.

Martin Carlesund,
Group CEO





STRATEGIC REPORT

**OUR BUSINESS MODEL, VISION AND
STRATEGY**

OUR MARKETPLACE

OUR GLOBAL STUDIOS

OUR ONLINE CASINO OPERATIONS

**OUR WORLD-LEADING ONLINE CASINO
GAMES PORTFOLIO**

OUR GROWING CUSTOMER BASE

THE EVOLUTION SHARE

Our business model, vision and strategy

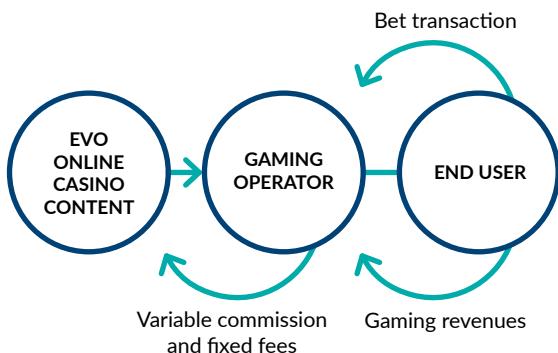
With a scalable business model and a market-leading offering, Evolution is leading the way for the development of the online casino segment on a global basis.

Mission

To make operators successful and provide an excellent gaming experience for their end users.

Vision

To be the leading online casino provider in the world.



Business model

Evolution innovates, develops, and produces content for online casino on a B2B basis. Our content can only be played through the interface of an operator who adds important aspects of the gaming experience e.g. authentication of the player, player account management and user interface.

The gaming operators then market and offer the products to their end users. Evolution's customers include the majority of the largest online gaming operators in Europe and North America, as well as a growing number of land-based casinos that have begun to offer games online.



Retained 35%
Shareholders 29%
Employees 18%
Suppliers 11%
Society 7%

The chart shows the distribution of created economic value to employees in the form of salaries, suppliers for purchases of products and services, shareholders in the form of dividends and society in general by taxes and fees.

Value creation

Through its operations, Evolution creates economic value for its various stakeholders. The company's overarching aim is to create value for its shareholders by providing stable returns over time. In addition, Evolution contributes with value to the local communities where it has a presence, as well as to its employees — who are crucial to the company's success — across Europe and North America. Evolution also has close and long-term relations with its suppliers to ensure quality in the service offering.

Medium to long-term objectives



Dividend

To distribute a minimum dividend of 50% of net profit over time.

✓ Outcome 2022: Proposal of **50.6%**



Growth

To increase the gap to our competitors and grow faster than the global online casino market.

✓ Outcome 2022: **36.3%** compared with **13.0%** for the total online casino market (according to H2GC)

Revenue model

The majority of Evolution's revenues consist of commission fees for both live and RNG casino. Commission is calculated as a percentage of the operators' winnings generated via the company's casino offering.

For live casino, the most basic agreements normally include access to, and streaming from generic tables, while more complex agreements can include dedicated tables and environments, VIP services, native speaking dealers and other customisations to produce a live casino experience that is unique for the end user and helps the operator to stand out from the crowd.

Dedicated table fees are monthly service charges to operators who have opted to provide dedicated tables for their end users. Dedicated tables are reserved and used exclusively by the operator and can be customised completely to the operator's requirements as regards to studio environment, graphics, brand attributes and language. The fee varies from customer to customer depending on factors such as the type of game, number of tables and active hours.

In addition to commission and dedicated table fees, there are other smaller sources of income such as set-up fees, which are invoiced to new customers in conjunction with the launch of their casino offering.



Changing room in our new studio in Madrid, Spain.

Cost structure

Evolution's largest cost items are personnel costs. Personnel costs are primarily related to staff and recruitment within operations, as well as IT and product development. Other costs include royalty fees, consultants and communication among others.

Product innovation and development also constitutes a material cost item, both directly in terms of operating expenses, and indirectly through depreciation of capitalised development costs.

Growth through product innovation

Evolution always strives to increase the gap to the competition. Already today, Evolution has clear leadership in the online casino market and aims to keep its growth momentum. As a group, we are committed to creating the best gaming experience for every player in both live and slots. The most important growth factor is to create games with the highest player entertainment value delivered in an exceptional and flawless way. Since its inception, the company has successfully launched innovative games and solutions that are attractive both to operators and their end users.

The core of our offering is traditional table games - Roulette, Blackjack and Baccarat, the demand for these games remains high, and we will also continue to develop variants and unique twists on these player favourites. We will also continue to expand our range of game shows, utilising the newest technological and live casino studio innovations to appeal to an even broader spectrum of players.

With the broadening of our product offering through the expansion into slots, Evolution has become a powerhouse that now offers solutions for operators and their players across Live Casino, including game shows, RNG table games and slots.

It is the players that are key to achieving our success. In order to earn their attention and excitement we need to be responsive to new player preferences. With technical innovations coming rapidly it is also important for us to be at the forefront of new technology and digital trends in order to stay relevant among players.

In addition to new titles an important part of our product development is to constantly improve the gaming experience in our existing games – securing long-term quality through continuous improvements and enhancement of user interfaces.

We have rebuilt our back-end structure and can now offer our partners our games through one integration – the One Stop Shop solution. It is a way for us to better serve our new and existing partners and facilitates the launch of new games.



Our marketplace

Online casino continues its strong performance in the gaming market.

Total global gaming market

Evolution's services are available on a global scale and its products answer to a global demand.

According to market estimates from H2GC*, the total global gaming market land-based and online had an estimated value of EUR 438 billion (375) in 2022, measured in gross gaming revenues.

Roughly 77 percent (76) of this figure comprised land-based gaming, primarily via monopolised state-owned lottery operations, land-based casinos and gaming machines etc.

The global market for all types of online gaming has grown significantly faster than the total gaming market in recent years. For the past five years (2018-2022), online gaming achieved a compound annual growth rate of around 19 percent compared with 1.7 percent for the market as a whole, including all types of gaming/gambling.

Online casino five year growth

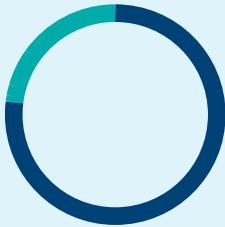
Globally online casino (live, RNG-tables and slots) has had an annual growth rate of close to 20 percent between 2018 and 2022. Live casino has been the fastest growing segment within online casino, with an annual growth rate of 21.5 percent in the same period and the growth rate for slots/RNG amounts to 19.5 percent.

Online casino 2022

According to H2GC, the global online casino market (live, RNG & slots) had an estimated growth of 13 percent compared with the year before. The live casino market had an estimated growth of close to 18 percent from 2021. The share of online amounted to 20.5 percent of the total casino market in 2022. The share of live, i.e. live casino's share of the total online casino market, was 24.5 percent in 2022.

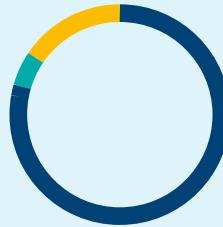
*H2 Gambling Capital: Detailed Global Summary Data (€), 9th February 2023.

Total gaming market in 2022



Land-based 77%
Online 23%

Global Casino Market 2022



Land-based casino 79.5%
Live casino 5.0%
RNG 15.5%

Compound Annual Growth Rate 2018-2022

LIVE
CASINO
▼
+21.5%

RNG
CASINO
▼
+19.5%

LAND-BASED
CASINO
▼
-4.7%



Close up of the MONOPOLY Big Baller ball machine.

EXPANDING THE MARKET

Important aspects for expanding our market are partly the migration to online, and partly new games that attract new players. We are excited to play a role in digitalising the industry as more and more players experience online casino through our games. The rate at which land-based will convert to online over the years to come remains unpredictable, however we have our growth runway in place to capitalise on the development.

In 2017, we revolutionised the live casino domain with the launch of in-house developed game shows. This category of games has been acting as a powerful conversion tool to attract new player types to live casino, such as first-time live players and those who do not traditionally play live casino. These game shows, with a unique mix of live casino and RNG with augmented reality technology, have enabled us to expand to a much broader group of end users and consolidate Evolution's position as the leading innovator in the gaming industry.

Growth

The growth for online casino is underpinned by new regulated markets, technical progress and new distribution channels, but above all, strong demand from the gaming operators and their end users. Live casino is a product that allows the operators to differentiate themselves in the marketplace, since it offers considerable opportunities to completely customise both the backdrop and content. Thus, providing a unique experience for both operators and end users. Furthermore, live casino has proven to be a product that is in line with larger trends such as video entertainment where interaction with real people who speak your own language builds trust among end users.

Competition

The strong growth trend over recent years for live casino has encouraged more systems providers to develop live casino solutions. The barriers to entry are relatively low, while the barriers to success are considerably higher.

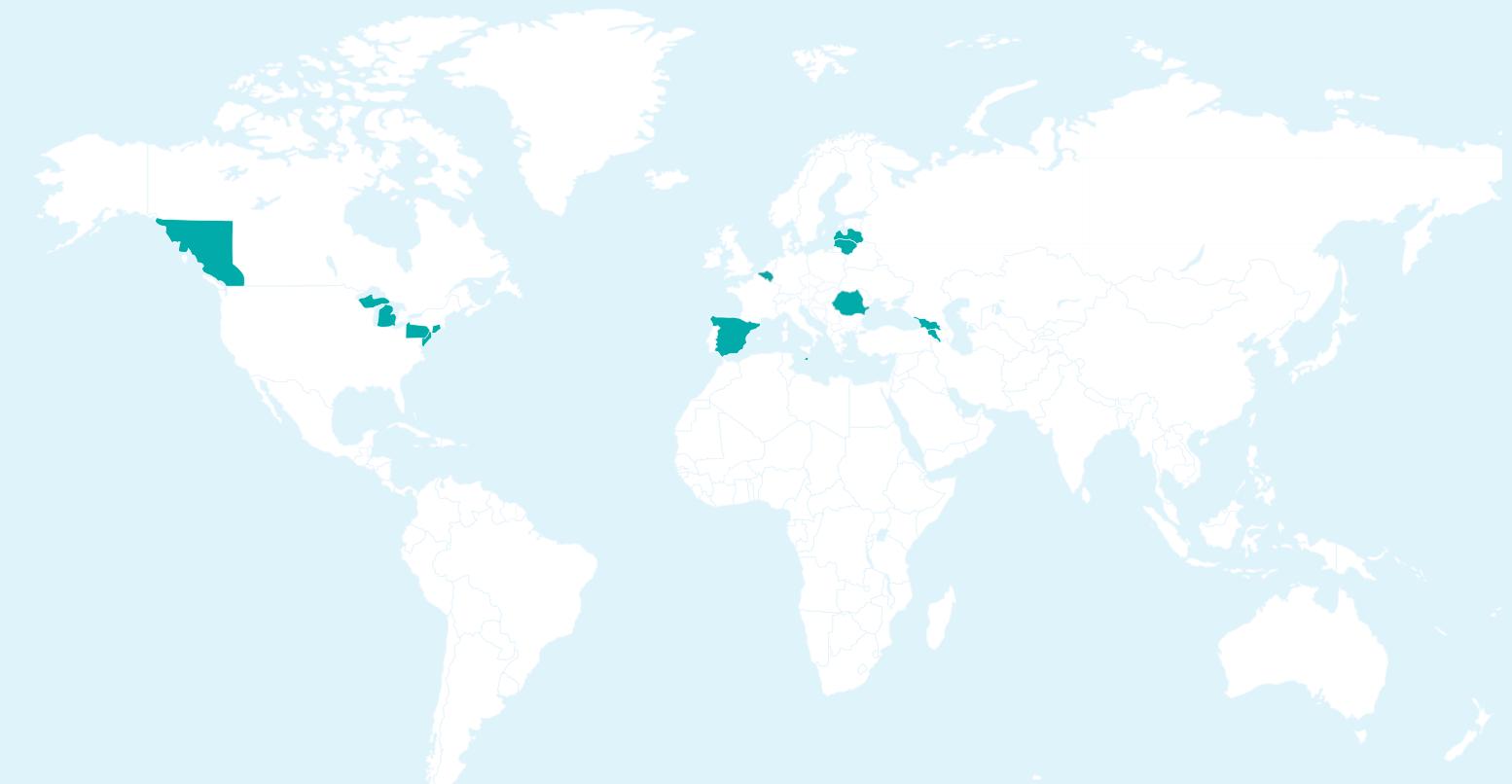
Live casino is a highly complex product that, in addition to a technical solution, requires both a certain volume and outstanding operational excellence to be profitable and perform satisfactorily. Our perpetual mission is to extend the gap to the competition and strengthen our market leadership. This is the common thread in our studio expansion as well as in product development, operational excellence and recruitment.

We have a leading position in RNG, offering an award-winning portfolio of games. The market is more fragmented than live casino with many other suppliers in the marketplace.



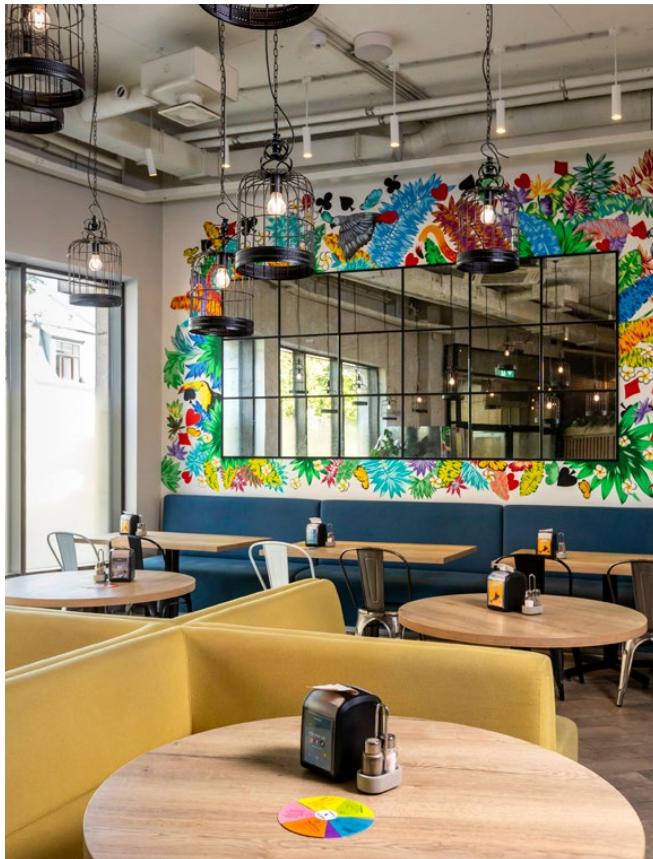
Our global studios

Evolution has ten studios in Europe, five in the USA and two in Canada.



Evolution • **Ezugi** •

- | | |
|-----------------------------|----------------------|
| Armenia • | Romania • • |
| Belgium • | Spain • |
| Canada – British Columbia • | USA – Connecticut • |
| Georgia • | USA – Michigan • |
| Latvia • | USA – New Jersey • |
| Lithuania • | USA – Pennsylvania • |
| Malta • | |



Kitchen in the Riga office, Latvia.

Regulation

The gaming industry is regulated at a national or a regional level. Many countries have regulations for land-based casinos that are not applied to online gaming. Some countries have a gaming monopoly, in which only one operator is permitted, while others have established systems in which several operators can be licensed to offer online games. In some cases, gaming operators that are licensed in one country offer games in other countries as well.

An increasing number of countries introduce national regulations. This means that gaming operators, and in some cases also providers, must apply for country-specific licences, pay local taxes and be subject to national monitoring.

Regulation is an important growth factor for the online casino market, because it brings more potential end users and gives operators greater opportunities to promote the product. Since Evolution is a provider, new legislation tends mainly to affect the company indirectly.

LICENSES

Evolution endeavours to be the most reliable live casino provider in the market and holds all the licenses and certifications where available. Evolution aims to maintain the highest international standards in terms of regulatory compliance and security.

One or more brands within the Evolution Group is licensed and regulated in these jurisdictions:

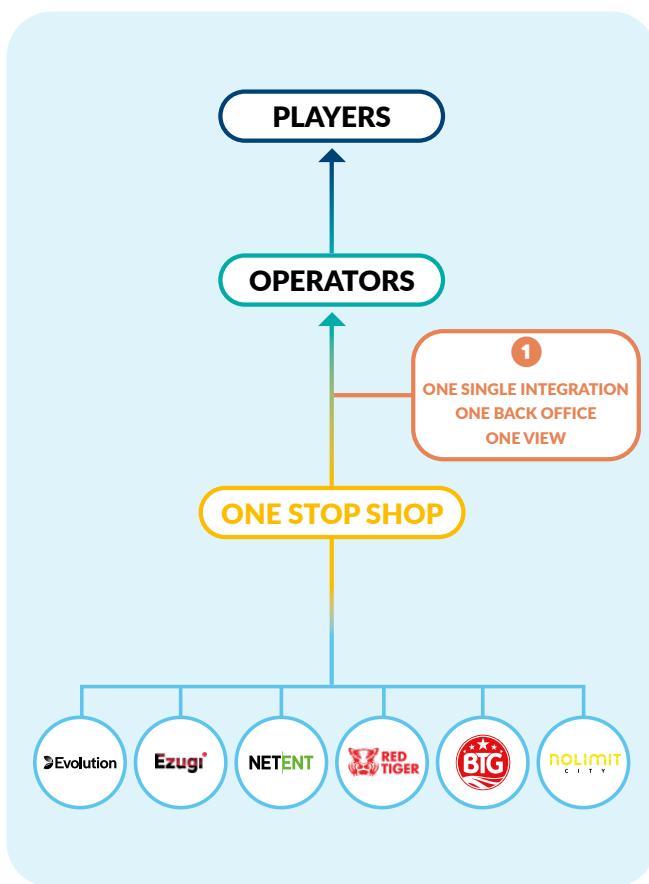
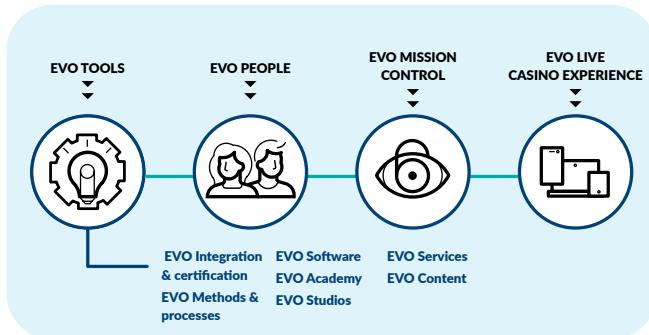
Alderney	Latvia
Bahamas	Malta
Belgium	Romania
Curacao	South Africa
Gibraltar	Spain
Georgia	United Kingdom
Greece	USA - Connecticut
Isle of Man	USA - Michigan
Canada - Alberta	USA - New Jersey
Canada - British Columbia	USA - Oklahoma
Canada - Atlantic Lotteries	USA - Pennsylvania
Canada - Ontario	USA - West Virginia
Canada - Quebec	

Evolution's products are offered in the following regulated markets:

Alderney	Croatia
Argentina – Buenos Aires City	Latvia
Argentina – Buenos Aires Province	Lithuania
Belarus	Malta
Belgium	Mexico
Bosnia - Republika Srpska	Netherlands
Bulgaria	Portugal
Columbia	Romania
Curacao	Switzerland
Denmark	Slovakia
Estonia	Spain
Georgia	United Kingdom
Gibraltar	Sweden
Greece	South Africa
Isle of Man	Czech Republic
Italy	Germany
Canada – Alberta	USA - Connecticut
Canada – British Columbia	USA - Michigan
Canada – Manitoba	USA - New Jersey
Canada – Ontario	USA - Pennsylvania
Canada – Quebec	USA - West Virginia

Our online casino operations

Evolution offers a market-leading live casino platform that simultaneously handles hardware, software, video, employees and user data, giving the operators a complete live casino offering and the end users a unique gaming experience.



One Stop Shop

One Stop Shop (OSS) is Evolution Group's single platform that enables casino operators to achieve simple, fast and unified integration of Evolution, NetEnt, Red Tiger, Big Time Gaming, Ezugi and Nolimit City games.

Our OSS platform makes integration faster and simpler today while providing the foundation for future Evolution Group product expansion – all through a single technical touchpoint for operators. A single integration gives easy access to the extensive, exciting range of Evolution Group games and products, providing a shorter time to market and reduced effort to launch new casinos with a unified and optimised approach to new markets and changes in regulated markets. OSS also gives access to one Back Office and a unified set of promotional tools.

OSS is an extended, enhanced version of the established Evolution integration. Until 2020, OSS was simply known as Evolution integration and was used for Evolution live and First Person games. In 2021, OSS was extended to deliver NetEnt and Red Tiger games, and in 2022, we added Big Time Gaming and Nolimit City. Ezugi joined the OSS portfolio in 2023.

We're constantly improving the platform to be robust, horizontally scalable, and strong in various disciplines such as regulated markets coverage, concurrent users support, and a diversity of features that can be used to boost, enhance and elevate the products.

The company has a stable and reliable technical system that integrates with the gaming operator's system. The technology is designed to be able to handle large amounts of data, while being scalable. Evolution has also built its own video coding solution with the aim of ensuring continuous video streaming in HD or the format that best fits the end users' capacity. In 2022, system availability was 99.88 (99.87) percent, excluding scheduled maintenance.

SYSTEM
AVAILABILITY

► 2022: 99.88%



Training room in the Evolution Academy in Riga, Latvia.

Game integrity

During the year, Evolution games have remained running in a fully compliant environment and at the same time meeting operational excellence and security standards, as well as ensuring the safety of our employees. In 2022, the Game Integrity and Risk department has continued to support new ground-breaking games by setting up innovative real-time game protection systems, most of which are based on advanced video recognition technology and complex hardware setups.

Mission Control Room (MCR) is the heart of Evolution's operations. MCR is responsible for ensuring operational excellence, system availability, security and regulatory compliance.

As a means to protect game integrity and detect attempts of fraudulent behaviour, Evolution monitors all gaming activities on our gaming floors in real time, 24 hours a day, year-round. Tables, games, volumes, and behaviour patterns are monitored through a combination of automatic and manual control systems - all with the aim of optimising security and providing protection against fraud. This work is led by Evolution's Game Integrity and Risk department. All major studios have their own MCR, which in turn can monitor studios at other locations, thus ensuring scalability in Evolution's business.

Customised services

The live casino product is a strategically important tool for operators who want to achieve brand differentiation and strengthen loyalty to their players.

Evolution has many years of experience of offering completely dedicated tables and environments, where virtually everything can be customised to the preferences of the individual operator.

Distribution channels

Evolution offers end users simple access to live casino games via all major platforms. All mobile games are built in HTML5 to ensure smooth integration with the operator's mobile websites and apps. The share of mobile revenue for Evolution represented 68% (69%) in 2022.

Evolution Academy

Evolution Academy is located in the production studios and is responsible for the recruitment and initial and ongoing training of all gaming personnel — from game presenters to card shufflers and customer service personnel.

The Academy is set up just like a real live casino studio to provide training that is as realistic as possible. The normal training period for a new game presenter is roughly 100 hours, after which a three-month trainee period begins.

Each newly recruited employee is assigned a mentor and continues to undergo training after the trainee period has come to an end, in order to further develop their skills and minimise the risk of gaming mistakes. Throughout their employment, all personnel continue to undergo training based on their results, but also in conjunction with the launch of new games or other new technical features. Training in gambling addiction awareness, legislation, money laundering and other areas of control form a key part of the training activities.



Our new studio for XXXtreme Lightning Roulette in Riga, Latvia.

The art of studios

Evolution provides its services through live casino studios across Europe, Canada and the USA. Evolution has three main production studios, which serve as hubs for a clear majority of the markets where Evolution's games are offered. One is located in Riga, Latvia, one is in Fort Mriezel, Malta, and another one is located in Tbilisi, Georgia.

The production studio in Riga is Evolution's innovation hub where the company develops, tests and launches most of its new games. The operations in Riga are conducted with primarily English-speaking game presenters serving both generic and dedicated tables. In Malta, there are mainly international game presenter teams serving native language tables in regulated markets such as Denmark and Sweden. Tbilisi is Evolution's largest hub, where a mix of English-speaking and international game presenter teams are working.

Besides the larger production studios, Evolution also operates studios in Belgium, Lithuania, Romania, Armenia and Spain. Some of these have been built to meet the national gaming regulations requiring a physical presence in each market. Evolution also operates studios outside Europe, in British Columbia, Canada and the USA, in Pennsylvania, Michigan, Connecticut and New Jersey. All together Evolution operates over 1,300 tables for Evolution's customers.

Evolution also operates Dual Play tables built on the premises of land-based casinos in the United Kingdom, Malta, Romania and the USA.

Evolution Job Shop

The Evolution Job Shop is our boutique, in-house manufacturing facility in Riga. Producing items that often no-one else in the world can supply, it epitomises the Evolution ethos of innovation and continually pushing the boundaries of what is possible.



Overview of the workshop in Riga, Latvia.

Doing things extremely well

“If you want a thing done well, do it yourself” is a well-known saying. Those words sum up the inspiration for the Job Shop.

Job Shop is both a mechanical workshop and a unique creative production resource. It was established in 2020 as part of our technical operations to make possible the rapid, high-quality prototyping and production of devices designed primarily by our R&D team.

Job Shop grew out of the need to produce devices for our games and studios that were difficult to source from external vendors. In some cases, the device or part we wanted proved too expensive to procure; or it took too long to produce; or it was impossible to find a manufacturer able to supply the envisaged item.

High quality at speed

In the two years since it opened, the Job Shop has grown into a full-fledged small batch producer of our in-house designed gaming and studio equipment.

A key benefit is the speed at which devices and parts can be made. Often, the Job Shop’s ability to produce equipment in a few days saves the day, enabling a studio and game to meet a demanding launch schedule. Another benefit is assured quality and consistency.

The main equipment in the Job Shop workshop consists of metalworking CNC (Computerised Numerical Control) machines.

CNC machinery is vital in the world of modern manufacturing, with pre-programmed software code controlling the movement of the equipment and enabling extremely precise cutting and shaping. There is also a lot of other kit too, such as lathes, axis mills, welding and painting equipment, to make the full production cycle possible.

The workshop team consists of skilled machinists/fabricators; print operators, who produce table layouts for most of our European studios; and the workshop manager, who oversees daily operations and ensures material and tool availability for uninterrupted operation.

Unique productions

The list of what the team produces is long and varied. Examples include kit for gaming tables equipped with our advanced scalable Blackjack technology, Sic Bo and Bac Bo automatic dice shakers, the Craps dice launcher, and the coin flip machine in our Crazy Coin Flip live game show.

Another key product category produced by Job Shop is the gaming table layouts, which are subject to high usage. Availability and speed of replacements are critical, while having production in-house gives us the option to iterate quickly through different layouts in the design phase.

The smart design and vast experience of the Evolution R&D team and the precision of the Job Shop’s output means that internally produced equipment delivers better and more consistent results. For example, our automatic dice shaker exhibits 80% fewer ‘dice on edge’ errors than comparable products from known brands.

Job Shop is another innovative Evolution success story and its value is undeniable. This in-house facility means shorter product-to-market time and full control over production; the capability to manufacture products that simply don’t exist outside of our imagination; and the agility to respond rapidly to the challenges posed by every new and unique studio build.



Working in the Job Shop in Riga, Latvia.

Our world-leading online casino portfolio

Evolution is a world-leading provider of online casino content. Our unrivalled product portfolio offers the strongest live casino and live game show offering on the market, as well as superior First Person table games and top-performing slots titles.

Not only do operators benefit from exceptional choice with our multi-brand portfolio, but also from the ease and time-saving convenience of our One Stop Shop integration.

►► HIGHLIGHTS

LIVE CASINO TABLES:

+1,300

NEW LIVE CASINO GAMES:

16*

88
NEW GAMES IN 2022

*11 Evolution games, 5 Ezugi games

Evolution started out in 2006 with just a basic Live Casino Roulette game, 17 years later we offer a whole ecosystem of Live Casino, with games appealing to all types of players. At the centre of that ecosystem is our Lobby. When going to the lobby, there is not a universal thing players have in mind. Some are looking for hot Baccarat trends, others want to go straight over to one of our game shows, and many don't know what they are looking for, but they want something new.

Several years ago, we realised that we were outgrowing the hierarchical navigation in the old lobby and started developing our new smart lobby which has now been introduced to players during 2022. Our new smart lobby is modelled after what you would find on YouTube or Netflix – it is driven by an artificial intelligence (AI) recommendation engine that gets smarter every time a player enters the lobby. Our goal with the new lobby is simple: to help players quickly find a game they will enjoy. AI recommendations, videos, filters, recently played, search, and more help players find just what they are looking for, even when they don't know what that is. The new lobby has been years in the making and will serve us for years to come. The long-term value of personalising the lobby for each player can't be understated.

In Evolution, the term 'ecosystem' means that every game we offer is in some small way connected to all the others and it collectively creates a complete experience. Take MONOPOLY Live and the new MONOPOLY Big Baller, for example, which despite them being two of our most popular games, most players will never play, however, players will see these games in the lobby and knowing that Evolution provides these games may give them comfort that we are of pristine quality and can be trusted, so while the job of these games is first and foremost to delight new players with a playing experience they will enjoy, they also bring trust to the Evolution core games like Blackjack and Baccarat.

We also think about the overall ecosystem when setting the roadmap. It is not a goal in itself to move players from one game to another within Evolution, we, therefore, often try to create new games that have no natural substitute. Having such a wide breadth of games will help ensure that a player's first stop when entering an online partner's casino will be an Evolution game. While games like Gonzo's Treasure Hunt and Cash or Crash are not our biggest games, still thousands of players enjoy these games each month and many of those players go on to play our other games. There are no close substitutes for these games anywhere in the casino world and they are contributing nicely to the Evolution ecosystem.



In 2022, we grew the Evolution Live offering significantly, further widening the gap between Evolution and other live providers. We want players to find everything they want and some things they didn't know they wanted, right here at Evolution. XXXtreme Lightning Roulette was an out-of-the-gate success this year, MONOPOLY Big Baller is another mega-hit, and the original MONOPOLY Live saw a nice increase in players after the launch of Big Baller – that is the ecosystem at work again. Also in 2022, we launched the live slot, Crazy Coin Flip, which has caught on with players, and we are excited to do more in 2023 and beyond in combining the worlds of live and slots. We are in a unique position to do this for players, and there are a lot of great games to come in this realm.

In the slots business, 2022 was a year of transitions. We have spent significant time re-building the back-end for our NetEnt brand and are transitioning to a new way to work. Nolimit City (NLC) transitioned into the Evolution family. And both Big Time Gaming (BTG), Red Tiger and the other brands have all been transitioning to our One Stop Shop platform (OSS), which will allow all brands to be distributed to all customers. This is a major project and we have been making good progress.

Both BTG and Red Tiger also fully embraced feature buys this year by making them more widespread on their games, Red Tiger now has their famous jackpotting system live in North America and we look forward to expanding it, and the brands continued to leverage all their great IP in the form of Megaways, NetEnt's Superstars, Bonanza Christmas, the XXXtreme brand, Narcos Mexico, and all of the great "X" features offered by NLC.

All in all, 2022 was a fantastic year for Evolution products. Many new games and features delighted players and strengthened the ecosystem, furthering the gap to competition.

Our games portfolio

Evolution is a world-leading provider of online casino content offering an unrivalled product portfolio with the strongest live casino offering on the market through its Evolution and Ezugi brands, and top-performing slots from its NetEnt, Red Tiger, Big Time Gaming (BTG) and Nolimit City brands.



Live games: Traditional table games and 'new takes'

Evolution has always honoured the casino classics, while also recognising that players love the thrill of the new. 2022's product launches epitomised this approach.

Classic Free Bet Blackjack and Peek Baccarat are exciting variants of all-time casino favourites. The former adds the attraction of selected Free Double Down and Free Split bets for players. The latter adds a unique concept — the opportunity for players to increase their initial bet based on a "peek" at one to four cards mid-game.

A rich variety of content is a key characteristic of the Evolution portfolio, including games designed with certain specific markets in mind. This year this category was extended with two new Indian card games Super Andar Bahar is a unique online version of the traditional Indian card game, spiced up with a series of optional, super-engaging side bets for the chance of multiplied payouts of up to 4,000x. Teen Patti is another favourite, a hugely popular and exciting

variant of Three Card Poker. Both of these simple, easy-to-play card games won new fans across the world.

Also launched to much acclaim in 2022 were two unique titles that are further proof of the boundless creativity of our internal product team and games developers.

Bac Bo is a unique dice game created in the spirit of Baccarat. The game is essentially a simple version of Baccarat played with dice instead of cards. It's quick to understand, with easier to follow rules and gameplay than Baccarat, with just the outcome of the simple dice rolls to consider.

Dead Or Alive: Saloon offers something entirely different again, with its blend of tradition, innovation and entertainment. An all-new live game in a stunning Wild West setting, it takes players on a unique adventure that includes a live card-guessing game, Bonus Cards with multipliers, and the chance to enter an immersive Bounty Hunt event.



Game shows

Once again, huge excitement and player traffic was generated by unique new titles added to our sector re-defining live game shows category.

XXxtreme Lightning Roulette is a supercharged version of our award-winning Lightning Roulette. The new game introduced Chain Lightning and Double Strikes that can increase multipliers up to 2,000x, appealing to players with an eye for bigger prizes.

Football Studio Dice launched as the world's first-ever dice football game, with simple, fast-paced dice play and a chatty, sporty vibe. Similar to our popular Football Studio, it's another unique attraction for lovers of 'the beautiful game'.

Crazy Coin Flip took inspiration from the wild fun of Crazy Time and then combined the best of RNG slots and live games in a truly unique live game show format.

Multipliers are accumulated during the different game phases for the chance to win big, multiplied payouts in the final phase, when the action culminates in the toss of a special coin.

MONOPOLY Big Baller further extended the much-loved board game basics found in MONOPOLY Live. Taking players on a new and equally memorable journey, MONOPOLY Big Baller is a totally new bingo-style live game show in which players embark on an entertaining riverboat cruise. The game features live automated ball drawing, a live game host and numerous payout multipliers. An especially rewarding destination for players is the Bonus Game, in which the augmented reality MR. MONOPOLY walks a 3D virtual MONOPOLY board assisting players and boosting prizes.



RNG Slots

Making its own important contribution to our game portfolio and growth is our First Person range, which continues to perform very well.

2022 saw three new titles added to this range: First Person Red Envelope, First Person Deal or No Deal and First Person Football Studio (US Edition).

Like all our First Person games, these new titles feature beautiful 3D rendered and animated gaming environments and gameplay, leveraging new technologies to deliver an authentic, true-to-life gaming experience.

All First Person titles also include our 'GO LIVE' button in the user interface. A click of the button transports players through an in-game portal to the live version of the same game or game show.

This offers a unique gaming experience and is a powerful, proven cross-selling tool for introducing RNG players to the thrilling world of our live casino games and live game shows.

Most First Person games are fully customisable, so a customer can have their own version of any game with a look-and-feel to match their own brand.

RNG table games from NetEnt and Red Tiger complement our First Person games and offer even more RNG game options for operators and their players.



RNG games: Slots

Our innovative slots portfolio comprises our brands NetEnt, Red Tiger, Big Time Gaming (BTG) and now Nolimit City. It's a beautifully balanced line-up that attracts different player categories and perfectly complements our live games offering.

Nolimit City has achieved standout status and success through often provocative and daring game themes and graphics. Slots titles such as Mental, Fire In The Hole xBomb and San Quentin xWays and many more have undoubtedly strong appeal to different player segments.

Our other Group slots brands continued to entertain and excel in their own way with a host of successful launches.

NetEnt brought the world Superstars, Cornelius, Space Wars II PowerPoints and Knight Rider amongst others.

Red Tiger's releases included Bass Boss, Zillard King and Dragon's Clusterbuster, as well as two games based on exciting NetEnt properties — Gonzita's Quest and Narcos Mexico.

Completing a mega-exciting 2022 for our slots brands, BTG, the inventor of the Megaways slots innovation, unveiled Millionaire Megaways and Golden Catch, while also releasing all of its games on our One Stop Shop (OSS) online game integration platform.

Our slots portfolio currently comprises over 600 titles.

Our growing customer base

Evolution's customer portfolio includes a large number of the major global online operators, platform providers and a growing number of land-based casinos. The main growth will derive from the existing customer portfolio, since operators generally extend the scale of their live offerings. Evolution can also follow existing customers into new markets.

Customer portfolio

Evolution's customer portfolio, including all brands, consisted of over 700 customers at the end of 2022 and comprises online operators and land-based casinos. The online operators typically offer a wide range of different gaming verticals including RNG games, such as slots, live casino, sportsbook, as well as poker and bingo.

New customers in 2022

In 2022, agreements were signed with among others Italy's Sisal for the provision of online slots and jackpots from the Group's NetEnt and Red Tiger brands. The deal builds on Sisal's existing partnership with Evolution for the provision of Live Casino; Holland Casino Online for the supply of the full catalogue of NetEnt and Red Tiger online slots titles; Soaring Eagle Gaming for the provision of online casino content in Michigan; PlayStar for the provision of Evolution's online Live Casino and 'First Person' RNG-based casino games in New Jersey. Evolution also renewed its existing US agreement with FanDuel Group to become FanDuel's sole provider of live dealer table games across the entirety of the regulated US online gaming market. Agreements were also concluded with a number of smaller operators and platforms, while many existing agreements were expanded to cover additional services and tables.

Risk assessment for new customers

As a B2B provider, Evolution's revenues are generated via gaming operators and casinos. The company has stringent monitoring processes in place to detect attempts at fraud and money laundering, but it is the operators that handle all monetary transactions with their end users.

The company has established due diligence processes for when new agreements are signed and to continually evaluate existing customers. Evolution is always able to discontinue its services to operators that fail to comply with the relevant regulations, or that in some other way jeopardise Evolution's market position and/or gaming licences.

Customer dependency

Evolution's largest customer accounted for approximately 14 percent (11) of revenues in 2022, and the five largest customers accounted for roughly 30 percent (22) of revenues.

Customer dependency (% of revenues)

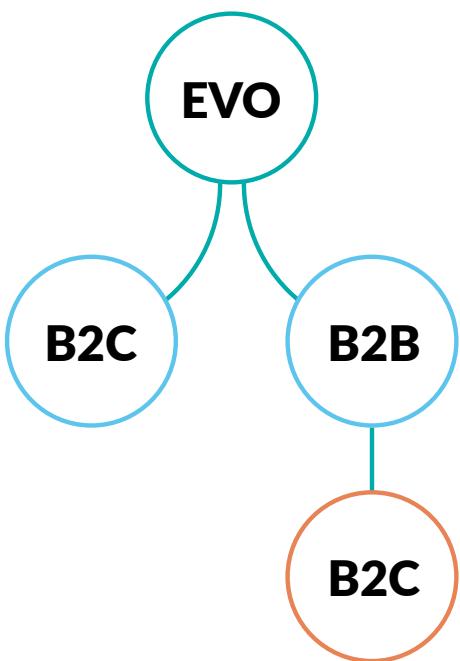
	2018	2019	2020	2021	2022
Top 1-5	32%	27%	33%	22%	30%
Top 1	7%	6%	11%	11%	14%



Due Diligence Process

Evolution innovates, develops, and produces content for online casino on a B2B basis. Our content can only be played through the interface of an operator who adds important aspects of the gaming experience e.g. authentication of the player, player account management and user interface.

Evolution only provides its products to customers with a valid license for online casino granted by a country or a state (jurisdiction) and monitored for compliance by the relevant regulatory instance. Evolution supplies both licensed B2C casino operators, which then supply the games to players, and licensed B2B-actors, which then supply the games to B2C licensed operators, which in turn offer them to players.



Similar to other regulated industries, it is the regulator's mandate to issue licenses and monitor license holders' compliance. Evolution performs a robust KYC of any direct contractual partner, whether B2C or B2B. Evolution demands all B2B operators to perform a robust KYC on their B2C customers (our sublicensees) and Evolution performs an abridged due diligence on those sublicensees before approving them.

Prior to accepting a new customer, Evolution performs due diligence. The due diligence is stipulated by the regulator for the related jurisdiction and includes:

- Governance structure presentation – which includes unique beneficial owner background checks
- That the customer is licensed for their target markets
- For customers with a B2B-license, Evolution requires the customer to report any new operator and present their operator's license
- The due diligence is repeated annually
- As part of the KYC Evolution also performs a Business Risk Assessment whereby each customer is rated against a risk matrix
- In addition, Evolution has an on-going dialogue with all relevant regulators, and we are regularly audited by the regulators. Any identified means to refine our processes is of course implemented accordingly.

In the annual due diligence reviews of existing customers, all suspected irregularities that apply to Evolution are carefully investigated. If a customer fails to meet the terms and conditions or requirements in the contract, Evolution reserves the right to terminate the agreement. If a regulator suspects non-compliance in relation to Evolution products, Evolution works with the regulator to investigate the situation and take relevant action and in the event that a regulator would withdraw a customer's license, Evolution would discontinue that customer.

The Evolution share

Evolution shares are quoted and traded on Nasdaq Stockholm in the large cap segment.

Listing

Evolution's shares commenced trading on the Nasdaq First North Premier exchange on 20 March 2015. The company was approved for listing on the main market of Nasdaq Stockholm in June 2017, with the first day of trading on 7 June 2017.

Share capital

On 31 December 2022, the share capital amounted to EUR 646,536.55, divided between a total 215,111,115 shares, each with a nominal value of EUR 0.003. All shares belong to the same class of shares, with equal voting rights and shares of the company's capital and profit.

Trade in the share

During the year, the share price decreased by 21 percent to SEK 1,015.40 on the last trading day of the year, corresponding to a market capitalisation of about SEK 218 billion. A total 237,658,521 shares were traded during the year, corresponding to a total turnover of SEK 237 billion and a turnover velocity of 109 percent. The average number of shares traded per trading day was 939,362 and the volume weighted average price was SEK 996.78. Total return, share price performance including reinvested dividends, amounted to -19.9 percent.

Analyst coverage

Analysts from ABG, Bank of America, Barclays, Berenberg, BNP Paribas Exane, Carnegie, Citi, Deutsche Bank, DnB, Goldman Sachs, Jefferies, Morgan Stanley, Nordea and Pareto have active coverage of the Evolution share.

Shareholders

On 31 December 2022, Evolution had 101,203 known shareholders, compared with 110,648 at the end of 2021. The company's ten largest shareholders accounted for 46.2 percent of the share capital and votes. Shareholders disclosed as based in Sweden accounted for 30.4 percent of the capital, an increase from last year's 29.9 percent. The US and the UK account for the highest percentage of shareholders registered outside Sweden.

Dividend

At the Annual General Meeting, 8 April 2022, resolved on a dividend of EUR 1.42 per share for 2021. The Board of Directors proposes an increase in the dividend of 41 percent to EUR 2.00 (1.42) per share for the 2022 fiscal year, representing a payout ratio of 50.6 percent (50.0) of net profit, in accordance with the company's dividend policy to distribute 50 percent of the annual consolidated net profit over time.

Investor Relations

Evolution's financial communication shall be characterised by correct, clear and relevant information that facilitates the understanding of the company's business model, strategy and financial development. Evolution provides its shareholders and other stakeholders with identical information simultaneously in matters that may affect the valuation of the company's shares. The company publishes interim reports, annual reports and press releases that are available at: www.evolution.com/investors.

It is also possible to subscribe to news via the website.

2023 Financial Calendar

Annual General Meeting: 4 April 2023

Interim report January-March: 27 April 2023

Interim report January-June: 21 July 2023

Interim report January-September: 26 October 2023

Year-end report: February 2024

Ticker names

Nasdaq Stockholm: EVO

Bloomberg: EVO:SS

Reuters: EVOG.ST

SHARE PRICE PERFORMANCE 2022

Evolution

OMXSPI

OMXS30

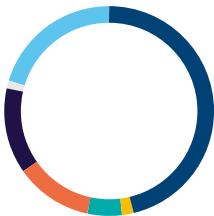
In 2022, the price of Evolution's share decreased 21%. During the same period, the OMX Stockholm 30 Index dropped 16% and the OMX Stockholm Price Index dropped 25%.*

*OMXSPI includes all the shares listed on Nasdaq Stockholm Stock Exchange.

OMX Stockholm 30 consists of the 30 most actively traded stocks on Nasdaq Stockholm. Evolution was included into this index on 4 January 2021.

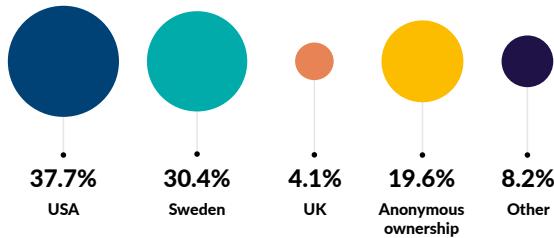


TYPE OF OWNERS



Foreign institutional owners	45.0%
Other foreign owners	1.6%
Swedish institutional owners	5.1%
Swedish private individuals	11.6%
Other Swedish owners	12.9%
Holding of own shares	0.9%
Anonymous	19.6%

OWNERSHIP DISTRIBUTION BY COUNTRY



10 LARGEST SHAREHOLDERS AS OF 31 DECEMBER 2022

Shareholder	Number of shares	Capital and votes
Capital Group	33,182,971	15.4%
Österbahr Ventures AB	22,400,140	10.4%
BlackRock	11,030,414	5.1%
WCM Investment Mgmt	10,976,711	5.1%
Vanguard	5,677,130	2.6%
Norges Bank	4,225,060	2.0%
Richard Livingstone	4,186,120	1.9%
Avanza Pension	3,301,656	1.5%
Henric Wiman	2,289,200	1.1%
Första AP-fonden (AP1)	2,177,158	1.0%
Total, 10 largest shareholders	99,446,560	46.2%
Other shareholders	115,664,555	53.8%
GRAND TOTAL	215,111,115	100%

SHARE DATA

Share data	2022	2021	2020
Earnings per share (EUR)	3.95	2.83	1.55
Dividend (EUR per share)	2.00	1.42	0.68
Payout ratio	50.6%	50.0%	51.0%
Shares outstanding at the end of the year	215,111,115	215,111,115	212,327,008
Average number of shares outstanding after dilution	217,505,567	221,818,828	189,021,346
Share price on the last closing day of the year	1,015.40	1,286.20	834.80
Total return	-19.9%	54.7%	197.1%
Number of shares traded	237,658,521	261,209,174	263,680,295
Market capitalisation at year-end (SEKm)	218,424	276,675	177,250
Number of shareholders	101,203	110,648	67,515

Source: Evolution and Monitor by Modular Finance AB. Compiled and processed data from various sources, including Euroclear, Morningstar and the Swedish Financial Supervisory Authority (Finansinspektionen).





SUSTAINABILITY REPORT

SUSTAINABILITY REPORT

OUR EMPLOYEES

OUR SOCIETIES

OUR ENVIRONMENT

DIVERSITY

RESPONSIBLE GAMING

ETHICAL BUSINESS PRACTICES

Sustainability report

Sustainability work

Evolution conducts sustainable business operations focused on ethics and responsibility, on offering a safe and dynamic work environment for employees, supporting the development of the local communities in which we conduct our operations, as well as on minimising our operations' climate footprint. We consider compliance with formal legal and regulatory requirements in our sustainability work as a minimum level that is supplemented with requirements, both from within our organisation and from various stakeholders in the markets in which we operate.

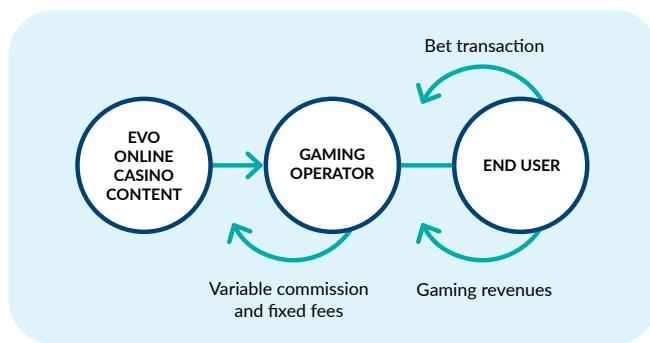
We consider sustainability to be an integral part of both our strategic and operational processes – processes that build on a combination of technical innovation and a long-term perspective with regard to developing products and the operations in general. By including aspects of sustainability into these processes, we safeguard Evolution's continued strong growth.

Sustainability Report

Evolution AB's sustainability reporting summarises the work performed in 2022 and constitutes the Statutory Sustainability Report. It was prepared in accordance with the requirements set out with regard to sustainability reporting in Ch. 6, par. 12 of the Annual Accounts Act.

Business model

Our work with regard to ethics and responsible gambling is significant and contributes to making Evolution's operations competitive and sustainable in the long term. The business model clearly sets out the division of roles and responsibilities between Evolution, the gaming operators and the gaming operator's players. These responsibilities also govern how aspects of sustainability with regard to ethics and responsible gambling are handled. Evolution meets the requirements in terms of ethics and responsibility based on the practical opportunities associated with our work and role as a B2B developer and supplier of content to our customers, the gaming operators. The gaming operators retain all data regarding the identities of specific players as well as controls and monitors all gaming functions associated with accepting bets.



Our values

We apply a broad definition of the term sustainability, with our ambitions being based on our Group-wide values. These values, which are directly connected to several of Evolution's six areas of sustainability – are communicated regularly to all employees, as well as in connection with recruitment.

- **ALIVE** – We love winning. We are entrepreneurial, innovative, and always on our toes, hungry for more. Our customer's success is our success
 - **do RIGHT** – We bring quality and integrity to everything that we do – our reliability and credibility are critical to our business. We strive to give back to the communities in which we operate
 - **work TOGETHER** – Our ability to embrace diversity is critical to our success. We respect each other and we believe in transparent and honest dialogue. We look after and help one another.

Sustainability governance

The Evolution Board of Directors bears the overall responsibility for sustainability work and for compliance with regulations and guidelines. This responsibility has been delegated to the Group Management, which both advances the Group's practical sustainability work and reports on the results to the Board of Directors. The Extended Group Management (EGM) team assists the executive management with this. The EGM comprises some ten senior executives from key operations around the Group. Alongside the executive management, the EGM supports and coordinates work in the area of sustainability. To ensure that everyone within the Group is familiar with the guidelines and principles, new employees receive information as part of their onboarding process.

The practical work is governed by the joint sustainability policy implemented throughout the Group, as well by the other governance documents, including our Code of Conduct. The rules and guidelines cover all employees at all levels throughout the operations. In addition to our own employees, we also expect our customers, suppliers and business partners, in their own operations, to adhere to standards equivalent to those included in Evolution's Sustainability Policy and Code of Conduct.

In addition to the Code of Conduct – as well as globally recognised principles and frameworks – we maintain Group-wide policies for the following areas, which are connected to the area of sustainability:

POLICY	PURPOSE	OWNER
Anti-bribery and Anti-corruption Policy	To establish the company's commitment to maintaining the highest standards of professionalism and ethical behaviour in contacts with customers and suppliers.	Group Management
Anti-money Laundering and Counter-terrorist Financing Policy	To detail the measures that the company must implement to prevent the operations from being used for money laundering or for financing terrorism.	Group Management
Global HR Policy	To provide a basis for consistent decisions by all managers. To contribute to governance and regulatory compliance.	HR
Data Protection and Privacy Policy	To protect employees, customers and the company from damage resulting from breaches of personal data.	Data Security
Work Environment Policy	To avoid physical or mental illness in the work environment. To provide contingencies for incidents that occur.	HR
Equality policy	To increase awareness of gender equality issues and to strive for an open attitude and equal treatment throughout the company.	HR
Discrimination Policy	To safeguard equal treatment of all employees and to avoid and prevent abusive treatment.	HR
Communication Policy	To create guidelines for external and internal communications and to clarify communication responsibilities.	Group Management
Data Security Policy	To protect employees, customers and the company against data breaches and cyber attacks.	Data Security Department
Sustainability Policy	To provide an overall plan for the company's sustainability work.	Group Management

All of these guidelines are implemented through recurring information and training measures for different groups of employees. Contents are reviewed annually and are always available via Evolution's intranet. By means of our whistleblower function, employees can anonymously raise the alarm about events or behaviours that could be unethical or illegal.

Development in 2022

Over the year, the sustainability work was both broadened and deepened, with a road map being established for the period up until 2024. This was partly due to the increased external requirements gradually being introduced, and partly due to Evolution seeking to develop its processes to better track and enhance its sustainability initiatives. Among other things, how climate data are collected and calculated was further developed in 2022, with follow-up methods also being improved. Evolution has also joined the Global Compact, the UN's initiative for responsible business.

Stakeholder dialogue

As a market leader, we seek to hold a strong position with regard to sustainability. One way to achieve this is to maintain an active dialogue with various stakeholders in the value chain. Among the most important stakeholders are our customers – the operators – who make the product available to players. The relevant regulatory authorities, who monitor compliance with licenses and permits in a particular market, are another key stakeholder. The list of stakeholders also includes our own employees, legislators, industry organisations and local authorities.

We cooperate with all of these stakeholders to strengthen our operations and develop our sustainability work. Examples of cooperation and dialogue are supervisory audits, operators' sustainability audits, licence and permit applications and other controls. These contacts enable the refinement of our own processes, the implementation of best practices and they help keep the industry healthy and transparent while safeguarding the well-being of our employees.

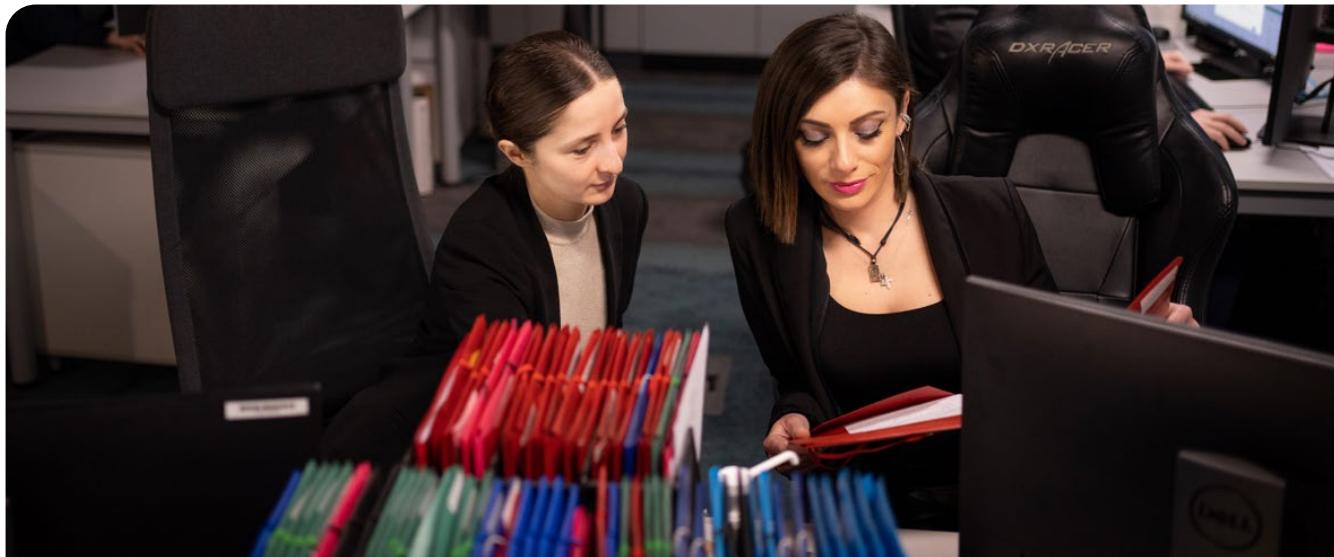
Six areas of focus

The sustainability work currently includes six areas of focus, developed in dialogue with stakeholders. Through these areas, the work focuses on the most essential social, environmental and financial impacts of the operations. As part of the follow-up process, key performance indicators (KPIs) have been developed for several areas.

- **Our employees** – fostering a safe and inspiring work environment and contributing to professional and personal development
- **Our societies** – actively supporting a positive development in the communities where we operate
- **Our environment** – minimising our environmental impact through technical innovation
- **Diversity** – fostering an inclusive workplace where diversity is considered a competitive advantage and an asset
- **Responsible gambling** – advocating responsible gambling and raising awareness of gambling addiction
- **Ethical business practices** – actively combating all forms of corruption.

Highlights in 2022

- Development of a roadmap for sustainability work for 2022 – 2024
- Sponsoring Boys & Girls Clubs of America
- Donations to Ukraine
- Certifications – data security
- Extended skills development for employees (following the pandemic)
- Awards – “Best employer”.



Employees at our office in Tbilisi, Georgia.

Roadmap

2022	2023	2024
<ul style="list-style-type: none"> Extended collection and calculation of climate data in accordance with the GHG protocol Affiliation to the Global Compact. 	<ul style="list-style-type: none"> Develop objectives by means of climate data Strengthen processes around the collection of sustainability data Update stakeholder dialogues and the materiality analysis Prepare the organisation for the introduction of the EU Corporate Sustainability Reporting Directive CSRD. 	<ul style="list-style-type: none"> Prepare reporting in accordance with CSRD Assess the need for a sustainability platform.

Connection to global sustainability goals

The UN's 17 global goals for sustainable development form the foundation of the global community's aspiration to achieve a better and more sustainable future by 2030. They call on governments, civil society, businesses and the general public to act on the challenges that the world faces related to poverty, inequality, climate, environmental degradation, prosperity, as well as peace and justice. The goals are interconnected and comprise a number of intermediate targets and areas of focus. The matrix below shows how our sustainability area targets align with the UN's global goals.

PRIORITY AREAS					
OUR PEOPLE	OUR SOCIETIES	OUR ENVIRONMENT	DIVERSITY	RESPONSIBLE GAMBLING	ETHICAL BUSINESS PRACTICES
RELATED SUSTAINABILITY DEVELOPMENT GOALS					
8 DECENT WORK AND ECONOMIC GROWTH 	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 	7 AFFORDABLE AND CLEAN ENERGY 	5 GENDER EQUALITY 	4 QUALITY EDUCATION 	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
16 PEACE, JUSTICE AND STRONG INSTITUTIONS 		13 CLIMATE ACTION 			

Global Compact

In early 2023, Evolution joined the Global Compact - the UN's initiative for responsible business. By joining, we undertake to support the initiative's ten basic principles in the areas of the environment, labour law, anti-corruption and human rights.

Sustainability risks

Evolution is exposed to certain sustainability risks. Specific risks are listed under each area in the Sustainability Report, as well as in the risk section of the Annual Report, which is presented on pages 55-58.

Guidance - legally required disclosures

Summary of Evolution's fulfilment of the reporting standards of the Annual Accounts Act:

- Business model, page 31
- Environment, pages 39-40
- Human rights and social responsibility, pages 38 and 45-46
- Anti-bribery and anti-corruption, pages 45-46
- Diversity and prohibition of discrimination, pages 41-42
- Responsible gambling, pages 43-44.

The Sustainability Policy and Code of Conduct are available on the Evolution website.



Employee in the Engineering Department working in our office in Tbilisi, Georgia.

Taxonomy

In line with the requirements, Evolution performed an analysis to identify the operational activities attributable to the EU taxonomy. This showed no activities to report or publish. Accordingly, the Group meets the requirements on non-financial reporting in the directive. For more information regarding the taxonomy see pages 47-48.

IT and data security

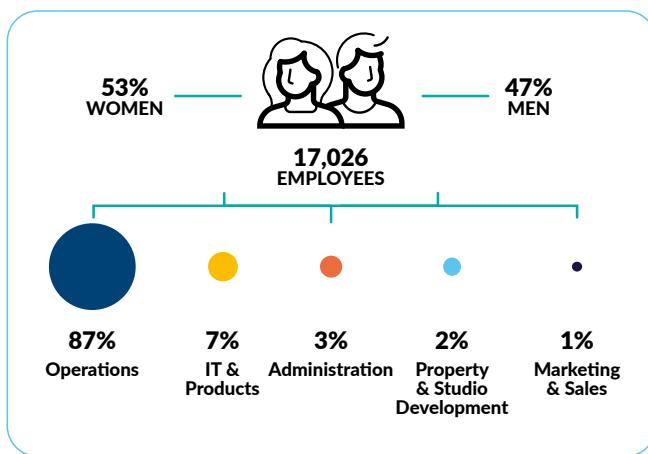
IT and data security are essential in maintaining confidence in Evolution's operations. An important aid in this work is our ISO 27001:2013 certification – the highest ISO standard for IT security. This certification serves as proof that Evolution's in-house processes are organised in a way that (i) ensures that data are available only to those entitled to access them, and (ii) protects the accuracy of the data and make them available on appropriate occasions.

We have implemented processes complying with Regulation (EU) 2016/679 of the European Parliament and Council of 27 April 2016. This regulation concerns the protection of natural persons regarding the processing of personal data and the free movement of such data (GDPR). Our data security work is also based on other applicable local data protection and privacy laws. It is important to note in this context that Evolution does not handle player's identity identification, that information stays with the gaming operators, Evolution's customers.

Among other things, the practical work is based on the following prerequisites:

- An established structure for governance and control
- Operational procedures to monitor and manage data breaches and cyber attacks
- Regular internal and external security audits and vulnerability analyses of Evolution's systems, products and procedures connected with user data.

OUR EMPLOYEES



Evolution shall be a fair and valued employer that contributes actively to employees' professional and personal development. We aim to be a platform on which our people thrive and grow – both as employees and as individuals.

Evolution has more than 17,000 employees, representing more than 100 nationalities. We are growing rapidly and the number of employees increased by slightly more than 3,600 people – or 27 percent – in 2022. We have many young employees in the company, at the start of their professional careers. More than 85 percent of all employees are connected to our gaming operations, where the average age is 24 years with croupiers/game presenters being the largest individual professional group. Accordingly, for many employees, working with us is not merely their first contact with a new company or industry, but their introduction to working life in general. With Evolution's innovative profile, advanced technology and global distribution of products, we are, at the same time, an attractive employer for software and system developers.

High quality results

In our view, accountability at both team and individual levels is a prerequisite for achieving effective, high quality results in the operations. Our employees' decisions and actions on a day-to-day basis are what drive the operations forward and achieve results. To make this possible, we work actively to provide an open and transparent work environment characterised by teamwork and sharing of best practices. Equally important are education and skills development with regard to both hard and soft skills. To monitor development and identify areas for improvement in the daily work we perform a bi-annual Employee Engagement Survey.

Risk

The greatest risk is that Evolution fail to secure the supply of skills needed to meet the high level of demand and rapid growth. This could impact opportunities to expand and develop the operations.

Culture and values

We believe that a strong corporate culture – promoting a positive, dynamic employee experience, while also focusing on the customer and end user – is crucial for us to be able to continue delivering. Rooted in our values ALIVE, do RIGHT and work TOGETHER we strive to improve a little every day. The values provide guidance and connect directly to several of the targets and ambitions we apply in our sustainability work, such as the importance of cooperation and diversity. The values also emphasise the importance of employees with the drive and will to develop.

Work environment and commitment

We strive to encourage our employees to make healthier choices by promoting a healthy lifestyle. This work is carried out under the umbrella term HealthyEVO and focuses on the areas of physical activity, mindfulness and workplace safety. Evolution offers activities in which employees can become involved by, for example, sponsoring participation fitness runs and ergonomics courses, as well as providing tips on how to cook healthy food easily. These initiatives gained momentum in the latter part of 2022, including additional group activities with the pandemic no longer imposing restrictions.

Over the year, the assessment of the work environment at our different workplaces was formalised. Today, all sites use the same tool in their assessments. These are performed every six months and have facilitated local work environment efforts. No work environment shortcomings were reported in 2022.

In 2022, 91 work-related incidents (27) were reported. The increase in reported incidents is partly due to the company's growth in number of employees.

Employee engagement

We consider employee engagement crucial to our business success. Accordingly, an Evolution Engagement Survey is conducted in all teams bi-annually. This builds on Gallup's proven analysis model and is our version of an employee survey. Employees answer 12 questions, with the results being used as the basis for a plan of action by each manager. The objective is for these studies to quickly pinpoint what works well or less well in the small-scale day-to-day activities and pave the way for improvements. In 2022, two engagement studies were conducted.

Employee survey	October 2022	April 2022	May 2021
Points	3.68/5	3.79/5	3.78/5
Response rate (%)	78	73	61

Overall, we score high in areas generally considered critical for employee engagement. Most of our employees say (i) that they “know what is expected of me at work”, and (ii) that “I have the resources and equipment I need to be able to do my job well”. These are the two questions which are the base for employee engagement. With regard to improvements, the survey indicates that more can be done to bring all employees closer to Evolution’s overarching mission. Equally important is the continuous work to ensure that our managers have the appropriate tools to recognise employees’ day-to-day efforts.

Skills development

We have extensive experience of onboarding and training new employees in the studio operations. All new recruits spend their first two or three weeks at the Evolution Academy, where they receive basic training in croupier technique as well as transferable skills, such as presentation skills and on-camera techniques. Through the Evolution Academy, we also offer continued training for those seeking to improve performance and progress in the studio operations, to become, for example, a game host. We foster and promote internal career opportunities, both horizontal and vertical. This is achieved through multiple internal training programs, relocation, rotation and shadowing programmes, but also as a natural consequence of the company’s growth. We have had many positive examples of employees building their career with us in these ways.

The average age of our managers and leaders is 30 years. Since 2021, all managers are supported in their managerial work through our five-step manager-model. This shows how successful on-boarding of new employees is performed, regardless of role or function. We also offer an internal leadership program which is mandatory for all junior managers in operations and have introduced a curriculum focusing on soft skills in, for example, communications.

All managers and other employees are trained in responsible gambling, data security and GDPR. For certain selected positions, courses on countering money laundering, terrorist financing, corruption and bribery are mandatory.

Training	Employee training participation (%) [*]
Anti-Money Laundering	75
Anti-Money Laundering (Canada)	82
Responsible Gambling	72
Anti-Bribery	82
Information Security	66
Privacy and Data Protection Essentials	73
Why Privacy Matters	55

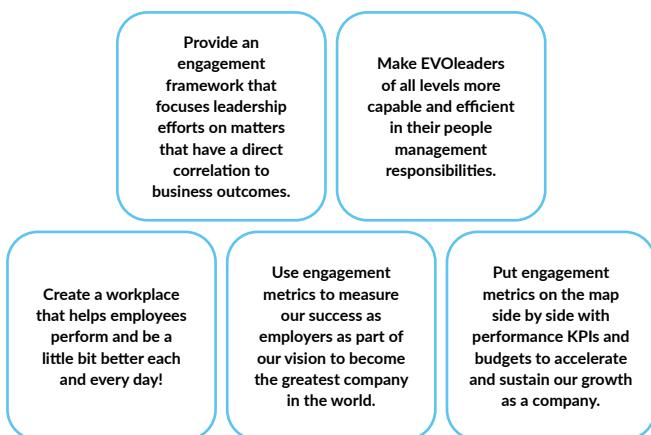
*Refers to the proportion of employees in the relevant departments that participated in each course.

Leadership development

In 2022, our global leadership development framework was expanded, partly with a programme for employees who become managers for the very first time (From Buddy to Manager and Team Leader Experience Sessions), partly with a programme for more experienced managers (From Manager to Coach).

We also launched our #EVOsGotTalent! programme. This serves to support the development of talented individuals in the studio operations. The programme is designed to secure access to employees prepared to advance with the anticipated growth in operations.

All of these initiatives contribute to establishing a framework that supports the development of existing leaders and the supply of new ones. The programmes and courses within the framework are based on five steps, with the purpose of building leadership skills with a clear connection to the results of the operations.



What we did in 2022

- A new way to approach Performance Development, where we have established procedures and tools for the roles not covered by the monthly assessments performed by everyone working at the casino tables. The objective is a structured approach ensuring that all employees are afforded opportunities, in dialogue with their managers, to grow and develop with Evolution
- EVO Leadership Week was launched in selected markets. This is a programme for leadership development in which our managers have the opportunity to attend lectures and participate in workshops with people outside their own teams. This is especially valuable for young people, new leaders who are offered both theoretical and practical insights contributing to their development in their roles
- Implementation of the Evolution Engagement Survey, in which the percentage of respondents was high and the results favourable in several operationally-critical areas, including with regard to employees' sense of participation and commitment in their work
- Continued initiatives on our online portal with access to eBooks, audio learning, virtual classrooms and online courses on topics for personal and professional development
- A pilot project with scholarships has been launched in Georgia – our largest site. Over the coming year, the project, targeting those who study in parallel with working with us, will include 50 recipients of scholarships
- Evolution's HR-work received praise on several occasions. In Latvia, survey company Kantar named us as one of the IT industry's 15 best employers. The result is based on an EPI survey among IT specialists and students on technical higher-education programmes. In a vote conducted through the Latvian organisation CV Online, Evolution was named as one of the top five employers in the international companies category. In Sweden, the Karriärföretagen organisation named Evolution as a Career Company 2022. This award recognises employers who offer recruits unique career and development opportunities.

Next steps

- In 2023, Evolution will build further on its framework for Performance Development, through, for example, workshops on effective target setting
- The EVO Leadership curriculum (trainings for first-time managers and development of existing managers) will continue to be rolled out, supported by additional internal Trainers identified and trained in facilitation
- The bi-annual Evolution Engagement Survey will be rolled out, forming the base for Action Plans supporting improvements in the daily work
- The EVO Leadership Weeks will be expanded to include additional markets.

OUR SOCIETIES



Martin Carlesund, Group CEO, at the opening of the Boys & Girls Club in New Jersey, USA.

Evolution strives to be a good corporate citizen. We do this by actively supporting positive development in the local communities in which we maintain operations. Efforts focus mainly on engaging employees and on providing financial support for projects and initiatives in partnership with established local organisations.

Evolution – supporting learning and education

In line with our aspirations for our employees – where we reward talent and ambition – our efforts are focused on our local communities and on providing opportunities for people to make the most of their potential. Accordingly, many of our initiatives involve facilitating or encouraging opportunities for education.

Risk

Were Evolution not to support its local communities, we would risk being perceived as a company lacking in responsibility and consideration of others. Not assuming social responsibility can also impair our opportunities to recruit new employees. Accordingly, this type of support thus contributes to strengthening Evolution as a company by the operations being associated with empathy and a willingness to contribute to development of the local communities.

What we did in 2022

- Our largest studio is located in Georgia. In preparation for the Christmas and New Year celebrations, we collaborated with local organisation Supermiri.ge (Superheroes). The organisation supports those who want to be involved with and influence a fellow human being's life in a positive way. As part of the collaboration, Evolution's employees provided gifts that were distributed to families in need in the organisation's network
- Evolution entered into partnership with the Boys & Girls Club of Atlantic City (BGCAC) located adjacent to our studio in New Jersey. Within the framework of the partnership, Evolution has sponsored the renovation of BGCAC's sports arena – Evolution Arena – where young people from disadvantaged neighbourhoods can participate in sports activities for free under the organisation's auspices. The arena also serves as a base for talent scouts offering scholarships to US colleges. The plan is to extend the partnership in 2023 by, for example, Evolution assisting young people in the BGCAC organisation with advice on how to apply for their first jobs. Several of Evolution's employees in Atlantic City have themselves participated in BGCAC activities during their upbringing. Over the coming year, the partnership will also be extended with the help of these employees
- Evolution donated EUR 25,000 on two occasions to Doctors Without Borders in support of the organisation's work in Ukraine. When the war in Ukraine broke out, Evolution Latvia organised an internal fund-raiser to show its support and to offer employees an opportunity to help. Five boxes of dry food, baby food, hygiene items and animal feed were collected and delivered to a local Ukrainian organisation. Employees in Georgia conducted a similar fund-raiser that resulted in 30 boxes of supplies being sent to Ukraine during the year.
- Employees in Latvia volunteered to donate blood at a local blood donor centre. So far, some 100 employees – so-called "evolutionaries" – have chosen to give blood this way.

Next steps

Evolution aims to gradually increase its positive impact on the local community, mainly in the places where we currently maintain larger operations. As previously, the work is focused on increasing accessibility to learning and education for groups that otherwise find it difficult to gain access to this.

OUR ENVIRONMENT

Evolution's innovative way of thinking and technical expertise helps us minimise our environmental impact. With our approach, we always strive to develop better methods and smarter solutions that give a greater impact. We are knowledgeable of (i) the risks associated with climate change and pollution, and (ii) of the importance of the sustainable use of resources. These issues are addressed via the environmental and climate considerations that are integrated into our day-to-day operations.

Historically, the focus has been on more efficient energy use in our studios, as well as on reduced use of materials and innovative thinking in connection with technological development and studio construction. Over the year, our sustainability work was expanded to also include the measurement and follow-up of CO2 emissions. We have prepared the climate reporting in accordance with the Greenhouse Gas Protocol for direct emissions (Scope 1), indirect emissions from purchased electricity (Scope 2) and other indirect emissions (Scope 3) to which the operations give rise. With this, we are signalling a broader acceptance of responsibility for the environmental and climate impact that our operations can cause.

Greenhouse gas emissions (tonnes CO2e)	2022
Scope 1	
Company cars (Evolution does not have any company cars)	0
Scope 2	
Electricity	4,671
Scope 3	
Air travel	810
Total	5,481
Emissions intensity tonnes (tonne CO2e/EUR)	3.8

An operational consolidation method is used for the calculations. Emissions from electricity are based on data on activities at 13 of our locations in ten different countries. Data is calculated based on site-based emission factors from approved sources (AIB, IEA and e-GRID). Emissions from air travel are based on data from the travel agencies that Evolution uses.

Risk

Evolution's operations are associated with very limited CO2 emissions. However, even limited emissions have an impact on the climate, causing an environmental risk if they are not managed. Not assuming responsibility for CO2 emissions can also result in increased expenses, while also negatively affecting the company's credibility and relations with various stakeholders.

There are also risks associated with Evolution's operations that can be affected by surrounding environmental conditions, such as effects of climate change.

Sustainability through innovation

The greatest climate footprint is associated with energy consumption at our premises and technical equipment. To reduce this consumption – and, by extension, to lower CO2 emissions – we are working actively with energy efficiency improvements. All major studios and Evolution's own properties are certified in accordance with ISO 50001:2018, which assumes that annual energy efficiency improvements are implemented. This work builds large on our own innovative capacity and encompasses all parts in the supply chain for Evolution's products. Evolution's platform uses a number of data centres. Half of our production takes place at a data centre that uses 100 percent renewable electricity, while other production takes place at a data centre where 95 percent of the electricity is renewable. A large part of our technology and equipment is developed internally to meet the needs of the operations. In this work, energy efficiency is one of the prerequisites with which we work purposefully. Examples of this are:

- How we design, build and use our studios, such as using insulation that optimises the indoor climate for employees while consuming as little energy as possible
- New software and hardware innovations in the studio technology that reduce energy consumption per unit or table
- Innovative solutions and sensors that automatically turn off equipment that is not in use
- Use of low-energy lighting
- Control of ventilation and air conditioning systems in studios.

The design and construction of studios and interiors are made in largely internally, among other things at our mechanical workshop – our Job Shop – in Riga. These operations are presented in greater detail on page 18 in the Annual Report. By managing construction internally, studios and equipment can be adapted and optimised for our needs, where everything from the choice of materials to energy consumption is considered, making the end result both sustainable and cost-efficient. As part of the sustainability reporting, we also follow up total energy consumption at all major studios, partly the consumption per table at each major studio.

Average energy consumption per table/studio, kWh			
Location	2022	2021	Decrease, %
Riga, Latvia	1,403	1,465	-4.2
Tbilisi, Georgia	974	984	-1.0
Malta	1,099	1,281	-14.2

In 2022, total energy consumption at major studios increased by slightly more than 10 percent. This is partly because several studios were established during the year, and partly because capacity at most existing studios was expanded. On the other hand, energy consumption per table decreased by 6.5 percent. The greatest improvement in efficiency was achieved in Malta by setting up additional tables within the same studio space. In Latvia, investments in efficiency improvements continued.

Reduced use of materials

We think circularly and have established recycling processes for office equipment and studio hardware, for example. The objective is to constantly increase the volumes that are reused, donated, sold or sent to recycling centres.

Minimising business travel

Employees use video conferencing, chat and project management systems, enabling most meetings and collaborative efforts to be managed virtually. As a result, business travel is minimised. During the pandemic, many employees worked from home. This has meant that the technical infrastructure supporting e-work has been developed in several locations, simplifying the opportunities for continued effective digital collaboration between offices.

What we did in 2022

- In Lithuania, ahead of the Christmas holiday, Evolution distributed Christmas trees to all employees. They could take the Christmas tree home or choose to plant it, either in a local deforested location or on their own land. The 345 trees were collected from a local tree nursery and delivered to the employees in early December
- The sustainability work was expanded to also include the measurement and follow-up of CO2 emissions. Emissions are calculated in accordance with the Greenhouse Gas Protocol (GHG), that being the most commonly used methodology internationally for calculating greenhouse gases.

Next steps

- Continued innovative development of technical equipment that increases energy efficiency
- Continued attention on recycling of IT equipment and studio interiors
- Projects and activities with local organisations, for example where our employees take part in waste collection efforts
- The work with emission calculations continuing in 2023, with the aim of further reductions.

DIVERSITY

Evolution shall be an inclusive workplace that is characterised by respect and where diversity in all shapes is seen as an asset. Because we operate worldwide, diversity helps make us credible in our delivery in the respective markets. As we see it, a diversity of perspectives and experiences also makes Evolution a more dynamic and innovative company.

About diversity at Evolution

- 52 percent of Evolution's managers are women
- 41 percent of our senior executives, the Group management and those reporting directly to them, are women
- More than 100 nationalities represented within Evolution
- The average age of those in management positions is 30
- Of the 14 studio heads, eight are women and six are men. Two out of our three largest studios are led by women
- 12 percent of the nationalities represented in the company are also represented among senior executives, meaning the Group Management and those reporting directly to them in executive positions.

Employees by function	Gender distribution	
	Women	Men
Operations	58%	42%
IT & Products	29%	71%
Administration	72%	28%
Property & Studio Development	31%	69%
Marketing & Sales	45%	55%

Risk

If Evolution does not promote diversity, this could affect the company's ability to understand and meet different customer needs. Inadequate diversity can also have a negative impact on innovation and impair opportunities to attract new employees and secure our long-term skills needs.

Better business

Fostering diversity in our workplaces brings many benefits. We secure a mix of backgrounds and experiences, both among leaders and other employees. This mix is a prerequisite for successfully running operations targeting different customer groups with different cultural backgrounds. The diversity makes us responsive and facilitates the adaptation of the offering and our product innovation to local conditions.

We shall provide an inclusive workplace where individuals are evaluated based on merit and qualification. The work against discrimination is based on the International Labour Organisation's (ILO) definition of discrimination. Accordingly, we support equal rights for all and ensure that all employees enjoy the same conditions in which to develop – regardless of age, disability, ethnicity, gender, trans-gender identity or expression, nationality, religion/belief or sexual orientation. By actively working with diversity – and showing that everyone can grow and develop within Evolution – we become a more attractive employer. Through goal-oriented efforts with diversity, we can also get employees to serve as role models for one another, thereby encouraging more people to pursue a career with us.

All equality and diversity work is integrated into the day-to-day operations. The practical work is controlled by our policy- and governance documents, including the Code of Conduct, the Work Environment Plan and the Equality Plan.

Diversity in the recruitment process

The starting point is that whoever best meets the qualification requirements will be employed or promoted. At the same time, we strive for balance in recruitment and take the diversity perspective into account where applicants have equivalent qualifications in other regards. Gender equality is an integral part of Evolution's culture and thus Evolution aims to achieve pay equity. The Company aims to reduce any pay gaps between women and men within a given job category.

At Evolution, 52 percent of managers at all levels are women. The proportion of female leaders in senior positions amounts to 41 percent, including Group Management, as well as employees reporting directly to the Group Management. This group of senior executives represents 12 percent of the nationalities employed at the Company.

Of the 14 studio heads, eight are women and six are men. Our studio managers currently represent six different nationalities. Breadth and diversity are also the objective when opening a new studio, ensuring that the company culture and the experiences of the existing employees are smoothly transferred to new operations. This view of diversity also gives employees the opportunity to develop through experiences from new geographical locations and cultures.

What we did in 2022

- Evolution demonstrates and promotes its commitment to Gender equality and Diversity by celebrating International Women's Day as well as Men's Day every year
- Over the year, three new studio managers were added. All of them are women and originate from two different countries.

Next steps

- Evolution must increase its efforts to highlight the positive career stories we have in the company. These are stories that specifically highlight different aspects of diversity and how these positively affect both the individual and the company.

RESPONSIBLE GAMBLING

Evolution must work to promote responsible gambling and raise awareness of gambling addiction. We shall provide information and tools that can be used to prevent gambling abuse within the framework of what can be connected to our products. We achieve this on the basis of our role in the value chain, where we develop and produce contents, which then is passed on to our customers, the gaming operators, that add the features necessary to make the games playable and then offer it to players.

All gaming on our products is based on each player first setting up an account with a gaming operator who is an Evolution customer. All personal data that makes it possible to determine the identity of a player remains with the operator. It is also the operator who approves whether a player may play our games through them and who accepts and handles all bets, including establishing betting limits.

In other words, Evolution cannot identify suspected gambling addiction based on a particular individual's gaming behaviour. It is only in the Live Casino-context – in the event where the player, in dialogue with the game presenter expresses something that could be connected with gambling addiction – on which we can act. This is done by the game host reporting the incident to Evolution's customer service, which, in turn, contacts the operator. It is then the operator – who can identify the individual behind the account – who is responsible for making direct contact with the player.

Evolution also cooperates preventively with the operators to curb gambling addiction. This is partly achieved through internal training in responsible gambling, and partly by our game presenters (in cases where operators offer this) undergoing training in responsible gambling with an operator. We have also chosen to label all product materials provided by Evolution to the gaming operators in accordance with the Code of Advertising Gaming and Gambling. This is an industry code developed by the UK sector organisation, the Committee of Advertising Practice (CAP). We have chosen the UK gambling principles for our standards as they are broadly recognised to be one of the strictest in the world.

Risk

Not working actively with responsible gambling could affect Evolution negatively – both financially and in terms of the brand. This applies partly in relation to the laws and regulations with which we are expected to comply, partly in terms of our credibility among customers, gaming operators and other stakeholders who use our services. From a broader perspective too, Evolution considers it important that the entire industry is associated with healthy gambling performed for entertainment purposes.

About responsible gambling at Evolution

- The number of cases of suspected gambling abuse reported to operators increased by 40 percent compared with the preceding year, mainly because of the new procedures and aids previously introduced
- 72 percent of employees in relevant departments have been trained in responsible gambling
- Our internal training on responsible gambling has been simplified and further adapted to individual target groups.

Increasing awareness

Evolution only offers its products to licensed operators. They must comply with regulatory requirements in accordance with the licenses for each market. We support operators and trade associations in their work while also safeguarding internal awareness and effective monitoring and reporting processes. This work is divided into four areas:

- Sponsorship and collaboration with industrial bodies that provide information, best practice and recommendations for addressing problem gambling.
- Contractual requirements that all business partners shall adhere to with regard to responsible gambling practices and technical integration support to enable operators' gambling control systems, like play limits.
- Effective internal reporting systems where gambling abuse is reported to the operator for further action.
- Training of staff – mainly those who work at the casino tables and in customer service – on how to spot the signals of suspected gambling abuse and how to report cases to operators.

Helping customers do the right thing

Licenses are often associated with restrictions in regard to the operator's offering to players in a specific market. Our contracts specify that operators shall adhere to the standards for responsible gambling set out by the relevant industry bodies for their markets. Our gaming products support the limits set in a gaming operator's system of operators or players.

We do not market our products directly to end users, but promote responsible marketing practices. For this reason, we support the Code of Advertising Gaming and Gambling, which maintains a recognised high, international standard. Evolution has therefore chosen to apply the Code to all markets where we maintain operations. In line with this, all of our product communications include information on "BeGambleAware" – a non-profit operation that works to limit the effects of gambling addiction by means of advice and support.

Licensees who use our materials to market the products in their offering are required to use the same information. All official accounts on social media platforms used to promote products – and offering age restrictions – are subject to an age limit of 18 years.

More efficient tools

In recent years, the process of identifying suspected gambling addiction has been developed. As a result of extended procedures, increased training and more effective aids, reporting of suspected gambling abuse to operators has increased. One such aid are chat moderators who analyse the many chats around the tables and pick up on the warning signs.

Between 2020 and 2021, reporting increased by 66 percent, and between 2019 and 2020, reporting increased by 75 percent. The outcome for 2022 shows that the reporting of suspected gambling addiction increased by 40 percent compared with the preceding year. The work includes the following measures:

- Training by our customer service teams who are responsible for reporting any issues to the operators for further investigation
- Digital aids in which artificial intelligence is used to verify employee behaviour at the table against our internal processes and in real time. This aid allows deviations to be identified faster and more efficiently, increasing security in the game
- The teams working at the tables can raise the alarm if a player expresses concern about his/her gaming. Data of this kind are compiled by our customer service function, which reports on to the operator in accordance with a step-by-step method
- Chat moderators who monitor the game chats at our most popular tables to pick up on any warning signs. Following the introduction of this control function, the number of reports to operators has increased.

Total number of suspected problem gambling cases identified and reported to gaming operators.

	2022	2021	2020
Number of cases reported	95,202	68,002	23,096
Percentage of sales	0.007%	0.006%	0.004%

The number of reported cases increased by about 40 percent. Adjusted for Evolution's growth, the increase was 17 percent. The increase in the number of cases is also connected with the new procedures and AI-based analysis tools that have been introduced. We have 27 chat moderators dedicated to identifying and reporting suspected cases of gambling abuse. They are part of our customer service function, which includes 173 people.

As part of their on-boarding, all new employees in studio operations undergo training in responsible gambling. This is provided through the Evolution Academy. The training includes relevant guidelines and Evolution's Code of Conduct. To make the content more accessible, the training was adapted in 2022, with the emphasis on practical application being made clearer. All teams must repeat the training annually. Compliance is verified by the relevant manager. The internal requirements regarding responsible gambling include employees being prevented from playing Evolution's own games. While this requirement was previously stated in an internal policy, as of 2022, it is included in our Code of Conduct.

What we did in 2022

- Adaptation of internal training in responsible gambling, with this being simplified and further adapted to individual target groups
- The separate policy prohibiting gambling for real money in Evolution's games was integrated into Evolution's Code of Conduct.

Next steps

- Evolution intends to continue the work of promoting awareness of responsible gambling internally.

ETHICAL BUSINESS PRACTICES

Evolution shall actively combat corruption in all its forms, including bribery and extortion. It is equally important to work for healthy and fair business practices, in which respect for employees, partners and human rights are fundamental. To ensure that ethical business practices pervade the operations, we have detailed internal regulatory systems. To help us, we also have our Code of Conduct, as well as Evolution's whistle-blower system which all employees are able to access via the intranet.

Safe gaming environment – a better gaming experience

We only work with licensed operators who have undergone thorough due diligence before being allowed to broker our products. At the same time, we invest considerable resources in complying with local and national laws in all countries where we maintain operations. A resource in this work is Evolution's legal team – which includes those working with regulatory compliance – and comprises nearly 100 people. Supported by our ethical guidelines, their principal objective is to offer a safe gaming environment without compromising the gaming experience.

Risk

Evolution is exposed to various types of ethical risks, for example in connection with fraud, money laundering, corruption or financing of terrorism. These risks are partly internal within the company and partly among our suppliers and partners, which could harm our finances, our brand, our employees' well-being and confidence in the company.

About ethics at Evolution

- ISO 27001:2013 certification, regulating cyber security operations
- B2B-licences in all markets where required
- All Evolution employees, for which it's relevant, must take mandatory Information Security training annually
- Evolution's Game Integrity and Risk department consists of around 55 people.

Sound operations

Sound, ethical operations are decisive for Evolution's continued growth. The Board of Directors bears the ultimate responsibility for achieving this. The Code of Conduct describes our most important ethical principles. The Code applies to all employees, regardless of their role in the company or the country in which they work. We also expect Evolution's business partners to apply the Code or equivalent ethical guidelines in their own operations.

The Code of Conduct is presented to all new employees in connection with their introductory training. The Code is also accessible via the intranet and our external website. The Code is reviewed and assessed annually by Board of Directors. In addition to the Code of Conduct, Evolution has adopted an Anti-bribery and Anti-corruption Policy, as well as an Anti-money Laundering and Counter-terrorist Financing Policy. These guidelines support our established due diligence and purchasing processes for customers and major suppliers. The principles in these areas – and regarding aspects of sustainability in general – are detailed in our Sustainability Policy, which employees and business partners are expected to follow. The Sustainability Policy is accessible via Evolution's website – www.evolution.com.

Zero tolerance for human rights violations

The well-being of all who work in connection with our products and services is critical for the operations. It therefore goes without saying for us to comply with labour law and regulations, laws relating to taxes and fees, as well as work environment laws. Equally obvious is the employees' freedom of association, the right to collective bargaining and respect for human rights in accordance with the UN Global Compact and our Code of Conduct. In the external collaboration, due diligence checks are performed by the suppliers. These checks must ensure that we do not collaborate with actors that violate human rights or who are, in other ways, deficient in their business ethics.

Curbing corruption

We work actively to curb corruption in all forms and adhere to the codes of conduct set out in the UK's Bribery Act of 2010, the US' Foreign Corrupt Practices Act, as well as applicable laws and regulations against corruption and bribery in the countries where we maintain operations. We perform extensive checks of new customers, including a background check of beneficial owners as well as verifying their licences. Customers with a B2B-license must, under the terms of their contract, report all new operators to whom they provide our products. This allows us to perform due diligence on our customers' customers. Evolution does not handle cash flows from end users. The practical work of preventing money laundering lies with the operators. We do, however, participate in the global process of combating money laundering and financing of terrorism. We do this with, for example, the help of the internal processes designed to prevent our products from being misused. In 2022, no cases of corruption or business ethics deviations were reported via our whistle-blower function.

Healthy gaming activities

Evolution works hard to protect game integrity. We have no information about the identity of the players as this information remains with the gaming operator, who is our customer. We can, however, detect irregularities in gaming patterns. With data supplied by us, operators have the opportunity to take measures preventing their service from being used for fraud or money laundering.

All gaming activities are monitored through a combination of automatic and manual control systems. This work is led by our Game Integrity and Risk department, comprising of some 55 individuals. All tables, games, transactions, volumes and gambling behaviour patterns are monitored in real time, 24 hours a day, year-round.

Our systems are constantly being refined, including with the help of artificial intelligence (AI) to verify staff behaviour at tables. This is also performed in real time and matched against established internal processes, allowing deviations to be automatically detected and to increase security in the game. In 2022, the implementation of AI-based tools continued, replacing the most-used manual reports with automated analysis criteria, improving the efficiency of follow-up processes by about 80 percent.

In 2023, we are continuing to develop AI models for report optimisation, helping our customers more quickly detect such activities as bonus abuse or to highlight potential risks for money laundering.

IT and data security – crucial for credibility

The reliability of delivery in our technical systems is crucial both for the gaming experience and for the credibility of Evolution's products. A significant aid in this work is our ISO 27001:2013 certification – the highest ISO standard for IT security. This certification serves as proof that we have organised our in-house processes in a way that (i) ensures that data are available only to those entitled to access them, and (ii) protects the accuracy of the data and make them available on appropriate occasions.

Our global operations also build on coordinated efforts in data protection and integrity. We have implemented processes complying with Regulation (EU) 2016/679 of the European Parliament and Council of 27 April 2016. This regulation concerns the protection of natural persons regarding the processing of personal data and the free movement of such data (GDPR). Our data security work is also based on other applicable local data protection and privacy laws. In 2022, we were informed of 80 potential personal data incidents, of which none (1) were reported to a privacy protection authority.

The change is mainly associated with an increased awareness among employees, including in the handling of e-mail. As awareness of GDPR increases, employees inform the company of potential incidents to a greater extent.

What we did in 2022

- Launch of a proprietary AI tool supporting the manual monitoring efforts to detect suspicious behaviour patterns among those using the products.

Next steps

- In the upcoming years, Evolution will continue to develop the technical systems built in recent years. This will be done focusing on suspected deviations in behavioural patterns among those using the products
- Review of and update of the Employee Data Privacy Handbook
- We shall also continue to highlight the importance of knowledge in the area of ethical business practices – here there will be a specific focus on the teams that regularly deal with external customer relations and work on agreements.

Article 8 Taxonomy Regulation

The Taxonomy Regulation is a key component of the European Commission's action plan to redirect capital flows towards a more sustainable economy. It represents an important step towards achieving carbon neutrality by 2050 in line with EU climate goals as the Taxonomy is a classification system for environmentally sustainable economic activities. In the following section, we as a non-financial parent present the share of our group turnover, capital expenditure (Capex) and operating expenditure (Opex) for the reporting period 2022, which are associated with Taxonomy-eligible economic activities related to the environmental objectives (climate change mitigation and climate change adaptation) in accordance with Art. 8 Taxonomy Regulation and Art. 10 (2) of the Art. 8 Delegated Act.

Our economic activities as a B2B provider of Online Casino are determined Taxonomy-non-eligible. The Climate Delegated Act focuses on those economic activities and sectors that have the greatest potential to achieve the objective of climate change mitigation – that is, the need to avoid producing greenhouse gas (GHG) emissions, to reduce such emissions or to increase GHG removals and long-term carbon storage. The sectors covered include energy, selected manufacturing activities, transport and buildings. After a thorough review of our group activities, we concluded that our economic activities are not covered by the Climate Delegated Act and consequently are not Taxonomy-eligible or aligned. It can therefore be concluded that the Online Casino sector has not been identified as a major source of GHG emissions.

Proportion of Taxonomy-aligned economic activities

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities			Substantial contribution criteria									DNSH criteria (Do No Significant Harm)								
Economic activities	Code(s)	Absolute turnover MEUR	Proportion of turnover %	Climate change mitigation %	Climate change adaptation %	Water and marine resources %	Circular economy %	Pollution %	Biodiversity and ecosystems %	Climate change mitigation Y/N	Climate change adaptation Y/N	Water and marine resources Y/N	Circular economy Y/N	Pollution Y/N	Biodiversity and ecosystems Y/N	Minimum safe-guards Y/N	Taxonomy-aligned proportion of turnover 2022 %	Taxonomy-aligned proportion of turnover 2021 %	Category (enabling activity) Y/N	Category (transitional activity) Y/N
A. TAXONOMY ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
N/A		0	0%	0%	0%	0%	0%	0%	0%	N/A	N/A	N/A	N/A	N/A	N/A	0%	0%	N/A	N/A	
Turnover of eligible Taxonomy-aligned activities (A.1)		0	0%														0%	0%		
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
N/A		0	0%														0%			
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	0%														0%	0%		
Total (A.1 + A.2)		0	0%														0%	0%		
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																				
Turnover ¹⁰ of non-eligible activities (B)		1.457	100%																	
Total (A + B)		1.457	100%																	

¹⁰ Consolidated Income Statement

Our KPIs

The key performance indicators ("KPIs") include the turnover KPI, the Capex KPI and the Opex KPI. For the reporting period 2022, the KPIs have to be disclosed in relation to Taxonomy-eligible economic activities and Taxonomy-non-eligible economic activities (Art. 10 (2) of the Art. 8 Delegated Act). Since our economic activities as a group are not covered by the Climate Delegated Act, the share of Taxonomy-eligible economic activities in our total turnover is 0 percent. Furthermore, there are no Capex plans to upgrade a Taxonomy-eligible economic activity to become Taxonomy-aligned or to expand a Taxonomy-eligible economic activity ("category b" acc. to Sect. 1.1.2.2 of Annex I to the Art. 8 Delegated Act. Only "category c" Capex and Opex can therefore qualify as Taxonomy-eligible, i.e. Capex/Opex related to the purchase of output from Taxonomy-eligible economic activities and individual measures enabling the target activities (our non-eligible activities) to become low-carbon or to lead to greenhouse gas reductions (Sect. 1.1.2.2. (c) of Annex I to the Art. 8 Delegated Act). We have not identified any purchased outputs or individual measures that correspond to eligible economic activities and, thus, respond in Taxonomy-eligible or aligned Capex/Opex.

Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities				Substantial contribution criteria						DNSH criteria (Do No Significant Harm)										
Economic activities	Code(s) %	Absolute CapEx MEUR	Proportion of CapEx %	Climate change mitiga- tion %	Climate change adaptation %	Water and marine resources %	Circular economy %	Pollution %	Biodiver- sity and ecosys- tems %	Climate change mitiga- tion Y/N	Climate change adaptation Y/N	Water and marine resources Y/N	Circular economy Y/N	Pollution Y/N	Biodiver- sity and ecosys- tems Y/N	Mini- mum safe- guards Y/N	Taxono- my-aligned proportion of CapEx, 2022 %	Category (enabling activity) Y/N	Category (transi- tional activity) Y/N	
A. TAXONOMY ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
N/A		0	0%	0%	0%	0%	0%	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0%	0%	N/A	N/A	
CapEx of eligible Taxonomy-aligned activities (A.1)		0	0%														0%	0%		
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
N/A		0	0%														0%			
CapEx of Taxonomy-eligible not but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	0%														0%	0%		
Total (A.1 + A.2)		0	0%														0%	0%		
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																				
OpEx ¹ of non-eligible activities (B)			99	100%																
Total (A + B)		99	100%																	

¹Note 8 & 9

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities				Substantial contribution criteria						DNSH criteria (Do No Significant Harm)										
Economic activities	Code(s) %	Absolute OpEx MEUR	Proportion of OpEx %	Climate change mitiga- tion %	Climate change adaptation %	Water and marine resources %	Circular economy %	Pollution %	Biodiver- sity and ecosys- tems %	Climate change mitiga- tion Y/N	Climate change adaptation Y/N	Water and marine resources Y/N	Circular economy Y/N	Pollution Y/N	Biodiver- sity and ecosys- tems Y/N	Mini- mum safe- guards Y/N	Taxono- my-aligned proportion of OpEx, 2021 %	Category (enabling activity) Y/N	Category (transi- tional activity) Y/N	
A. TAXONOMY ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
N/A		0	0%	0%	0%	0%	0%	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0%	0%	N/A	N/A	
OpEx of eligible Taxonomy-aligned activities (A.1)		0	0%														0%	0%		
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)																				
N/A		0	0%														0%			
OpEx of Taxonomy-eligible not but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	0%														0%	0%		
Total (A.1 + A.2)		0	0%														0%	0%		
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																				
OpEx ¹ of non-eligible activities (B)			549	100%																
Total (A + B)		549	100%																	

¹Consolidated Income Statement



A game presenter getting ready for a shift, Riga.

AUDITOR'S REPORT ON THE STATUTORY SUSTAINABILITY REPORT

To the general meeting of the shareholders in Evolution AB (publ), corporate identity number 556994-5792

ENGAGEMENT AND RESPONSIBILITY

It is the board of directors who is responsible for the statutory sustainability report for the year 2022 on pages 31-48 and that it has been prepared in accordance with the Annual Accounts Act.t.

THE SCOPE OF THE AUDIT

Our examination has been conducted in accordance with FAR's auditing standard RevR 12. The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

OPINION

A statutory sustainability report has been prepared.

Stockholm, 14 March 2023
Öhrlings PricewaterhouseCoopers AB

Johan Engstam
Authorised Public Accountant





GOVERNANCE

DIRECTORS' REPORT

CORPORATE GOVERNANCE REPORT

OUR BOARD OF DIRECTORS

OUR GROUP MANAGEMENT TEAM

Directors' report

The Board of Directors and the Group CEO of Evolution AB (publ) 556994-5792 ("Evolution") hereby present the annual accounts for the Group and the Parent Company for the 2022 financial year.

Operations

Evolution develops, produces, markets and licenses fully integrated live casino and slots solutions to gaming operators. In live casino, a game presenter, i.e. dealer, runs the game from a casino gaming table that is followed in real time via a video stream. End users, i.e. the players, make betting decisions on their devices (computers, smartphones, tablets, etc.).

Evolution is a B2B supplier and, at the end of 2022, the Group had more than 700 customers, including a majority of the foremost online casino operators in Europe and the USA, as well as a number of land-based casinos. The operators market the products to the end users.

Evolution's live casino platform is unique in its kind and covers all aspects required by a gaming operator – from the recruitment and training of game presenters and other staff to streaming, production, supervision, customer services and follow-up. Operators are offered a fully customised solution with a high degree of adaptability such as standard and VIP tables, control of how the environment looks and dedicated dealer teams. The Company has a broad portfolio of core games including both classic table games and new innovative casino games. Various game derivatives are also available, i.e. variations of the core games with new technical solutions and new content.

Evolution has production studios in Riga, Latvia, Tbilisi, Georgia and Fort Mriehel, Malta, where a majority of the operations are conducted. In addition, the Company has studios in New Jersey, Pennsylvania, Michigan and Connecticut, USA as well as Vancouver, Canada, Kaunas, Lithuania, Madrid, Spain and Yerevan, Armenia. The Company also runs on-premise studios at land-based casinos in Belgium, Romania, and Spain. The Parent Company of the Group is located in Stockholm, Sweden.

Evolution's revenues consist of fixed and variable consideration from the Company's customers. A majority of the revenue derives from commission, which is calculated as a percentage of the customer's profit generated by the Company's online casino platform. Through commission, Evolution gains beneficial exposure to the general growth of the global online casino market. In addition to commission, a proportion of the Company's revenue derives from fees for dedicated tables. These are invoiced to customers who have chosen to offer their end users dedicated tables.

Business concept and vision

Evolution's business concept is to offer gaming operators in regulated markets an unparalleled, locally adapted online casino service for all digital platforms. Its mission is to make operators successful and provide an excellent gaming experience for their end users. Evolution's vision is to be the leading online casino provider in the world.

Significant events in 2022

- Launch of 11 new Evolution live games, including titles in the unique game shows category, 5 live games from Ezugi
- Investments in studios throughout the year to meet global demand for online casino
- Agreements with several new operators
- Acquisition of Nolimit City, supplier of online slot games
- The Board proposes a dividend of EUR 2.00 per share (1.42).

Market

The global online casino market (Live & RNG) developed strongly in 2022 and, according to the independent institute H2 Gambling Capital, it had an estimated value of EUR 28,437 million (25,165) at year-end. The North American online casino market had an estimated value of EUR 7,206 million (5,646) at year-end, the European EUR 15,474 million (14,650), and the Asian market was estimated to have a value of EUR 3,926 million (3,353). The development of online gaming is underpinned by technological progress and new distribution channels, as well as strong demand from gaming operators and their end users. Slots/RNG is the largest vertical with approximately 75 percent of the online casino market.

Evolution has a leading position among live casino operators in both Europe and North America. The Company intends to continue strengthening its leading position in the market by having a clear focus on activities that promote the business and the offering. The three strategic core areas — product innovation, customer optimisation and operational excellence — are considered to be of particular importance for a continued expansion of the advantage held compared to other players in the market and the creation of a stable foundation for continued growth.

New agreements and customers

In 2022, agreements were signed with among others Italy's Sisal for the provision of online slots and jackpots from the Group's NetEnt and Red Tiger brands. The deal builds on Sisal's existing partnership with Evolution for the provision of Live Casino; Holland Casino Online for the supply of the full catalogue of NetEnt and Red Tiger online slots titles; Soaring Eagle Gaming for the provision of online casino content in Michigan; PlayStar for the provision of Evolution's online Live Casino and 'First Person' RNG-based casino games in New Jersey. Evolution also renewed its existing US agreement with FanDuel Group to become FanDuel's sole provider of live dealer table games across the entirety of the regulated US online gaming market. Agreements were also concluded with a number of smaller operators and platforms, while many existing agreements were expanded to cover additional services and tables.

Revenues and profit

Revenues

Evolution's total operating revenues amounted to EUR 1,456.7 million (1,068.8) in the financial year ending on 31 December 2022. The positive revenue development mainly derives from increased commission income from both new and existing customers. Revenues from dedicated tables and environments also contributed to the increase as a result of additional customers launching or extending their customised live casino environments.

Expenses and profit

Total operating expenses amounted to EUR 548.7 million (414.8). The Company's personnel expenses rose to EUR 289.6 million (207.2), mainly driven by higher expenses for personnel in connection with the launch of new tables in the Company's studios.

Depreciation, amortisation and impairments amounted to EUR 100.4 million (80.6), an increase explained primarily by the expansion of the Company's studios. Other operating expenses rose to EUR 158.7 million (127.0), driven by expenses for premises, consumables and communications. Operating profit for the year amounted to EUR 908.1 million (654.0) with an operating margin of 62.3 percent (61.2).

Financial items only had a marginal impact on the profit and amounted to negative EUR 1.5 million (-6.5).

The Group's effective tax rate for the year amounted to 7.0 percent (6.5). The effective tax rate is affected by the countries in which Evolution conducts operations and generates profit, which may vary between reporting periods. Profit for the year amounted to EUR 843.4 million (605.4).

Investments

After the acquisition of NetEnt AB, Evolution AB initiated a buy-out proceeding regarding the outstanding shares in NetEnt AB in accordance with the Swedish Companies Act (Sw. aktiebolagslagen (2005:551)).

In the buy-out proceeding, Evolution AB's right to acquire the outstanding shares and the price to be paid for the shares has been determined by an arbitral tribunal. Evolution AB has been granted title to, and has acquired, the shares under an arbitral award concerning buy-out of shares. In Q1 2022 payment has been effected of the price for the shares, SEK 85.59 and interest SEK 2.34, in total SEK 87.93, per B-share in NetEnt AB. Total amount was SEK 683,064,948.33.

On 1 July 2022, Evolution acquired Nolimit City Holding Ltd. The up-front consideration was paid in cash corresponding to EUR 200 million, and working capital settlement of EUR 14.3 million. In addition, Evolution may pay earn-out payments in cash, based on Nolimit City's EBITDA for the years 2022, 2023 and 2024, respectively. The earn-out payments will amount to a maximum of EUR 140 million, and become payable in 2023, 2024 and 2025, respectively.

The Group's investments in intangible assets amounted to EUR 36.3 million (28.3) in 2022. Investments in intangible assets refer to the development of new games and technical improvements of the platform, such as new functionality. Development projects during the year included the development of new games that will be launched in 2023, but also exclusive content rights.

Investments in property, plant and equipment amounted to EUR 60.7 million (33.3). Investments in property, plant and equipment primarily comprised new studio space and premises, new gaming tables, servers and other computer equipment to meet new technical requirements and maintain capacity and performance in connection with new platform launches.

Investments in computer equipment were also made to meet needs in connection with the organisation's expansion, as well as in studio equipment in the Company's production studio.

Cash and cash equivalents, financing and financial position

Cash flow from operating activities amounted to EUR 877.5 million (598.9) over the period. The increase is primarily due to improved profit. Cash flow from investing activities was negative in the amount of EUR 371.6 million (-155.0). A description of the investing activities is provided in the Investments section above. Cash flow from financing activities was negative in the amount of EUR 394.2 million (-248.5) and included dividend to shareholders of EUR 302.8 million (144.4) and buy back of own shares of EUR 75.6 million (123.3). Cash and cash equivalents amounted to EUR 532.6 million (421.4) at year-end.

Employees

As of 31 December 2022, Evolution employed 17,026 (13,410) people, corresponding to 12,144 (8,987) full-time equivalents. The average number of full-time equivalents for the full-year was 10,802 (7,917).

Sustainability

Evolution AB's sustainability report is prepared in accordance with the requirements of the Annual Accounts Act (chapter 6, paragraph 12) on sustainability reporting. The sustainability report is on pages 31-48.

Parent Company

The Parent Company is a holding company that was formed in December 2014. Operating revenues for the 2022 full-year amounted to EUR 19.6 million (19.2) and expenses to EUR 19.5 million (18.9). Operating profit amounted to EUR 0.1 million (0.3). Profit for the period amounted to EUR 592.3 million (250.9). The Parent Company's cash and cash equivalents amounted to EUR 6.3 million (80.0) at the end of the year and equity amounted to EUR 3,041.6 million (2,829.3). No significant investments were made in intangible or tangible assets. During the year, the Company received dividends from the Maltese subsidiary amounting to EUR 590 million (250).

Risk factors

Evolution's operations are exposed to certain risks that could have a varying impact on earnings or financial position. These can be divided into industry, operational, sustainability and financial risks. When assessing the Company's future development, it is important to take into account the risk factors alongside any opportunities for profit growth. The risk factors are not set out in any particular order, importance or potential impact on the Group's revenue, profit or financial position.

Neither should these be seen as exhaustive, but rather as representing risks that are applicable to Evolution and that are monitored and evaluated by the Group management. In addition, the risks below are not the only risks to which the Group may be exposed. The Company may be unaware of certain risks. Financial risks are described in Note 21 Financial risk management.

Political decisions and other legal aspects

Evolution generates the majority of its income through the licensing and supply of its software and technology to gaming operators. The Group's business is therefore strongly dependent on the laws and regulations relating to the supply of gaming services. These laws and regulations are complex and inconsistent across jurisdictions and are subject to change as various jurisdictions regulate, deregulate and/or re-regulate the gaming industry. Direct enforcement actions may be taken against a member of the Group or any of its officers or directors, particularly in instances where the provision of the Group's services to a gaming operator is critical to the

underlying gaming transactions. Should any of these events occur, the impact could have a material adverse effect on Evolution's business, financial position and profit.

Although the gambling laws and regulations of many jurisdictions do not specifically apply to the supply of services by licensors of gaming software, certain jurisdictions have sought to regulate or prohibit the supply of such services. While Evolution currently holds all licences and certifications deemed necessary to carry out its business, national gambling laws are under review and changing in European countries. The Company may be subject to such laws, directly or indirectly, insofar as it supplies services to customers that are subject to such laws. Changes in the regulatory frameworks of different jurisdictions could impact the Group's business in that such changes may lead to an increase in the number of market participants and competitors, result in customers losing their licences and permits to operate in such jurisdictions or break up monopolistic gaming operators, which could impact the Group's underlying contractual relationships.

Furthermore, many jurisdictions have not updated their laws to address the supply of remote gaming services from other countries, and courts may interpret older legislation unfavourably or determine that the activities of the Group and/or its customers are illegal. For example, a court or regulator may order that certain equipment be located in the jurisdiction in which products and services are offered, which could materially and adversely impact Evolution's operations and the business of its customers. Furthermore, several European countries have introduced, or are in the process of introducing, new online gaming regulations, which will require online gaming operators, and in some cases even providers, to hold, e.g., a country specific licence, pay gaming taxes, operate from a country domain and report gaming statistics in order to bring operators (and end users) under supervision. Although Evolution monitors the regulatory environment, legislation could be interpreted in an unfavourable or unanticipated manner. If regulatory or enforcement actions are brought against any of Evolution's customers, the Group's revenue streams from such customers may be frozen or traced by authorities, even if no Group entity is made a party to any legal proceedings against such customers. As a result, end users may face problems transferring funds in and out of certain jurisdictions, which may impact payments to gaming operators and hence Evolution.

In addition to gaming laws and regulations, Evolution is subject to a wide variety of laws and regulatory requirements. For example, the Group must comply with anti-money laundering regulations, market abuse regulations, data protection and privacy regulations (including GDPR), and is required to share bet and other transactional data with local regulators in certain markets. Compliance with all such laws and regulation laws is complex and expensive. The Company's non-compliance or deemed non-compliance with any of these other laws and regulatory requirements could result in sanctions. Any failure by Evolution to comply with these

other laws and regulatory requirements could have a material adverse effect on the Group's business, financial position and profit.

Operations subject to official approval

Evolution has obtained and is obliged, given the nature of the software, services and technology it supplies, to maintain its licences and certifications in a number of jurisdictions, and may in the future be required to obtain licences and/or certifications in other jurisdictions. If any of these are withdrawn or are not renewed on equivalent terms (e.g. where there is a change in view as to what equipment needs to be located locally), the Company may not be able to continue to operate and offer services in certain jurisdictions. Additionally, to the extent that Evolution is unable to obtain requisite licences and/or certifications in jurisdictions, particularly with respect to jurisdictions that fall within or are comprised of newly regulated markets, the Company may not be able to follow customers into these jurisdictions and newly regulated markets. In such an event, customers may turn to competitors that are licensed and/or certified in the applicable jurisdiction, or that become licensed and/or certified before Evolution does. Any failure to renew or obtain any such licence or certification could have a material adverse effect on the Group's business, financial position and profit.

Evolution's customers operate in a regulated industry, the laws and regulations of which are in a constant state of change. Various jurisdictions have implemented changes to their markets by introducing regulatory frameworks and licensing requirements. In addition to complying with local laws governing general business operations, the Company's customers may be required to adapt to new licensing regimes and conditions, such as the requirement to establish real-time data interfaces with the local regulator or pay retrospective taxes as a condition for the granting of a licence to operate in a particular jurisdiction. If the Company's customers refrain from entering newly regulated markets, or decide to exit markets in which they currently operate, due to changes in the local regulatory or licensing framework thereof, the Company's growth strategy and customer base could be adversely impacted.

Disruptions to operations and information security breaches

Evolution's ability to provide its software to gaming operators depends upon the integrity, reliability and operational performance of its systems. The functioning of the IT systems within the Group's operations, or that of its providers or partners, could be disrupted for reasons beyond its control. Furthermore, there may be technological challenges in rolling out new products and services.

Any such disruption or event may lead to customer claims against the Group or otherwise negatively impact the Group's ability to sell products and services to its customers due to reduced confidence. Any interruption in the systems could have a negative effect on the quality of products and services offered by Evolution and, as a result, on demand from

customers and their end users. The Group's success depends, in part, on providing secure products and services to customers for use by their end users. Attempts to penetrate security measures may come from various combinations of customers, end users, employees and others. The Group's IT systems are ISO-27001:2013 certified and the ability to monitor and ensure the quality and integrity of Evolution's products and services is continuously reviewed and evaluated.

External anomalies

One or more markets may be affected by events that may result in rapid changes in the business environment. Examples of this kind of event which could lead up to production disruption are extreme weather events, social unrest, diseases (e.g. virus outbreaks) or other macroeconomic or geopolitical events affected by external influences. The spread of the Coronavirus is affecting societies and companies all over the world. Evolution employs over 17,000 persons and most of our games require staff on site in the studio to operate the games. Risks for Evolution include shortage of staff due to increased sick-leave or government restrictions on travelling to and from the workplace. Due to the digital nature of our products, restrictions on physical movements in society do not affect how operators and players can access our products.

End users

Although Evolution does not provide its services directly to end users, people who play live casino games with an operator via the Company's platform could sue the Company in its capacity as a developer and facilitator of games. While such claims against Evolution are likely to be dismissed, they could give rise to expenses and reduce confidence in the Group or impact its customers.

Dependence on key personnel and skilled employees

The majority of Evolution's employees operate, organise and oversee operations at the gaming tables. Approximately 87 percent of the Group's full-time employees work on tables as hosts and dealers. These employees possess language, dealer and other trade skills that are essential in the day-to-day operations. Evolution aims to be an attractive employer and invests significantly in the training and development of its staff. In the ordinary course of operations, the Company experiences employee turnover with respect to employees working on tables, and such turnover can at times be significant. The loss of a significant number of its employees or any of its key employees, or any increased expenses that the Group may incur in order to retain any such employees or hire and train new employees, could have a material adverse effect on the Group's business, financial position and profit.

In addition, Evolution's business is dependent on a number of key individuals, senior executives and persons with specialist skills. These key individuals have established good relationships with market participants and have a thorough understanding of the complex environment in which the Group operates. Accordingly, these key individuals are central to the successful development of Evolution's business.

If any of these individuals terminate their relationships with the Group, or materially change or reduce their roles within the Group, Evolution may not be able to replace them or their services on a timely basis with other professionals capable of making comparable contributions to operations.

Dependence on major customers

In 2022, the top five customers (in terms of revenue generated) contributed 30 percent (22) of Evolution's revenue.

The Group's revenue stream from these sources may be adversely impacted by any deterioration or decline in the business of these five customers, or if one or more of these customers opted to use a competitor of the Company for its live casino solutions. The reduction in revenue generated from, or loss of, one or more of these five customers could have a material adverse effect on the Group's business, financial position and profit.

Counterparty risk

Evolution is subject to counterparty risks, primarily the risk of payment default by operators. Although the Group conducts credit checks for new customers and has historically experienced low levels of payment default by its customers, the rate of customer default may rise or increase in the future. In particular, such risk may increase if Evolution were to expand into new markets where customers are less financially stable. Any payment defaults by operators could have a material adverse effect on the Group's business, financial position and profit.

Competition

Evolution operates in a competitive industry. Competition is expected to continue to intensify as new live casino providers enter the market and existing providers improve and expand their product and service offerings. If Evolution fails to compete effectively, it may result in a loss of customers and an inability to attract new customers, which could have a material adverse effect on the Group's business, financial position and profit. The Company's objective is to strengthen its leading market position and retain existing and attract new customers by developing its successful live casino platform further while focusing on a number of areas considered to be of strategic importance for continued growth.

Intellectual property rights

Evolution's ability to compete effectively depends, amongst other things, on its ability to protect, register and enforce its intellectual property rights. The Group also faces the risk that the use and exploitation of its intellectual property rights, including, in particular, rights relating to its software, may infringe the intellectual property rights of a third party. The expenses incurred in bringing or defending possible infringement actions may be substantial, regardless of the merits of the claim, and an unsuccessful outcome for the Company may result in royalties or damages being payable and/or the Company being required to cease using any infringing intellectual property or embodiments of any

such intellectual property. The Group is also dependent on know-how and trade secrets, and it strives to protect such information by, for example, maintaining confidentiality agreements with employees, consultants and partners.

However, it is not possible to ensure total protection against unauthorised distribution of information and competitors, and others may gain access to such information, which may lead to the value of such information diminishing or competitors gaining an advantage, which in turn could have a material adverse effect on the Group's business, financial position and profit.

Shares and ownership

A detailed description of Evolution's shares and ownership can be found on pages 27-28.

The Company has, during the period 9 February 2022 – 18 February 2022, acquired a total of 747,000 own shares within the framework of the repurchase programme introduced by the Board of Directors to improve the capital structure of Evolution by reducing the capital, and thereby creating added shareholder value. The shares were bought for an average price of SEK 1,068.80. The nominal value amounted to EUR 0.003 corresponding to 0.35 percent of the share capital. During the period 6 December 2021 – 30 December 2021, a total of 1,158,865 own shares were acquired for an average price of SEK 1,091.20. Thus, Evolution's own holding of shares is 1,905,865 shares, average price SEK 1,082.40, each with a nominal value of 0.003, corresponding to 0.89 percent of the share capital.

Risk management

Evolution is exposed to the risk of money laundering and fraudulent activities by its customers, end users and third parties, as well as the potential collusion by operators and end users. The Group has implemented internal control systems and established a primary mission control centre in Latvia that monitors transactions, volumes and patterns, but these systems may not always succeed in protecting the Group from money laundering and fraud. To the extent that the systems are not successful in protecting the Group from money laundering or fraud, or if Evolution fails to comply with applicable regulations, the Group and its directors could be subject to criminal sanctions or administrative and civil fines and could directly suffer loss, the revocation of concessions and licences, operational bans, or lose the confidence of the customer base, all of which could have a material adverse effect on the Group's business, financial position and profit. In addition, effective internal controls are necessary for Evolution to provide reliable financial information and effectively prevent fraud. While the Group applies procedures and a system of internal control whereby internal risks are assessed, and the Group's Risk Committee meets on a quarterly basis to discuss and address potential risks, it is possible that the Group will not successfully manage internal risks or identify areas requiring improvement in the internal controls.

Tax situation

Evolution primarily conducts its business through subsidiaries that are active in the geographic markets in which it operates. The business, including intra-Group transactions, is conducted in accordance with the Company's interpretation of applicable laws, tax treaties and other regulations concerning taxes and the practice of tax authorities in the relevant countries.

Evolution has obtained advice from independent tax advisors in this respect, but there is a risk that tax authorities in relevant countries may make decisions that deviate from the Group's interpretations and the advice received from independent tax advisors. In addition, the Group's interpretation of applicable laws, tax treaties, regulations and administrative practice may be incorrect and such rules may change, possibly with retroactive effect (in particular with regard to Maltese VAT legislation and the right of companies to deduct VAT). Furthermore, the Company has been advised that, to the extent that an individual ordinarily resident and domiciled in Malta acquires 5 percent or more of the Company, although the tax refunds in Malta should not be limited, certain Maltese withholding tax obligations may be imposed in respect of dividends attributable to such individuals. Regulatory or legislative changes, or decisions by tax authorities, may impair the present, future or previous tax position of Evolution, which could have a material adverse effect on the Group's business, financial position and profit.

Evolution is closely following and preparing for global, EU and local legislative changes following the OECD's reform of international taxation, which includes the minimum taxation component, known as Pillar 2. These legislative changes related to Pillar 2 are expected to increase Evolution's effective tax rate from 1 January 2024 onwards.

Expectations regarding future development

The company's future development is mainly dependent on the development of the online Casino market. Evolution's medium to long-term objective is to grow faster than the total global online casino market.

Proposed appropriation of profits

The Board of Directors proposes that the 2023 Annual General Meeting approve the transfer to shareholders of EUR 427,314,288 (302,751,455), corresponding to EUR 2.00 (1.42) per share.

The following earnings are at the disposal of the Annual General Meeting

Share premium reserve	2,604,735,409
Retained earnings	-156,089,411
Profit for the year	592,315,617
Total	3,040,961,615

The Board of Directors proposes the following appropriation

Dividend to shareholders	
EUR 2.00 per share x 213,205,250 shares	427,314,288
Carried forward in share premium reserve	2,604,735,409
Carried forward in retained earnings	8,911,918
Total	3,040,961,615

Statement by the board of directors on the proposed allocation of profits

With reference to the above and to what has otherwise come to the Board of Directors' knowledge, the Board of Directors believes that a comprehensive assessment of the Parent Company and the consolidated financial position indicated that the dividend is justified taking into account the demands that scope and risks of the operations place on the scope of equity in the Parent Company and the Group and on the consolidation needs, liquidity and financial position in other regards of the Parent Company and the Group.

The Group's and the Parent Company's positions as of 31 December 2022 and the profit of the operations for the 2022 financial year are stated in the following income statements and balance sheets, cash flow statements, statements of changes in equity and notes to the financial statements.

Conflict in Ukraine

During the year, Russia launched a military attack on Ukraine. Evolution had a game development hub in Ukraine, its activity has during the year been significantly reduced albeit Evolution still has a legal entity in the country. Evolution continues to have no offices or customers based in Russia, and the direct financial effects of the war and sanctions during the year were not material to the group in 2022.

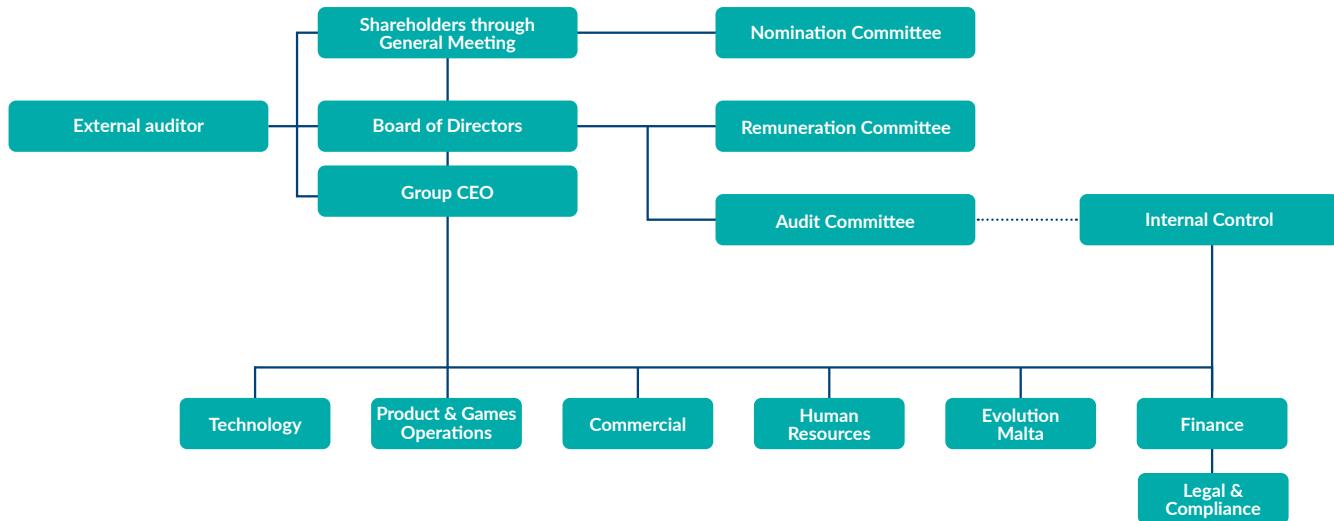
Events following the balance sheet date

On 28 February 2023, the incentive programme 2020/2023, which was decided by the extraordinary general meeting on 16 January 2020, expired. Shares can be subscribed from 28 February and the following 30 calendar days. The incentive programme has a cap, if the average share exceeds 200 percent of SEK 373.90 during ten trading days ending of the date three trading days before first exercise date, the number of shares each warrant entitles subscription for and the share subscription price is recalculated. Before the submission of the Annual Report, 1,073,180 warrants were used to subscribe for 493,662 new shares in the Company, the new shares were subscribed for SEK 821.60. Expected dilution effect is approximately 0.2 percent.

Corporate governance report

Evolution AB (publ) ("Evolution") is a Swedish public limited company that was formed in December 2014 and that is listed on the Nasdaq Stockholm exchange. Evolution complies with all applicable statutes and regulations, including the Swedish Companies Act, EU Market Abuse Regulation, the Swedish Code of Corporate Governance (the "Code") and other regulations and Nasdaq Stockholm's Rule Book for Issuers. The current Code is available at the Swedish Corporate Governance Board's website www.bolagsstyrning.se.

Evolution's corporate governance model



Ownership and voting rights

At the end of 2022, the share capital in Evolution amounted to EUR 646,536.56, divided between a total 215,111,115 shares with a nominal value of EUR 0.003 each. All shares belong to the same class of shares, with equal voting rights (one vote per share) and shares of the company's capital and profit. On 31 December 2022, there were 101,203 shareholders. At the same point in time, the company's largest shareholders were Capital Group with 15.4 percent of the share capital and votes, and Jens von Bahr as well as Fredrik Österberg (through Österbahr Ventures AB) with 10.4 percent of the share capital and votes.

The ten largest shareholders represented 46.2 percent of the share capital and votes. Further information about the company's share and shareholders is presented under "The Evolution share" on page 27-28 and on the company's website.

General Meetings

The Annual General Meeting is Evolution's highest decision-making body, at which shareholders exercise their influence on the company. All shareholders registered in the company's CSD register who notify the company in time of their attendance are entitled to attend the General Meeting and vote for all of their shares. The company's Annual General Meeting is held in the spring. The date and venue are announced in connection with the third interim report at the latest.

Information on how shareholders can have a matter considered at the Annual General Meeting in the following year, and when, at the latest, such a request must be received is detailed on the company's website in connection with the publication of the third interim report at the latest. Notice of the Annual General Meeting is published no later than four weeks prior to the meeting through an advertisement in Post- och Inrikes Tidningar (official Swedish gazette) and by posting the notice on the company's website. The company will place an advertisement in Swedish financial daily Dagens Industri that the notice has been issued.

The Annual General Meeting's mandatory duties include making decisions on:

- Adoption of the income statement and balance sheet
- Appropriation of profits and dividend
- Discharge from liability for the Board of Directors and the Group CEO
- Election of the Board of Directors and auditors
- Determination of fees for the Board members and the auditors
- Nomination Committee.

At the Annual General Meeting, decisions are normally made by a simple majority of the votes cast. On certain decision matters, however, the Swedish Companies Act requires a proposal to be approved by a larger proportion of the votes cast.

Extraordinary General Meetings may be held when necessary.

Annual General Meeting 2022

The 2022 Annual General Meeting was held on 8 April 2022. At the meeting, 45.9 percent of all shares and votes were represented.

At the annual general meeting income statements and balance sheets for 2021 for the company and the group were adopted and it was resolved on, among other things, a dividend of EUR 1.42 per share, discharge from liability for the board members and the managing director, re-election of the board members and the chairman of the board, authorisation for acquisition and transfer of own shares, reduction of the share capital through redemption of own shares and increase of the share capital through bonus issue as well as authorisation for the board of directors to issue shares, warrants and convertible debt. The minutes of the meeting, as well as other documentation from the meeting, are available on the company's website.

Annual General Meeting 2023

The 2023 Annual General Meeting will take place on 4 April 2023. Notification of the meeting will be issued on the company's website, where requisite documents, such as information providing the basis for decisions, will also be made available prior to the meeting.

Nomination Committee

The Annual General Meeting determines how the Nomination Committee should be appointed. At the 2022 Annual General Meeting, it was decided that the Chairman of the Board of Directors is to contact the three largest shareholders in terms of votes based on Euroclear Sweden AB's list of registered shareholders on the last business day of August. The three largest shareholders will be given the opportunity to elect one representative each to form the Nomination Committee along with one of the members of the Board of Directors who is independent in relation to the Company's management. If any of these shareholders chooses to waive their right to elect a representative, their right is transferred to the shareholder who, after these shareholders, has the largest share ownership.

In preparation for the Annual General Meeting, the Nomination Committee is tasked with presenting proposals regarding:

- The chairman for the Annual General Meeting
- Number of Board members
- Board members and Chairman of the Board
- Board remuneration
- Possible remuneration for committee work
- Auditors and auditors' fees if such a decision is to be made
- Process for establishing the ensuing Nomination Committee.

The proposals of the Nomination Committee are presented in the notice of the Annual General Meeting and on the company's website. The Nomination Committee's mandate period runs until a new Nomination Committee has been appointed under the decision establishing the new Nomination Committee at the 2023 Annual General Meeting.

Member	Appointed by	Independent in relation to the company and its senior management	Share of votes as per 31 December 2022
Martin Rosell (Chairman)	Österbahr Ventures AB	Yes	10.4%
Michael Hayward	WCM Investment Management	Yes	5.1%
Ian Livingstone	Richard Livingstone	Yes	1.9%
Jonas Engwall	Board of Directors of Evolution AB	Yes	0.07%

Board of Directors

Responsibilities and duties of the Board of Directors

The Board of Directors bears the overall responsibility for the organisation of the company and the management of its affairs and is to work in the interests of the company and all of its shareholders. The mandatory tasks of the Board of Directors include determining the company's overall targets and strategies, evaluating the Group CEO, ensuring that there are systems in place for monitoring and controlling the operations and the risks associated with them, ensuring that there is satisfactory control of the company's regulatory compliance and ensuring that the information issued by the company is characterised by openness and is accurate, relevant and reliable.

Instructions and policies

The Board of Directors annually reviews and adopts the following corporate governance related instructions and policies among others:

- Rules of procedure of the Board of Directors
- Instructions for the Group CEO
- Rules of procedure of the Audit Committee
- Rules of procedure of the Remuneration Committee
- Code of Conduct
- Sustainability Policy.

Composition of the Board of Directors

The Board of Directors is appointed by the shareholders at the Annual General Meeting for the period until the end of the next Annual General Meeting and, in accordance with the Articles of Association, shall consist of at least three and at most eight members with no deputies. The Annual General Meeting determines the precise number of members.

At the 2022 Annual General Meeting, Jens von Bahr (Chairman), Joel Citron, Jonas Engwall, Ian Livingstone, Fredrik Österberg, Mimi Drake and Sandra Urie were elected as members of the Board of Directors. For further details of each Board Member, see page 69-70.

Fredrik Österberg was employed by the company as Group Chief Strategy Officer until April 2018.

Jens von Bahr was employed by the company as Executive Chairman until April 2022.

Independence

The number of Board members who are independent in relation to the company is six (86 percent) and the number of Board members who are independent in relation to major shareholders are five (71 percent). Jens von Bahr and Fredrik Österberg together own approximately 10.4 percent of the shares and votes in the company (through Österbahr Ventures

AB) and are therefore not independent in relation to major shareholders. Since Jens von Bahr has been employed by the company as Executive Chairman during the last three years he is not independent in relation to the company or its senior management.

A Board member may not take part in decisions where a conflict of interest may exist. This comprises decisions regarding agreements between a Board member and the company, agreements between the company and third parties in which the Board member has a material interest that could constitute a conflict of interest for the company, as well as agreements between the company and the legal entity that the Board member represents.

Working procedures and meetings

In addition to laws and recommendations, the work of the Board of Directors is governed by its rules of procedure. The rules of procedure have been adopted by the Board of Directors and include instructions concerning, among other things, Board meetings and their contents, the division of duties within the Board and information to the Board.

Member	Fees ¹⁾		Independent ³⁾	Attendance ²⁾		
	Board fee	Committee fee		Board meetings	Audit Committee	Remuneration Committee
Jens von Bahr	EUR 400,000	N/A	No/No	9	N/A	N/A
Joel Citron	EUR 100,000	N/A	Yes/Yes	9	4	1
Jonas Engwall	EUR 100,000	N/A	Yes/Yes	9	4	1
Mimi Drake	EUR 100,000	N/A	Yes/Yes	9	4	N/A
Sandra Urie	EUR 100,000	N/A	Yes/Yes	9	N/A	N/A
Ian Livingstone	EUR 100,000	N/A	Yes/Yes	9	N/A	1
Fredrik Österberg	EUR 100,000	N/A	Yes/No	9	N/A	N/A

¹⁾ Fees refer to the amounts approved by the 2022 Annual General Meeting.

²⁾ Attendance refers to meetings during the 2022 financial year.

³⁾ Independent in relation to the company and the company's management/to the largest shareholders.

Chairman of the Board in 2022

The Chairman of the Board is appointed by the Annual General Meeting. Jens von Bahr was elected Chairman of the Board by the 2022 Annual General Meeting for the period until the end of the next Annual General Meeting.

The Chairman's role is to organise the work of the Board so that it is run efficiently and generates conditions for optimum performance of the Board's commitments.

Work of the Board of Directors in 2022

The Board of Directors held 9 meetings in 2022, of which one was a statutory meeting, three to approve interim reports and one to approve the year-end report. All meetings followed an agenda that, on relevant points, was addressed with documentation provided to members prior to the meetings. As a rule, the meetings are also attended by the company's Director of M&A as secretary to the Board, the Group CEO and Group CFO.

At each meeting, the Group CEO updates the Board Members on the company's operational and financial development.

The principal points addressed by Board meetings in 2022 included matters regarding, as well as the approval of, the business plan and budget, Group policies, and annual, year-end and interim reports.

The matters addressed by the Board of Directors at the Board meetings in 2022 include:

- **February**
Adoption of interim report for the fourth quarter of 2021
- **March**
The company's auditor participated in part of the meeting without the presence of the Group CEO or any other member of company management
Approval of the annual accounts for 2021
Evaluation of the work of the Board of Directors and the Group CEO
Approval of the documentation for the 2022 Annual General Meeting
- **April**
Adoption of interim report for the first quarter of 2022 Statutory Board meeting
- **July**
Adoption of interim report for the second quarter of 2022
- **October**
Adoption of interim report for the third quarter of 2022
- **December**
Approval of 2023 budget.

Assurance of quality in financial reporting

The formal work plan adopted annually by the Board includes detailed instructions about which financial statements and what financial information is to be provided to the Board. The Group CEO is responsible for the Board receiving, in addition to the year-end report, interim reports and annual accounts, regular information about the company's financial performance including its financial position and liquidity.

The Board of Directors also examines, primarily through its Audit Committee, the most significant accounting principles applied within the Group in respect to its financial reporting, as well as significant changes in the reporting principles. All Audit Committee meetings are recorded and the minutes kept available to all Board Members and the auditors.

Evaluation of the work of the Board of Directors

Through a systematic and structured process, the Board shall annually assess its work and the division of labour between individual members. The Chairman of the Board informs the Nomination Committee of the outcome of the evaluation. The Board continuously evaluates the work of the Group CEO and Group management. This evaluation shall be discussed at least once a year at a meeting of the Board without the Group CEO or any other member of Group Management being present.

Remuneration to the Board of Directors

Remuneration to the Board of Directors is proposed by the Nomination Committee and approved by the Annual General Meeting. At the 2022 Annual General Meeting, it was decided that a fee of EUR 100,000 should be paid to each Board Member and the Chairman should receive a fee of EUR 400,000.

No specific compensation is paid to the members of the Board committees.

Diversity policy

The company's Board of Directors has adopted a diversity policy applicable to its own composition. According to this policy, the Board of Directors shall, taking into account the company's operations, stage of development and circumstances, be appropriately composed and characterised by versatility and breadth in terms of the expertise, experience and background of the members elected by the Annual General Meeting. The objective is to seek an even gender distribution on the Board of Directors. Evolution considers diversity important in ensuring that Board Members' profiles provide the necessary range of perspectives, experience and skills required to achieve effective governance. In preparing its proposal for the composition of the Board of Directors, the Nomination Committee takes into account the Code and the Board's Diversity Policy, seeking to achieve diversity on the Board of Directors.

Board committees

The Board of Directors has established a Remuneration Committee and an Audit Committee.

Remuneration Committee

The Remuneration Committee consists of Joel Citron (chairman), Ian Livingstone and Jonas Engwall. The Remuneration Committee's duties include preparing the following matters for decision by the Board:

- Salary, other remunerations and pension benefits for the Group CEO
- The company's remuneration policy and other terms of employment for the company's senior management
- Share option programmes and similar arrangements, as well as other rewards or forms of compensation referred to, target a wider range of Group employees.

The Remuneration Committee shall also monitor and evaluate both current and completed variable remuneration programmes for the company's senior management. In addition, the Committee shall monitor and evaluate the application of guidelines for remuneration to senior executives, as well as current remuneration structures and levels in the company. During 2022, one meeting was held at which all members attended.

Audit Committee

The Audit Committee consists of Joel Citron (chairman), Mimi Drake and Jonas Engwall. The Audit Committee's tasks include:

- Preparing the Board's work with regard to quality in the financial reporting and processes for managing the business risks of the company and the Group
- Monitoring the company's financial reporting and assisting the Board in assuring the effectiveness of the company's internal control, internal audit and risk management
- Regularly meeting the company's auditors and being briefed on the statutory audit, focus and scope of the audit, as well as discussing the coordination between the external and internal audit as well as the view of the risks in the company
- Establishing guidelines for which services, beyond audit services, the company may purchase from the auditors, as well as evaluating and monitoring the independence of the company's auditors and, in connection with this, paying particular attention to whether the auditor provides additional services to the company beyond auditing
- Evaluating the audit and informing the company's Nomination Committee of the outcome of this evaluation.

The Audit Committee shall also organise a selection process to prepare recommendations of auditors to the Nomination Committee when so required by applicable rules and assisting the Nomination Committee in preparing its proposals on auditors and compensation for auditing. During 2022, four meetings were held.

Division of labour between the Chairman of the Board and the Group CEO

The Chairman of the Board is working mainly in the following areas: preparing long-term strategic issues beyond the Group CEO's strategic work within current business plans, ongoing evaluation of strategic partnerships and acquisitions, as well as assisting Group Management in strategic projects and in connection with the recruitment of key competencies. The Group CEO's instructions clarify that the duties of the Chairman of the Board should not interfere with the duties of the Group CEO and that the Chairman of the Board may not perform any ongoing management tasks.

Auditors

Auditors are elected by the Annual General Meeting. The auditor shall examine the company's annual report and accounts as well as the management by the Board of Directors and the Group CEO. The auditor shall also examine the group accounts, as well as the relationship inter se of group companies. In accordance with the Articles of Association, Evolution shall have one or two auditors. The auditors shall be appointed for the time period until the end of an annual general meeting held not later than during the fourth financial year after the election. The Annual General Meeting held in 2022 re-elected Öhrlings PricewaterhouseCoopers AB as the company's auditors up until the close of the Annual General Meeting held in 2023. The auditor in charge is Johan Engstam, who was born in 1966 and is an authorised public accountant.

Group CEO and Group Management

Evolution's Group Management has extensive experience and works to achieve long-term profitable growth in line with the company's strategy and vision. The Group CEO is appointed by, and receives instructions from, the Board of Directors. In turn, the Group CEO appoints the other members of Group Management and is responsible for the ongoing administration of the Group in accordance with the Board's guidelines and instructions. The Group CEO reports to the Board of Directors, ensuring that it receives the information needed to make informed decisions. The Group CEO shall also ensure that matters to be addressed by the Board in accordance with applicable legislation, the Articles of Association and internal policies and guidelines are presented to the Board of Directors. The Group CEO attends, and reports to, all Board meetings, except on those occasions when the Group CEO is evaluated by the Board as well as when the Board meets the company's auditor without management attending. Group Management embodies expertise covering all key areas of the company's business and strategy, including the CEO of Evolution's operating subsidiary Evolution Malta Limited. Evolution Malta Limited has a management team that addresses matters related to the operational activities.

Working instructions for the Group CEO

The Board of Directors has developed and adopted instructions covering the Group CEO's responsibilities and tasks, as well as entitlement to represent the company. Within the framework of applicable laws, the Articles of Association, the Board of Director's formal work plan, the Group CEO's instructions and other instructions issued by the Board, the Group CEO is responsible for overseeing the company's day-to-day operations. The Group CEO is also responsible for ensuring that the Board receives information regularly to be able to monitor the company's financial position, financial planning and development. Prior to each regular Board meeting, the Group CEO shall submit information as

requested by the Board in assessing the company's financial situation, including reports, metrics, proposed business plan and budget, forecasts, interim reports, financial statements and annual reports.

Remuneration to senior executives

The 2022 Annual General Meeting established guidelines for senior executives for the period up until the Annual General Meeting held in 2023. Senior executives refer to the Group CEO and the Group management of Evolution. The guidelines should also apply to remuneration for members of the Board who are employed by the company, and what is stipulated in the guidelines regarding senior executives should when applicable also apply to members of the Board who are employed by the company. For information on the composition of the Group Management, see page 71-72.

The objective of the guidelines is to ensure that the company can attract, motivate and retain senior executives with the expertise and experience required to achieve company's operating goals. The remuneration shall be based on conditions that are market competitive and at the same time aligned with shareholders' interests. Remuneration to the senior executives shall consist of a fixed and, for some senior executives, variable salary. These components shall create a well-balanced remuneration reflecting individual competence, responsibility and performance, both short-term and long-term, as well as the company's overall performance.

Fixed salary

The senior executives' fixed salary shall be competitive and based on each senior executive's individual competences, responsibilities and performance. A review of the fixed salary shall be carried out on an annual basis for each calendar year.

Variable compensation

The senior executives (however not the board member employed by the company) may receive variable remuneration in addition to a fixed salary.

Annual variable remuneration is to be cash based and be based on predetermined and measurable performance criteria for the relevant senior executive aimed at promoting the company's long term value creation. The performance criteria are to be established and documented annually.

Depending on the level of performance achieved, annual variable remuneration can vary from no variable payment up to fifty percent of the annual base salary (however, one senior executive is entitled to variable compensation up to a hundred percent of his annual base salary under his existing employment agreement).

Incentive programmes

The shareholders' meeting shall be able to decide on long-term share and share-price related incentive programmes directed to, among others, the senior executives (however not to board members who are employees of the company). Such incentive programmes are to be designed with the aim of achieving increased alignment between the interests of the participating individual and the company's shareholders and so that a personal holding of shares in the company is promoted.

Other benefits

The company provides other benefits to senior executives in accordance with local practice. Such other benefits can include, for example company health care. Occasionally, housing allowance, paid schooling for underage children or travel allowances could be granted.

Notice of termination and severance pay

The maximum notice period for senior executives during which salary is paid is 12 months. Severance compensation may be paid in an amount not greater than 12 months' fixed salary.

Deviations from guidelines

The Board of Directors may deviate from the above guidelines where a special cause exists in an individual case. In the event the Board of Directors deviates from the guidelines, it shall explain the reason for the deviation at the following Annual General Meeting.

Incentive programmes

2021/2024 programme

The Extra General Meeting on 28 January 2021 resolved to issue a maximum of 5,000,000 warrants. Each warrant entitles the holder to subscribe for one new share in the company for 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 interim report for the period January–December 2023) up to and including the date that falls 30 calendar days thereafter.

In total 3,948,875 warrants were subscribed, of which 230,396 were bought back during 2021-2022. If all 3,718,479 warrants are exercised for subscription of 3,718,479 shares, the dilution effect will be approximately 1.7 percent.

The recipients of the warrants are key employees throughout the Group. Employees in Sweden and Georgia have paid the market value for the warrants. Employees in other countries have paid the market value for one warrant, while receiving one without payment for each 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.

2020/2023 programme

The Extra General Meeting on 16 January 2020 resolved to issue a maximum of 4,000,000 warrants. Each warrant entitles the holder to subscribe for one new share in the company for SEK 373.90 during the period from and including 28 February 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 109,950 were bought back during 2020-2022. The programme has a cap, if the average share price exceeds 200 percent of SEK 373.90 during ten trading days ending on the date three trading days before first exercise date, the number of shares each warrant entitles subscription for and the share subscription price is recalculated. Expected dilution effect is approximately 0.2 percent.

The recipients of the warrants are key employees throughout the Group. Employees in Sweden have paid the market value for the warrants. Employees outside Sweden have paid the market value for one warrant, while receiving one without payment for each 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.

	2021/2024	2020/2023
Exercise price, SEK	1,113.80	373.90
Grant date	20/03/2021	27/02/2020
Expiry date	19/04/2024	30/03/2023
Number of recipients	228	103
Total number of warrants subscribed	3,718,479	3,890,050

Risk management and internal control

Evolution's control system has been developed to ensure accurate, reliable financial reporting and accounting in accordance with applicable laws and rules, accounting standards and other requirements for listed companies. The foundation of the control environment is defined through policies, routines and manuals, and is upheld with the help of the company's organisational structure with clearly defined responsibilities.

Control environment

The Board of Directors bears the ultimate responsibility for an effective system of internal control and risk management being in place. Critical accounting issues and issues related to financial reporting are addressed by the Board and in the Board's Audit Committee. To ensure a well-functioning control environment, the Board of Directors has established a number of policies

relevant to corporate governance and financial reporting. These include the Board's rules of procedure, Group CEO instructions and reporting instructions for financial reporting. The company also has a financial handbook, which includes principles, guidelines and process descriptions for accounting and financial reporting. At the statutory Board meeting following the Annual General Meeting, a formal work plan is established for the Board and instructions for the work of the Group CEO are determined, in which responsibilities and powers are further defined.

The Board has appointed an Audit Committee, tasked with preparing the Board's work with regard to quality in the financial reporting and processes for managing the business risks of the company and the group, as well as monitoring the company's financial reporting and assisting the Board in assuring the effectiveness of the company's internal control, internal audit and risk management.

The CFO regularly reports to the Audit Committee and works together with the company's finance function to develop and improve the internal control with regards to the Group's financial reporting, both proactively with a focus on the internal control environment, and by reviewing the effectiveness of internal control.

Responsibility for the daily work of maintaining the control environment rests primarily with the Group CEO. The Group CEO reports regularly to the company's Board of Directors.

The Board of Directors in its entirety or any one Board Member together with the Chairman of the Board may sign on behalf of the company. In addition, the company's CFO and Director M&A together are entitled to sign on behalf of the company.

In accordance with the Swedish Companies Act, the Group CEO may sign alone on behalf of the company regarding duties which the Group CEO is obliged to carry out pursuant to section 29 of the Swedish Companies Act.

Risk assessment

The Group has established a Risk Management Committee, in which representatives of various relevant parts of the organisation meet quarterly to assess, discuss and mitigate potential risks. The Group has also adopted procedures and established internal risk management control systems, including an annual risk analysis for all business areas within the Group, where the purpose is to identify, evaluate and manage risks threatening the Group's objectives and strategies. The risk analysis is divided into strategic, operational, compliance, legal and financial risks.

To ensure a relevant level of control, each business area has established a number of control activities counteracting the most significant risks identified in the risk analysis. A self-assessment of these control activities is performed annually and reported to the Risk Management Committee, which compiles and evaluates the results and reports to the Audit Committee and the Board of Directors.

Risk assessment directly related to the provision of gaming services

As certain jurisdictions have laws that explicitly consider the offering of, and participation in, gaming services conditional on particular licences or a criminal offence, the Group continuously undertakes precautionary measures, including Know Your Customer (KYC) checks of licensees and requiring, in its agreements, that operators comply with the laws and regulations applicable to them.

These provisions in the agreements constitute a form of legal protection and prevent certain end users from accessing the Group's products and services. The Group's customers (i.e. the casino operators) are responsible for the end users' access to their online gaming platforms at the local level and in accordance with local laws and regulations.

Monitoring

Monitoring of control activities is conducted continuously to ensure that risks have been satisfactorily observed and addressed. This includes tracking of results in relation to budget and plans, analyses and key figures. The Board of Directors continuously evaluates the information provided by the company's management team. The process includes both reconciliation of monthly financial reports against budgets and goals and reporting at Board meetings. Through the Audit Committee, the Board of Directors reviews and assesses the internal control organisation and function. The company's policies and instructions are evaluated and updated annually at a minimum or when needed.

The company's CFO presents the results of internal control work as a standing agenda item at Audit Committee meetings.

The results of the Audit Committee's work in the form of observations, recommendations and proposals for decisions and measures are continuously reported to the Board of Directors.

Information and communication

The company has information and communication channels to promote the accuracy of the financial reporting and to facilitate reporting and feedback from the operations to the Board of Directors and the Group Management, for example by making governing documents such as internal policies, guidelines and instructions regarding the financial reporting available and known to the employees concerned.

The company is subject to the provisions of the EU Market Abuse Regulation No. 596/2014 (MAR). MAR sets out requirements on how inside information is to be published to the market, under which conditions the disclosure may be delayed and in what way the company is obliged to keep a list of persons working for the company and who has access to inside information. The company has assigned a digital and semi-automated tool to ensure that its handling of inside information meets the requirements of MAR and its insider policy. Only authorised persons in the company have access to the tool.

The company's financial reporting complies with Swedish laws and regulations and the local rules in each jurisdiction where operations are conducted. The company's information to shareholders and other stakeholders is provided through the interim reports, press releases and annual report according to the Group's Communication Policy.

Internal audit

The company has no separate review function (internal audit). The Board does not consider there to be special circumstances in operations or other conditions that would warrant such a function.

Our Board of Directors

JENS VON BAHR

Chairman of the Board

Born 1971. Elected 2015, Chairman since 1 November 2016.

Other assignments:

Jens is a Board member in JOvB Investment AB, Österbahr Ventures AB, Barnebys Group AB and Sitoo AB.

Experience:

Jens is co-founder of Evolution. Before founding the company, Jens was Managing Director of Oriflame Sri Lanka. He has also started several entrepreneurial companies. Jens holds a BSc in Business from Stockholm University and a MBA from the University of Western Sydney.

Shareholding:

22,400,140 shares through Österbahr Ventures AB (jointly owned with Fredrik Österberg) and 15 310 shares through JOvB Investment AB.

Not independent in relation to the company, the company's management or major shareholders of the company.

SANDRA URIE

Board member

Born 1952. Elected 2021.

Other assignments:

Sandra is Chairman Emeritus and Managing Director of Cambridge Associates, LLC. Among other assignments, she is a Board Member of Social Finance US and Crane Institute for Sustainability. In addition, she serves on the Advisory Board of Accounting for Sustainability (A4S) and the President's Council of Ceres.

Experience:

In addition to her current assignment, Sandra was CEO and Chairman of Cambridge Associates, LLC for sixteen years. She also served as Vice Chair of The Investors' Committee of the U.S. President's Working Group on Financial Markets and of 100 Women in Finance, and served on the Board of Stanford Management Company and on the Advisory Board of other organisations. She graduated from Stanford University and received a Master's in Public and Private Management from the Yale School of Management. She is a Chartered Financial Analyst (CFA).

Shareholding:

300 shares.

Independent in relation to the company, the company's management and major shareholders of the company.

JONAS ENGWALL

Board member

Born 1971. Elected 2015.

Other assignments:

Jonas is owner and CEO of Knoxville AB, an investment company. Among other assignments, he is Chairman of ExOpen Systems AB, Sitoo AB and DBT Capital AB, and board member of Ekoligens AB.

Experience:

Jonas was previously Chairman of Risenta AB and Svenssons i Lammhult AB. He has also founded several entrepreneurial companies, such as Skruf Snus AB.

He holds a Master of Business Administration from Stockholm School of Economics.

Shareholding:

159,630 shares.

Independent in relation to the company, the company's management and major shareholders of the company.

MIMI DRAKE

Board member

Born 1968. Elected 2021.

Other assignments:

Mimi is Co-CEO of Permit Capital Advisors. Among other assignments, she is Founding Board Member and Chair Emerita of the Board of 100 Women in Finance and serves on the Boards of Hudson Global, Verus and Ben Franklin Technology Partners.

Experience:

Mimi has worked at Morgan Stanley Asset Management, at hedge funds and at a financial technology company. She received her M.B.A. in Finance from The Wharton School at the University of Pennsylvania and her B.A. in Economics from Trinity College (cum laude). She also attended the Radcliffe Publishing Program at Harvard University.

Shareholding:

305 shares.

Independent in relation to the company, the company's management and major shareholders of the company.

IAN LIVINGSTONE**Board member**

Born 1962. Elected 2015.

Other assignments:

Ian is Executive Chairman of London+Regional Properties Limited. He also holds various Board assignments within the London+Regional Properties group.

Experience:

Ian has vast experience from various senior positions in property development and retail.

Shareholding:

500,000 shares.

Independent in relation to the company, the company's management and major shareholders of the company.

JOEL CITRON**Board member**

Born 1962. Elected 2015.

Other assignments:

Joel is CEO of Tenth Avenue Holdings LLC and Chairman of Tenth Avenue Commerce LLC.

Experience:

Joel has vast experience from various management positions in investment and operating companies in Europe and the USA. He holds a BSc Business Administration and MA. Economics from the University of Southern California.

Shareholding:

1,229,355 shares through Tenth Avenue Holdings and 277,500 shares privately.

Independent in relation to the company, the company's management and major shareholders of the company.

FREDRIK ÖSTERBERG**Board member**

Born 1970. Elected 2015.

Other assignments:

Fredrik is a Board member in FROS Ventures AB, Österbahr Ventures AB and Hammarby Fotboll AB.

Experience:

Fredrik is cofounder of Evolution. Before founding the company, Fredrik was CEO of Sportal Nordic.

He holds a BSc in Business Administration and Economics from Stockholm University.

Shareholding:

22,400,140 shares through Österbahr Ventures AB (jointly owned with Jens von Bahr) and 50,000 shares privately.

Independent in relation to the company and the company's management, not independent in relation to major shareholders of the company.

The company's auditors**ÖHRLINGS PRICEWATERHOUSECOOPERS AB**

Johan Engstam

Authorised Public Accountant

Our group management team



MARTIN CARLESUND
Group CEO

Born 1970. Employed by the group since 2015.

Shareholding: 584,923 shares.

Warrants:

Rights through warrant program 2020/2023: 1,000,000

Rights through warrant program 2021/2024: 650,000

Other assignments:

Martin is Chairman of Carlesund Investments & Consulting AB and Sandstjärna Holding.

Experience:

Martin has been CEO of Highlight Media Group, Eniro Sverige, Eniro Finland and 3L System AB. He holds a MSc in finance together with courses in computer science, law and mathematics at University of Borås, Gothenburg School of Economics and Linköping University.



TODD HAUSHALTER
Chief Product Officer and Games Operations

Born 1978. Employed by the group since 2015.

Shareholding: 96,300 shares

Warrants:

Rights through warrant program 2020/2023: 120,000

Rights through warrant program 2021/2024: 130,000

Experience:

Vice President of Gaming Operations at MGM Resorts International, Global Director of Product Development at Shuffle Master and Vice President of Business Strategy Shuffle Master. He holds a MBA and an MS in Hospitality Administration from University of Nevada, Las Vegas.



OLESYA IVANOVA
Chief Operating Officer
Latvia, Lithuania, Romania, Georgia, Malta, Belgium & Spain

Born 1983. Employed by the group since 2006.

Shareholding: 53,193 shares

Warrants:

Rights through warrant program 2020/2023: 120,000

Rights through warrant program 2021/2024: 130,000

Experience:

Olesya joined Evolution as a Game Presenter and has since then held several positions with managerial responsibilities at the Riga production studio. She holds an EMBA from the Stockholm School of Economics in Riga.



SEBASTIAN JOHANNISSON
Chief Strategy Officer

Born 1978. Employed by the group since 2008.

Shareholding: 700,000 shares

Warrants:

Rights through warrant program 2020/2023: 120,000

Rights through warrant program 2021/2024: 130,000

Experience:

Sebastian has previous been Chief Commercial Officer as well as Head of Account Management at Evolution. He holds a Master of Business Administration from Uppsala University.



JACOB KAPLAN
Chief Financial Officer

Born 1973. Employed by the group since 2016.

Shareholding: 60,000 shares

Warrants:

Rights through warrant program 2020/2023: 120,000

Rights through warrant program 2021/2024: 130,000

Experience:

Jacob has been CFO of Nordnet AB (publ) and Vice President, Finance Director at Nasdaq OMX Transaction Services Nordics. He holds a MSc in Industrial Engineering and Business Management from the Royal Institute of Technology in Stockholm and a BSc in Business Administration from Stockholm University.



LOUISE WIWEN-NILSSON
Chief Human Resources Officer

Born 1972. Employed by the group since 2016.

Shareholding: 22,780 shares

Warrants:

Rights through warrant program 2020/2023: 55,000

Rights through warrant program 2021/2024: 130,000

Experience:

Louise has held several leading HR positions within Viacom/MTV, Nike and Walt Disney. She has a degree in Social and Behavioural studies at Lund University.

QUEEN CONFERENCE ROOM





FINANCIAL REPORTS

The Board of Directors and the Group CEO of Evolution AB (publ) 556994-5792 ("Evolution") hereby present the annual accounts for the Group and the Parent Company for the 2022 financial year.

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED STATEMENT OF CASH FLOWS

INCOME STATEMENT – PARENT COMPANY

BALANCE SHEET – PARENT COMPANY

STATEMENT OF CHANGES IN EQUITY – PARENT COMPANY

CASH FLOW STATEMENT – PARENT COMPANY

NOTES

Consolidated income statement

	NOTE	2022	2021
Revenues - Live		1,188,308	839,238
Revenues - RNG		268,429	229,539
Total operating revenues	2	1,456,737	1,068,777
Personnel expenses	3	-289,598	-207,165
Depreciation, amortisation and impairment	8, 9	-100,378	-80,646
Other operating expenses	17, 18	-158,699	-126,962
Total operating expenses		-548,675	-414,773
Operating profit		908,062	654,004
Financial income	4	9,069	1,317
Financial expenses	5	-10,538	-7,830
Profit before tax		906,593	647,491
Tax on profit for the year	6	-63,232	-42,056
Profit for the year		843,361	605,435
<i>Of which attributable to:</i>			
Owners of the Parent Company		843,361	605,435
Average number of shares, basic	7	213,267,500	213,714,575
Earnings per share basic, EUR		3.95	2.83
Average number of shares, diluted		217,505,567	221,818,828
Earnings per share diluted, EUR		3.88	2.73

Consolidated statement of comprehensive income

	2022	2021
Profit for the year	843,361	605,435
Other comprehensive income		
<i>Items that may subsequently be reclassified to profit or loss for the year</i>		
Exchange differences arising from the translation of foreign operations	-196,992	-55,834
Other comprehensive income for the year	-196,992	-55,834
Comprehensive income for the year	646,369	549,601

Consolidated statement of financial position

	NOTE	31 December 2022	31 December 2021
Assets			
Goodwill	8	2,315,332	2,188,482
Other intangible assets	8	742,928	757,250
Land and buildings	9	11,187	11,409
Right of use assets	9, 17	67,900	54,313
Other property, plant and equipment	9	110,996	68,745
Other non-current receivables		8,868	11,096
Deferred tax assets	6	2,785	2,360
Total non-current assets		3,259,996	3,093,655
Accounts receivable	11	277,012	200,700
Current tax receivables		241,330	142,320
Other current receivables	12	21,016	13,175
Prepaid expenses and accrued income	13	37,463	31,785
Cash and cash equivalents	14	532,554	421,432
Total current assets		1,109,375	809,412
TOTAL ASSETS		4,369,371	3,903,067
Equity and liabilities			
Share capital		647	647
Other capital contributed		2,403,963	2,405,622
Reserves		-215,278	-18,286
Retained earnings including profit for the year		1,270,949	802,967
Total equity		3,460,281	3,190,950
Deferred tax liabilities	6	66,113	58,816
Non-current lease liabilities	17	65,158	53,171
Other long-term liabilities	23	351,926	230,000
Total non-current liabilities		483,197	341,987
Accounts payable		10,094	8,578
Provisions		380	2,253
Current tax liabilities		312,677	189,053
Other current liabilities	15	43,321	111,127
Current lease liabilities	17	14,395	14,639
Accrued expenses and prepaid income	16	45,026	44,480
Total current liabilities		425,893	370,130
TOTAL EQUITY AND LIABILITIES		4,369,371	3,903,067

Consolidated statement of changes in equity

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

2022	Share capital	Other capital contributed	Reserves	Retained earnings including profit for the year	Total equity
Opening equity 01/01/2022	647	2,405,622	-18,286	802,967	3,190,950
Profit for the year	—	—	—	843,361	843,361
Other comprehensive income	—	—	-196,992	—	-196,992
Transactions with shareholders					
Repurchase of own shares	—	—	—	-75,591	-75,591
Dividend	—	—	—	-302,751	-302,751
Warrants	—	-1,659	—	2,961	1,302
Closing equity 31/12/2022	647	2,403,963	-215,278	1,270,949	3,460,281

Consolidated statement of cash flows

	NOTE	2022	2021
Operating profit		908,062	654,004
<i>Adjustment for items not included in cash flow:</i>			
Depreciation and amortisation		100,378	80,646
Provisions		-1,401	-7,696
Other		-3,407	-2,840
Interest received		357	230
Interest paid		-1,299	-3,372
Tax paid		-47,100	-26,794
Cash flow from operating activities before changes in working capital		955,590	694,178
Increase/decrease accounts receivable		-72,075	-70,442
Increase/decrease accounts payable		1,198	-7,114
Increase/decrease other working capital		-7,248	-17,727
Cash flow from operating activities		877,465	598,895
Acquisition of intangible assets		-36,278	-28,285
Acquisition of property, plant and equipment		-60,661	-33,307
Acquisition of subsidiaries	23	-273,136	-92,230
Increase/decrease other financial assets		-1,521	-1,130
Cash flow from investing activities		-371,596	-154,952
Repayment of lease liabilities		-14,145	-12,834
Repurchase of own shares		-75,591	-123,315
Warrants		-1,714	8,826
Dividends paid		-302,751	-144,382
New share issue		-	23,189
Cash flow from financing activities		-394,201	-248,516
Cash flow for the year		111,668	195,427
Cash and cash equivalents at beginning of the year		421,432	221,675
Exchange rate differences		-546	4,330
Cash and cash equivalents at year-end	14	532,554	421,432

The item Other under Adjustment for items not included in cash flow mainly refers to foreign exchange differences, disposals of fixed assets and warrant programmes' personnel expenses reported in equity.

Income statement – Parent Company

	NOTE	2022	2021
Net sales	2	19,641	19,175
Other external expenses	18	-5,210	-5,221
Personnel expenses	3	-14,066	-13,428
Depreciation, amortisation and impairments	8, 9	-262	-262
Operating profit		103	264
Interest income and similar income items	4	592,922	250,941
Profit before tax		593,025	251,205
Tax on profit for the year	6	-710	-323
Profit for the year		592,315	250,882

Profit for the year coincides with comprehensive income for the year.

Balance sheet – Parent Company

	NOTE	31 December 2022	31 December 2021
Assets			
Non-current assets			
Intangible assets	8	432	681
Property, plant and equipment	9	70	23
Participating interest in Group companies	10	2,630,780	2,635,756
Deposits		14	14
Total non-current assets		2,631,296	2,636,474
Current assets			
Receivables from Group companies		487,011	258,537
Current tax receivables		880	–
Other current receivables	12	506	958
Prepaid expenses and accrued income	13	6,517	11,524
Cash and cash equivalents	14	6,250	79,952
Total current assets		501,164	350,971
TOTAL ASSETS		3,132,460	2,987,445
Equity and liabilities			
Restricted equity			
Share capital		647	647
Unrestricted equity			
Share premium reserve		2,604,734	2,606,393
Retained earnings		-156,088	-28,628
Profit for the year		592,315	250,882
Total equity		3,041,608	2,829,294
Current liabilities			
Accounts payable		197	247
Current tax liabilities		763	390
Liabilities from Group companies		87,841	84,347
Other current liabilities	15	318	72,345
Accrued expenses and prepaid income	16	1,733	822
Total current liabilities		90,852	158,151
TOTAL EQUITY AND LIABILITIES		3,132,460	2,987,445

Statement of changes in equity – Parent Company

2021	Restricted equity		Unrestricted equity		Total equity
	Share capital	Share premium reserve	Retained earnings		
Opening equity 01/01/2021	638	2,426,591	239,069		2,666,298
Profit for the year	–	–	250,882		250,882
Transactions with shareholders					
Dividend	–	–	-144,382		-144,382
Warrants	–	8,826	–		8,826
Repurchase of own shares	–	–	-123,315		-123,315
Non cash issue	3	147,801	–		147,804
New share issue	6	23,178	–		23,184
Closing equity 31/12/2021	647	2,606,393	222,254		2,829,294

2022	Restricted equity		Unrestricted equity		Total equity
	Share capital	Share premium reserve	Retained earnings		
Opening equity 01/01/2022	647	2,606,393	222,254		2,829,294
Profit for the year	–	–	592,315		592,315
Transactions with shareholders					
Dividend	–	–	-302,751		-302,751
Warrants	–	-1,659	–		-1,659
Repurchase of own shares	–	–	-75,591		-75,591
Closing equity 31/12/2022	647	2,604,734	436,227		3,041,608

2021

Outstanding shares at year-end 213,952,250

2022

Outstanding shares at year-end 213,205,250

The share quota value is 0.003 EUR

Cash flow statement – Parent Company

	NOTE	2022	2021
Operating profit		103	264
<i>Adjustment for items not included in cash flow:</i>			
Depreciation and amortisation		262	262
Other		2,695	784
Interest received		227	157
Tax paid		-259	-2,011
Cash flow from operating activities before changes in working capital		3,028	-544
Increase/decrease accounts payable		-50	-2,373
Increase/decrease intercompany receivables and liabilities, net		-224,980	46,498
Increase/decrease other working capital		2,153	-11,757
Cash flow from operating activities		-219,849	31,824
Acquisition of intangible assets		—	-137
Acquisition of property, plant and equipment		-60	-16
Acquisition of subsidiary	23	-63,792	-447
Deposition paid		—	27
Cash flow from investing activities		-63,852	-573
Repurchase of own shares		-75,591	-123,315
Warrants		-1,659	8,826
Dividend paid		-302,751	-144,382
Dividend received		590,000	250,000
New share issue		—	23,184
Cash flow from financing activities		209,999	14,313
Cash flow for the year		-73,702	45,564
Cash and cash equivalents at beginning of the year		79,952	34,388
Cash and cash equivalents at year-end	14	6,250	79,952

NOTES

TABLE OF CONTENTS

Note 1. Accounting and valuation principles	85
Note 2. Revenues	93
Note 3. Employees	94
Note 4. Financial income	95
Note 5. Financial expenses	95
Note 6. Income tax and deferred tax	95
Note 7. Earnings per share	96
Note 8. Intangible assets	97
Note 9. Property, plant and equipment	98
Note 10. Participations in Group companies	99
Note 11. Accounts receivable	100
Note 12. Other current receivables	100
Note 13. Prepaid expenses and accrued income	101
Note 14. Cash and cash equivalents	101
Note 15. Other current liabilities	101
Note 16. Accrued expenses and deferred income	101
Note 17. Leasing - Group	101
Note 18. Auditor remuneration	102
Note 19. Transactions with related parties	102
Note 20. Share related remunerations	102
Note 21. Financial risk management	103
Note 22. Critical estimates and assessments	106
Note 23. Acquisitions	106
Note 24. Events following the balance sheet date	108
5-Year Summary	109
Key Ratios not defined in accordance with IFRS	110

Notes

Note 1. Accounting and valuation principles

GENERAL INFORMATION

Evolution AB (publ) (the “Parent Company”, 556994-5792) and its Subsidiaries (collectively, the “Group” or the “Company”) is a leading B2B provider of live and slots casino systems.

The Company develops, produces, markets and licenses fully integrated online casino systems to gaming operators. At the end of 2022, the Group had approximately 700 customers, including a majority of the foremost online casino operators in Europe, as well as a number of land-based casinos.

The operators market the products to the end users. Accordingly, Evolution is a pure operating and development company; it does not conduct any gaming operations of its own.

Evolution AB (publ) is a Swedish public limited company with registered office in Stockholm, Sweden and its head office at Hamngatan 11 in Stockholm. Evolution AB (publ) has been listed on Nasdaq Stockholm Large Cap since June 2017 using the ticker EVO.

On 14 March 2023, this Annual Report was approved for publication by the Board of Directors. The income statements and balance sheets are to be adopted by the Annual General Meeting on 4 April 2023.

1.1 BASIS OF PREPARATION

These consolidated financial statements were prepared in accordance with the Annual Accounts Act, RFR 1 Supplementary Accounting Rules for Groups, and the International Financial Reporting Standards (IFRS) and interpretations of the IFRS Interpretations Committee (IFRIC) as adopted by the EU. The consolidated accounts have been prepared in accordance with the cost method. The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires the Group management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed under Accounting principles and in Note 22. The Parent Company’s functional currency, as well as the Parent Company’s and the Group’s presentation currency, is the Euro. Accordingly, the statements were prepared in Euro (EUR). Amounts are expressed in thousands of Euro (kEUR) unless otherwise indicated. Amounts or

figures in parentheses are comparisons for the year-earlier period. Assets and liabilities are recognised at historical cost, except certain financial instruments measured at fair value. The most important principles on which the consolidated financial statements have been based are described below. These accounting principles have been applied consistently for all years presented, unless otherwise stated.

The Parent Company uses the same accounting principles as the Group, with the addition of the Swedish Financial Reporting Board’s recommendation RFR 2 “Accounting for Legal Entities”. This gives rise to certain differences due to requirements in the Swedish Annual Accounts Act or the tax situation. The accounting principles of the Parent Company are described in the section 1.24 “Parent Company’s accounting principles”.

New or amended accounting standards applied in 2022 did not have any material impact on Evolution’s financial statements. New or amended accounting standards applied after 2022 are not expected to have any material impact on Evolution’s financial statements.

1.2 CONSOLIDATION

Subsidiaries are all companies over which the Group has a controlling interest. The Group has a controlling interest over a company when it is exposed to, or is entitled to, variable returns from its holding in that company and is able to influence the return through its interest in the Company. Subsidiaries are fully consolidated from the date on which controlling interest is transferred to the Group. They cease to be consolidated from the date on which that controlling interest ceases. The acquisition method of accounting is used to account for the acquisition of operations by the Group. The cost of acquiring a subsidiary is measured as the fair value of the assets taken over, liabilities incurred by the previous owner of the acquired company, plus the shares issued by the Group. In the cost of an acquisition, fair value of all liabilities is also included as a result of an agreement of a conditioned purchase price. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

For each acquisition, i.e. acquisition by acquisition, the Group determines whether the minority interest in the acquired company is to be recognised at fair value or at the proportional share of the holding in the reported value of the acquired company’s identified net assets.

Expenses attributable to acquisitions are recognised as they are incurred. Goodwill is initially valued as the amount by which the total purchase consideration, and the fair value of any non-controlling interests on the acquisition date, exceeds the fair value of identifiable acquired net assets. If the purchase consideration is lower than the fair value of the acquired company's net assets, the difference is reported directly in the income statement.

Intra-Group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated, unless the loss corresponds to an impairment loss. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

If the Group ceases to have control, any remaining holdings are measured at fair value at the time when control ceases, which is recognised as a change in value in the income statement. Fair value is used initially and forms the basis for the continued accounting of the remaining holding as an associated company, a joint venture and/or a financial asset. In addition, amounts are recognised for companies that were previously included in other comprehensive income, if the Group divested the related assets or liabilities directly. This may mean that amounts that were previously recognised in total comprehensive income have been reclassified to the income statement.

1.3 TRANSLATION OF FOREIGN CURRENCY

(a) Functional currency and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated accounts are presented in Euro.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency for each Group company, using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange differences resulting from such transactions and from the translation of exchange rates of monetary assets and liabilities denominated in foreign currencies on the balance sheet date are recognised in the income statement.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency is translated into the Group's presentation currency as follows:

a) Assets and liabilities in all balance sheets are translated at the rate on the balance sheet date

(b) Income and expenses for each income statement are translated at average exchange rates (unless this average is

not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions)

(c) All resulting exchange differences are recognised in other comprehensive income. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. All resulting exchange differences are recognised in other comprehensive income.

1.4 INTANGIBLE ASSETS

Acquired computer software licenses are capitalised based on the expenses incurred to acquire and bring to use the specific software. Expenses associated with maintaining computer software programs are recognised as an expense as incurred.

Development expenses that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use
- The Group management intends to complete the software product and use it
- There is an ability to use or sell the software product
- It can be demonstrated how the software product will generate probable future economic benefits
- The expenditure attributable to the software product during its development can be reliably measured
- Adequate technical, financial and other resources to complete the development and to use or sell the software product is available.

Directly attributable expenses that are capitalised as part of the software product primarily includes employee expenses for software development. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development expenses previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development expenses recognised as assets are amortised over an estimated useful life of three years. The expense of developing the Core Gaming Platform is amortised over an estimated useful life of three years. Licenses and patents recognised as assets are amortised over an estimated useful life of five years. Customer relationships and game portfolio are amortised over ten years. Acquired platforms are amortised over five to ten years. Brands are not amortised.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1.6).

1.5 PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment are initially measured at cost and thereafter at cost less deductions for depreciation and impairment. The cost includes expenses that are directly related to the acquisition of the assets. Subsequent expenses are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

The carrying amount of the replaced part is derecognised from the balance sheet. General repairs and maintenance expenses are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method and the expenses are allocated to their residual value over the estimated useful lives, according to the following percentages:

- Office equipment, computers and technical equipment 20–50%
- Property 2%.

Expenses for improvements to property owned by another are amortised based on the lease term or estimated useful life, whichever is shorter. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1.6).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

1.6 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less expenses to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets other than goodwill that previously suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period. Intangible assets that are not yet ready for use are also tested for impairment when events or changed circumstances indicate that the recognised value may not be recoverable.

1.7 FINANCIAL ASSETS

1.7.1 Classification

Financial assets that are subject to IFRS 9 Financial Instruments: Recognition and Measurement are classified according to the following categories:

- Financial assets and liabilities measured at amortised cost
- Financial assets and liabilities measured at fair value through profit or loss
- Financial assets and liabilities measured at fair value through other comprehensive income.

Financial assets and liabilities measured at amortised cost

This category refers to non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Examples of assets in this category include trade accounts receivable, cash and cash equivalents, trade accounts payable and interest-bearing liabilities. These assets (and liabilities) are measured at amortised cost applying the effective-interest method. Rent receivables and other receivables are recognised at the amounts that are expected to be received, i.e. after deductions for doubtful receivables.

Financial assets and liabilities measured at fair value through profit or loss

Financial instruments in this category are measured on an ongoing basis at fair value with changes in value recognised through profit or loss. This category includes additional purchase considerations.

Financial assets and liabilities measured at fair value through other comprehensive income

Financial instruments in this category are measured on an ongoing basis at fair value with changes in value recognised through other comprehensive income. At present Evolution has no assets and liabilities in this category.

1.7.2 Recognition and measurement

The Group recognises financial assets in the balance sheet when it becomes a party to the instruments' contractual terms and conditions. Loan receivables and accounts receivable are initially recognised at fair value plus transaction expenses.

Loans and receivables are subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial value after adjustments for differences between the amount reported initially and the amount due when using the effective interest method.

Financial assets are derecognised from the balance sheet when the right to receive cash flows from them has expired or been transferred and the Group has transferred nearly all risk and benefits associated with the ownership or is no longer in control of the assets.

1.7.3 Impairment

Evolution uses the simplified model for expected credit losses for customer receivables, under which provisions for expected credit losses are made at an amount corresponding to expected credit losses over the term of the receivable and is considered at the first reporting date. Indications that a receivable is at risk of impairment might include that the customer is in financial difficulty, that corporate reconstruction or bankruptcy is probable, delayed payments, disputes or other events that indicate that the customer will be unable to pay.

See Note 21 for information about credit loss reserve.

1.8 FINANCIAL LIABILITIES

The Group recognises financial liabilities in the balance sheet when it becomes a party to the instruments' contractual terms and conditions. The Group's financial liabilities consist of current and non-current lease liabilities and trade accounts payables. Financial liabilities are initially measured at fair value, which is the fair value of the amount received less transaction expenses directly related to the acquisition or issue of the financial liability. Thereafter, such liabilities are recognised at amortised cost. A financial liability is removed from the balance sheet when the Group's obligations according to the agreement have been met, cancelled or expired.

1.9 OFFSETTING FINANCIAL INSTRUMENTS

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

1.10 ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

Accounts receivable are amounts due from customers for services performed in the ordinary course of business. If payment is expected in one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as non-current assets. Accounts receivable and other receivables are initially recognised at fair value and subsequently measured at amortised cost, with application of the effective interest method and a deduction for credit loss reserve (Note 1.7.3).

The recognised value of the asset is reduced by using an account for credit loss reserve, and the loss is recognised in the income statement under Other operating expenses. If a bad debt loss has been established, it is written off. If a previously impaired receivable is collected, it will be credited in the income statement.

1.11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are recognised a nominal value. In the cash flow statement and balance sheet, cash and cash equivalents include cash and current accounts in banks.

1.12 ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable are obligations to pay for services that have been acquired in the ordinary course of business from suppliers.

Accounts payable are classified as current liabilities if payment is due within one year (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Accounts payable and other liabilities are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

1.13 CURRENT AND DEFERRED TAX

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In such cases, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current tax charge is calculated based on the tax laws enacted or announced at the reporting date in the countries where the Group operates and generates taxable income.

The Group management regularly evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation. Where appropriate, it establishes provisions based on amounts expected to be paid to the tax authorities.

The Group's taxes are primarily affected by the allocation of profits between Malta and the other countries where the Group operates as well as the tax regulations in each country.

Significant judgement is required in determining the provisions for income taxes. For many transactions and calculations in the current operations, the ultimate tax determination is uncertain when the transactions take place or calculations are made. To ensure that taxes are handled correctly, the Company made an assessment, assisted by legal experts, of how tax regulations may affect the business. This assessment also covers indirect taxes. The Company reports the tax amounts that it believes to be correct and pays these to the tax authorities. However, these amounts may turn out to be insufficient, if the tax authorities make an interpretation of the regulations that is more restrictive than the Company's interpretation, which the Company considers to be correct.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or announced at the end of the reporting period and are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred tax assets and liabilities relate to the same tax authority, regardless of whether they relate to the same or different taxable entities, but where there is an intent to settle the balances on a net basis.

1.14 REVENUErecognition

Evolution develops, produces, markets and licenses (right-to-use) fully integrated live casino and slots solutions to gaming operators. In live casino, a game presenter, i.e. dealer, runs the game from a casino gaming table that is followed in real time via a video stream. End users, i.e. the players, make betting decisions on their devices (computers, smartphones, tablets etc.). The Group's revenues consist of fixed and variable fees from gaming operators that use the Group's solutions for online casino and from other associated services. A majority of the revenue derives from commission/royalty fees, which is calculated as a percentage of the customer's profit generated by the Group's online casino platform. In addition to commission, a proportion of the Group's revenue derives from fees for dedicated tables, integration and set-up fees. Dedicated table fees are invoiced to customers who have chosen to offer their end users dedicated tables.

Revenue is reported excluding VAT and discounts and after the elimination of intra-Group sales. The Group recognises revenue when the amount of revenue can be reliably

measured, it is probable that future economic benefits will flow to the Group and when specific criteria have been met, as described below.

Revenues, based on gain of the control by customer, should be recognised either over time or at a point of time. Nevertheless, set-up fees should be accounted over time due to control gaining by the customer, similar to long term projects and recognised revenue as per progress. As it always takes less than a year to set up an environment for a customer, it is assumed to be low level of risk and immaterial volume of revenues. Splitting such a project would mean a big administrative effort over immaterial changes in group revenues, total set-up fees including new integrations is a marginal part of group revenues. That is why management has decided not to split the project by progress – revenue is recognised after go-live. The set-up fees approach should be reviewed on a regular basis (at least once a year) if the arguments on the current approach are still valid and if materiality changes over time.

The Group's revenue are recognised at a point in time. The majority of the Group's revenue is commission, therefore the revenue is only divided between Live (live casino) and RNG (slots solutions).

Recognised liabilities related to contracts with customers are disclosed in Note 2(b).

(a) Commission income and other fees

The Group receives gaming fees from its contracted partners. These include a percentage of the gaming operators' revenue from using the Group's solution for online casino. These gaming fees are calculated according to the terms and conditions of each agreement and reported in the period when the gaming transactions are conducted. Fees from other closely related services, such as start-up fees for integration of live casino solutions, are reported when the services have been provided.

(b) Interest income

Interest income arising from interest-bearing instruments is recognised in the income statement when they arise, distributed over the time they refer to using the effective interest method, unless they are considered to constitute doubtful receivables.

1.15 LEASING

When the Company is the lessee

Leased assets

For any new contract entered into, the Group considers whether a contract is, or contains, a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Group assesses whether the contract meets three key criteria which are whether:

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- The Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract the Group has the right to direct the use of the identified asset throughout the period of use
- The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease 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 Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

No right-of-use asset or lease liability is recognised for short-term leases and leases of low-value assets. Payments for these leases are recognised as an expense on a straight-line basis over the lease term. This also applies to variable lease expenses.

1.16 EQUITY

Ordinary shares are classified as equity. Capital contributions in addition to the original share capital is classified as equity. Transaction expenses directly attributable to the issue of new shares or warrants are shown in equity as a deduction, net of tax, from the proceeds.

1.17 DIVIDENDS

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividend was approved by the Parent Company's shareholders.

1.18 PROVISIONS

Provisions are recognised in the balance sheet when the Group has a legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimation of the amount can be made. When the discount effect is significant, provisions are determined by a present value computation of the expected value of future cash flows with a pre-tax discount rate that reflects the current market assessment of the time value of money and, in applicable cases, the risks specific to the obligation.

A provision for restructuring is made when the Group has adopted a detailed and formal restructuring plan, and the restructuring has either been started or published. No provisions are made for future operating expenses.

1.19 CONTINGENT LIABILITIES

A contingent liability is recognised when there is a possible obligation arising from past events and the existence of which is substantiated only by one or more uncertain future events, or when there is an obligation that is not recognised as a liability or provision because it is not likely that an outflow of resources will be required.

1.20 CONTINGENT OBLIGATIONS

A contingent obligation is recognised when there is a possible obligation arising from past events and the existence of which is substantiated only by one or more uncertain future events, or when there is an obligation that is not recognised as a liability or provision because it is not likely that an outflow of resources will be required.

1.21 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group CEO of the Group, who makes strategic decisions. The Group CEO of the Group considers the Group to consist of a single segment, i.e. the provision of solutions for online casino and associated services to gaming operators.

1.22 CASH FLOW STATEMENT

Cash flow is reported using the indirect method. The reported cash flow only covers transactions involving cash receipts and cash payments. This means that there may be deviations related to changes of individual items in the balance sheet.

1.23 EMPLOYEE BENEFITS

Pension expenses and pension obligations

The Group has different pension schemes in different countries. These are funded by payments by each Group company, and in some cases, by the employees. As all pension schemes are defined contribution schemes, the Group has no legal or constructive obligations aside from the payment of contributions. The Group's outgoing payments for defined contribution plans are carried as expenses in the period when the employees carried out the services to which the contributions are related.

Bonus plans

The Group recognises a liability and an expense for bonuses based on various qualitative and quantitative measures.

The Group makes provision for bonuses earned where there is a legal or constructive obligation to do so based on past practices. Bonuses are paid to employees.

Severance pay

Severance pay is paid when an employee is terminated by the Company before the time when the employment would normally cease or when an employee voluntarily leaves the Company in exchange for such benefits. The Group recognises severance pay as an expense when it demonstrably has an obligation to terminate employees according to a detailed, formal and definitive plan or to pay compensation for voluntary termination.

Post-employment benefits

The Group has no obligations towards the employees after they have retired or otherwise ended their employment with the Company.

Share-related remuneration

The Group has equity settled incentive programmes, see Note 20 for detailed information. Fair value on the work that entitles employees to allocation of warrants is expensed with corresponding amount in equity. The total amount expensed is based on fair value of the warrants at grant date, excluding the potential impact that the employee remains in the service of the Company during a specified period of time. The amount expensed is reported evenly distributed over the period where all specified earnings conditions shall be met. The provision for social security charges is based on the fair value of the warrants at reporting date. Fair value is measured using the same model that was used when the warrants were issued. The possible deviation from the original assessments that a re-assessment cause is reported in the income statement and the corresponding adjustments are made in equity. In addition to Note 20, see the Corporate Governance Report for more information.

1.24 THE PARENT COMPANY'S ACCOUNTING PRINCIPLES

The Parent Company has prepared its financial statements in accordance with the Swedish Annual Accounts Act, the Swedish Financial Reporting Board's recommendation RFR 2 "Accounting for Legal Entities" and applicable statements by the Swedish Financial Reporting Board. According to RFR 2, the Parent Company shall in the annual report for the legal entity apply all EU-approved IFRS standards and statements as far as possible within the framework of the Annual Accounts Act, the Pension Obligations Vesting Act (SWE: Tryggandelagen) and taking into consideration the relationship between accounting and taxation.

The recommendation states which exceptions and additions should be made in relation to IFRS.

Formats

The income statements and balance sheets follow the formats specified in the Annual Accounts Act. The statement of changes in equity follows the Group's format but shall include the columns specified in the Annual Accounts Act. Furthermore, this entails differences in terms, compared to the consolidated statements, primarily for financial income and expenses and equity.

Participating interests in Group companies

Participating interests in Group companies are reported at cost after deduction for possible impairment. Expenses related to the acquisition and possible earn-out considerations are included in the cost. When there is an indication that the participating interests in Group companies have decreased, a calculation of recovery value is made. If this value is lower than the reported value, impairment is recognised. Impairments are reported in "Result from participating interests in Group companies".

Financial instruments

Due to the relationship between reporting and taxation, the rules for financial instruments and hedge accounting in IFRS 9 are not applied to the Parent Company as a legal entity.

Financial instruments are valued at cost. Financial assets acquired with the purpose to be retained on a short-term basis are reported according to the lowest value principle at the lowest of cost and market value.

Equity-settled programs issued to employees in subsidiaries

The estimated value and carrying amount of equity-settled programs issued to employees of other companies in the Group are recognised in the Parent Company as capital injections to subsidiaries. When the Parent Company recognises an increase in equity, the value of investments in subsidiaries simultaneously increases. The costs related to employees in the companies concerned are billed onward to the respective subsidiary on an ongoing basis and are settled in cash, which neutralises the increase in investments in subsidiaries.

Anticipated dividends

Anticipated dividends from subsidiaries are recognised when the Parent Company has the unilateral right to determine the amount of the dividend and the Parent Company has decided the amount of the dividend before publishing its financial statements.

1.25 EXCHANGE RATES

The Group's presentation currency is the Euro. Accordingly, the statements were prepared in Euro. Amounts are expressed in thousands of Euro (kEUR) unless otherwise indicated.

Currency code	Ultimo	Average	Ultimo
	31 Dec 2022	Jan-Dec 2022	31 Dec 2021
AMD	0.002381	0.002204	0.001832
ARS	0.005276	0.007396	0.008560
AUD	0.634821	0.657412	0.638845
BGN	0.511292	0.511292	0.511292
BYN	0.342983	0.342646	0.343717
CAD	0.688167	0.727090	0.694551
GBP	1.127585	1.172067	1.189805
GEL	0.346693	0.324437	0.284640
ILS	0.264342	0.281959	0.282569
INR	0.011263	0.012053	0.011799
PLN	0.212770	0.213677	0.217912
RON	0.203153	0.202797	0.202047
SEK	0.089391	0.094119	0.097261
TWD	0.030415	0.031844	0.031716
UAH	0.025303	0.029234	0.032207
USD	0.931766	0.946540	0.879004
ZAR	0.054794	0.057804	0.055117

NOTE 2. REVENUES

The Group CEO considers the Group to consist of a single segment, i.e. the provision of solutions for live casino and associated services to gaming operators.

The Group's revenue derives from fees from gaming operators that use the Group's solutions for online casino and associated services, all recognised at a point in time.

2 (a) Disaggregation of revenue from contracts with customers per invoicing jurisdiction and non-current assets per country

	Sweden		Malta		Australia		North America		Curacao		Other		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Total revenue	52,644	61,122	1,373,167	1,072,016	50,795	23,179	143,259	82,204	319,650	352,626	376,017	265,562	2,315,532	1,856,709
Of which Intercompany	51,812	60,511	389,723	472,309	3,007	1,381	134,446	54,542	2,847	2,770	276,960	196,419	858,795	787,932
Revenue from external customers	832	611	983,444	599,707	47,788	21,798	8,813	27,662	316,803	349,856	99,057	69,143	1,456,737	1,068,777
Tangible and intangible assets	2,197,369	2,428,035	388,240	88,917	473,319	469,221	70,791	22,642	12,962	13,366	105,662	58,018	3,248,343	3,080,199

2 (b) Liabilities related to contracts with customers

Group	2022	2021
Opening balance	4,343	1,722
Revenues recognised from opening balance	-2,119	-396
Liabilities recognised	10,217	9,569
Revenues recognised	-9,701	-6,617
Translation difference	3	65
Closing balance	2,743	4,343

2 (c) Revenue per geographical region

Group, EUR million	2022	2021
Nordics	89.5	73.1
Great Britain	85.2	81.4
Rest of Europe	458.6	416.9
Asia	478.3	286.5
North America	189.2	114.5
Other	156.0	96.3
Total operating revenues	1,456.7	1,068.7
Revenues regulated markets	600.2	423.8
Regulated markets' share	41%	40%

As a B2B supplier, Evolution has customer relationships with gaming operators, who in turn own the relationships with the end users. Generally, the gaming operators are licensed in a limited number of jurisdictions while operating in a global market and allowing play from various geographic areas.

Table 2 (c) shows the geographic markets from which Evolution's revenues originate. Revenues based on player activity are allocated according to the end-users' location, while revenues not based on player activity are allocated to the operator's location. Great Britain includes the Crown Dependencies. Evolution Group has one customer (one in 2021) that singlehandedly contributed 14 percent (11) to the Group's revenue.

NOTE 3. EMPLOYEES

Personnel expenses	2022			2021		
	Senior executives	Other employees	Total	Senior executives	Other employees	Total
Salary and other remunerations	7,039	256,951	263,990	20,370	169,150	189,520
Pension expenses	119	2,342	2,461	109	2,272	2,381
Other social security expenses	1,496	32,782	34,278	4,396	22,563	26,959
Other personnel expenses			24,249			14,260
Own work capitalised			-35,380			-25,955
Total personnel expenses	8,654	292,075	289,598	24,875	193,985	207,165

Remuneration and other benefits 2022	Base salary/ Board fee	Bonus	Other benefits	Share based payment	Pension costs	Other social security	Total
Chairman of the Board:							
Jens von Bahr ¹⁾	379	—	—	—	—	119	498
Other members of the Board:							
Joel Citron	77	—	—	—	—	24	101
Fredrik Österberg	77	—	—	—	—	24	101
Ian Livingstone	77	—	—	—	—	24	101
Jonas Engwall	77	—	—	—	—	24	101
Mimi Drake	77	—	—	—	—	24	101
Sandra Urié	77	—	—	—	—	24	101
CEO:							
Martin Carlesund	2,109	—	13	—	—	667	2,789
Other senior executives:							
total of 6	2,138	1,592	2	344	119	566	4,761
Total	5,088	1,592	15	344	119	1,496	8,654

¹⁾ Jens von Bahr was employed by the Company until 8 April 2022.

Remuneration and other benefits 2021	Base salary/ Board fee	Bonus	Other benefits	Share based payment	Pension costs	Other social security	Total
Chairman of the Board:							
Jens von Bahr ¹⁾	418	—	—	—	—	131	549
Other members of the Board:							
Joel Citron	30	—	—	—	—	9	39
Fredrik Österberg	30	—	—	—	—	9	39
Ian Livingstone	30	—	—	—	—	9	39
Jonas Engwall	30	—	—	—	—	9	39
Mimi Drake ²⁾	13	—	—	—	—	4	17
Sandra Urié ³⁾	8	—	—	—	—	2	10
CEO:							
Martin Carlesund	1,941	—	5,774 ⁴⁾	—	—	2,424	10,139
Other senior executives:							
total of 6 ⁵⁾	2,051	5,281	4,396	368	109	1,799	14,004
Total	4,551	5,281	10,170	368	109	4,396	24,875

¹⁾ Jens von Bahr was employed by the Company.

²⁾ Mimi Drake was elected 20 August 2021.

³⁾ Sandra Urié was elected 6 October 2021.

⁴⁾ 5,759 kEUR conditional for acquiring warrants in Evolution.

⁵⁾ Johan Nordström resigned 30 April 2021.

Terms for the Group CEO¹⁾

In his employment contract, Martin Carlesund has a term of notice of six months and severance pay for an additional six months, in case of termination by the Company otherwise than for breach of contract.

Terms for senior executives¹⁾

Remunerations to senior executives consist of a fixed salary part and a variable part. The annual variable part is to be cash based and be based on predetermined and measurable performance criteria. There are also Incentive programmes to senior executives, long-term share and share-price related programmes. Severance compensation may be paid in an amount not greater than 12 months, fixed salary. More details of remuneration to senior executives are described in the Corporate Governance Report and in Note 1.23 Employee benefits.

Number and proportion of women in management positions at year-end	2022			2021		
	Number of men	Number of women	Proportion of women	Number of men	Number of women	Proportion of women
Board	5	2	29%	5	2	29%
Other senior executives	5	2	29%	5	2	29%
Senior executives 31 December 2022						
Martin Carlesund	Group CEO Evolution AB (publ)					
Jacob Kaplan	Chief Financial Officer					
David Craelius	Chief Technology Officer					
Todd Haushalter	Chief Product Officer & Games Operations					
Sebastian Johannisson	Chief Strategy Officer					
Louise Wiwen-Nilsson	Chief Human Resources Officer					
Olesya Ivanova	Chief Operating Officer - Latvia, Lithuania, Romania, Georgia, Malta, Belgium & Spain					

¹⁾All senior executives are members of Group management.

Average number of employees	2022		2021	
	Average number of employees	of which women	Average number of employees	of which women
Australia	19	6	19	6
Belarus	184	78	149	54
Belgium	15	6	18	7
Bulgaria	170	66	165	59
Canada	422	222	386	230
Estonia	34	11	17	3
Georgia	6,716	4,371	4,773	3,210
Great Britain	10	7	8	6
Latvia	2,909	1,519	2,878	1,587
Lithuania	232	101	139	71
Malta	1,363	626	1,080	537
Netherlands	29	5	25	4
Romania	735	305	611	266
Spain	197	104	2	1
Sweden	161	52	196	63
USA	1,841	1,213	845	520
Other countries	412	211	136	63
Total Group	15,449	8,903	11,447	6,687

NOTE 4. FINANCIAL INCOME

	GROUP		PARENT COMPANY	
	2022	2021	2022	2021
Interest income	5,312	230	227	141
Currency exchange gains	3,757	1,087	2,695	784
Dividends from subsidiaries	—	—	590,000	250,000
Total	9,069	1,317	592,922	250,941

NOTE 5. FINANCIAL EXPENSES

	GROUP	
	2022	2021
Interest expenses	-1,603	-699
Interest expenses on lease liabilities	-3,007	-2,101
Currency exchange losses	-5,364	-4,640
Other financial expenses	-564	-390
Total	-10,538	-7,830

NOTE 6. INCOME TAX AND DEFERRED TAX

Income tax	GROUP		PARENT COMPANY	
	2022	2021	2022	2021
Current tax				
Sweden	-2,019	-1,997	-710	-323
Outside Sweden	-64,692	-42,196	—	—
Total current tax	-66,711	-44,193	-710	-323
Deferred tax				
Sweden	1,732	1,533	—	—
Outside Sweden	1,747	604	—	—
Total deferred tax	3,479	2,137	—	—
Total tax expense	-63,232	-42,056	-710	-323

Tax reconciliation	GROUP		PARENT COMPANY	
	2022	2021	2022	2021
<i>The difference between the actual tax expense and tax expense based on current tax rate</i>				
Profit before tax	906,593	647,491	593,025	251,205
Income tax calculated according to domestic tax rates on profits in each country	-244,768	-235,603	-122,163	-51,748
Tax effect of:				
Income not subject to tax	6,904	183,603	—	—
Dividend	180,134	—	121,540	51,500
Expenses not deductible for tax purposes	-8,831	-8,698	-87	-64
Tax related to prior years	1,835	—	—	—
Tax loss carry-forwards on accumulated losses	1,889	-49	—	—
Change in deferred tax	-132	2,737	—	—
Other	-263	15,954	—	-11
Total tax expense	-63,232	-42,056	-710	-323

The effective tax rate for the Group amounted to 7.0 percent (6.5).

Deferred tax

Deferred tax assets and deferred tax liability refer to temporary differences and loss carry-forwards. Temporary differences occur in cases where the carrying amount and tax values of assets and liabilities are different. Deferred tax assets arising from deductible temporary differences and loss carry-forwards are recognised only to the extent it is probable that the temporary differences will result in lower tax payments in the future. The consolidated tax loss carry-forward is fully capitalised and not limited in terms of time.

Deferred tax assets and deferred tax liability refer to as follows:

	GROUP	
	2022	2021
Deferred tax assets		
Loss carry-forwards	65	138
Other deferred tax assets	2,720	2,222
Total deferred tax assets	2,785	2,360
Deferred tax liability		
Intangible assets	-62,992	-58,816
Other deferred tax liability	-3,121	—
Total deferred tax liability	-66,113	-58,816
Deferred tax assets and deferred tax liability, net	-63,328	-56,456

Over the year, the net amount of deferred tax assets and liabilities has changed in accordance with the following:

	GROUP	
	2022	2021
Opening balance	-56,456	-33,970
Through acquisition of subsidiary	-6,615	-25,377
Recognised in income statement	3,479	2,137
Translation difference	-3,736	754
Closing balance	-63,328	-56,456

Amounts reported in the balance sheet include the following:

	GROUP	
	2022	2021
Deferred tax assets that can be used after 12 months	1,965	1,721
Deferred tax liability that can be used after 12 months	58,838	54,738

NOTE 7. EARNINGS PER SHARE

	GROUP	
	2022	2021
Profit after tax attributable to owners of the Parent	843,361	605,435
Average number of shares basic	213,267,500	213,714,575
Earnings per share basic, EUR	3.95	2.83
Average number of shares diluted	217,505,567	221,818,828
Earnings per share diluted, EUR	3.88	2.73
Opening number of outstanding shares	213,714,575	183,927,715
Additional weighted average number of shares converted	-447,075	29,786,660
Total weighted average number of outstanding shares basic	213,267,500	213,714,575
Opening number of outstanding shares	213,714,575	189,021,346
Additional weighted average number of shares converted	-447,075	29,786,660
Additional weighted average number of shares in the case of full conversion	4,238,067	3,010,822
Total weighted average number of outstanding shares diluted	217,505,567	221,818,828

Evolution holds 1,905,865 (1,158,865) shares in own custody. For more information about the repurchase, see the Directors' Report.

The additional weighted average number of shares in case of full conversion relates to warrant programs 2020/2023 and 2021/2024. Conditions for conversions of the warrant programs and dilution effects can be found in Note 20. For more information about the incentive programme and warrants, see the Corporate Governance Report.

NOTE 8. INTANGIBLE ASSETS

Group 2022	Gaming programme	Licenses and patents	Goodwill	Customer relationships	Brand	Platform	Work in progress	Total
Opening cost	323,043	19,122	2,188,482	190,692	330,113	4,833	2,897	3,059,182
Capitalised expenditure for the year	35,158	1,104	—	—	—	—	16	36,278
Through acquisition of subsidiaries	8,145	3	271,174	35,482	22,222	518	—	337,544
Reclassifications	2,722	333	—	—	—	—	-2,897	158
Disposals/retirements	—	-68	—	—	—	—	—	-68
Translation differences	-13,124	9	-144,324	-15,105	-26,497	-362	—	-199,403
Closing accumulated cost	355,944	20,503	2,315,332	211,069	325,838	4,989	16	3,233,691
Opening amortisation	-83,613	-7,502	—	-21,838	—	-497	—	-113,450
Amortisation for the year	-42,411	-3,375	—	-20,385	—	-521	—	-66,692
Through acquisitions of subsidiaries	—	—	—	—	—	—	—	—
Reclassifications	—	-158	—	—	—	—	—	-158
Disposals/retirements	—	68	—	—	—	—	—	68
Translation differences	2,208	-6	—	2,538	—	61	—	4,801
Closing accumulated amortisation	-123,816	-10,973	—	-39,685	—	-957	—	-175,431
Closing residual value	232,128	9,530	2,315,332	171,384	325,838	4,032	16	3,058,260

Group 2021	Gaming programme	Licenses and patents	Goodwill	Customer relationships	Brand	Platform	Work in progress	Total
Opening cost	225,225	17,714	1,834,333	193,813	335,534	4,581	5,596	2,616,796
Capitalised expenditure for the year	25,767	923	—	—	—	—	1,595	28,285
Through acquisition of subsidiaries	75,400	1,101	393,559	1,100	2,400	359	—	473,919
Reclassifications	368	-439	—	—	—	—	—	-71
Disposals/retirements	—	-287	—	—	—	—	-4,294	-4,581
Translation differences	-3,717	110	-39,410	-4,221	-7,821	-107	—	-55,166
Closing accumulated cost	323,043	19,122	2,188,482	190,692	330,113	4,833	2,897	3,059,182
Opening amortisation	-52,759	-3,923	—	-2,556	—	-38	—	-59,276
Amortisation for the year	-31,147	-3,780	—	-19,042	—	-465	—	-54,794
Through acquisition of subsidiaries	—	-78	—	—	—	—	—	-78
Reclassifications	42	29	—	—	—	—	—	71
Disposals/retirements	—	287	—	—	—	—	—	287
Translation differences	251	-37	—	120	—	6	—	340
Closing accumulated amortisation	-83,613	-7,502	—	-21,838	—	-497	—	-113,450
Closing residual value	239,430	11,620	2,188,482	168,854	330,113	4,336	2,897	2,945,732

PARENT COMPANY		
Licenses and patents	2022	2021
Opening cost	1,130	1,057
Acquisition for the year	—	137
Disposals/retirements	—	-64
Closing accumulated cost	1,130	1,130
Opening amortisation	-449	-294
Amortisation during the year	-249	-219
Disposals/retirements	—	64
Closing accumulated amortisation	-698	-449
Closing residual value	432	681

NOTE 9. PROPERTY, PLANT AND EQUIPMENT

Group 2022	Land	Property	Right of use assets	Leasehold improvements	Computers, office & technical equipment	Work in progress	Total
Opening cost	1,664	11,219	70,448	61,274	72,275	4,678	221,558
Acquisitions for the year	—	—	26,086	24,583	20,508	15,570	86,747
Through acquisition of subsidiaries	—	—	—6	—	430	—	424
Reclassifications	—	—	—192	3,416	2,319	—5,907	—364
Disposals/retirements	—	—	—6,438	—2,000	—3,617	—	—12,055
Translation difference	—	—	2,653	3,311	2,560	163	8,687
Closing accumulated cost	1,664	11,219	92,551	90,584	94,475	14,504	304,997
Opening depreciation	—	—1,474	—16,135	—21,964	—47,518	—	—87,091
Depreciation during the year	—	—222	—11,051	—9,747	—12,666	—	—33,686
Through acquisition of subsidiaries	—	—	—66	—	—202	—	—268
Reclassifications	—	—	192	—	172	—	364
Disposals/retirements	—	—	2,956	1,829	3,009	—	7,794
Translation difference	—	—	—547	—317	—1,163	—	—2,027
Closing accumulated depreciation	—	—1,696	—24,651	—30,199	—58,368	—	—114,914
Closing residual value	1,664	9,523	67,900	60,385	36,107	14,504	190,083
Group 2021	Land	Property	Right of use assets	Leasehold improvements	Computers, office & technical equipment	Work in progress	Total
Opening cost	1,664	11,219	53,438	44,318	77,949	3,310	191,898
Acquisitions for the year	—	—	24,156	13,002	14,038	6,267	57,463
Through acquisition of subsidiaries	—	—	410	—	148	—	558
Reclassifications	—	—	—170	4,602	646	—5,210	—132
Disposals/retirements	—	—	—9,511	—2,904	—22,303	—	—34,618
Translation difference	—	—	2,125	2,256	1,697	311	6,389
Closing accumulated cost	1,664	11,219	70,448	61,274	72,275	4,678	221,558
Opening depreciation	—	—1,254	—9,334	—17,211	—57,734	—	—85,533
Depreciation during the year	—	—220	—9,010	—6,877	—10,399	—	—26,506
Through acquisition of subsidiaries	—	—	—249	—	—124	—	—373
Reclassifications	—	—	170	—4	—34	—	132
Disposals/retirements	—	—	2,366	2,442	21,560	—	26,368
Translation difference	—	—	—78	—314	—787	—	—1,179
Closing accumulated depreciation	—	—1,474	—16,135	—21,964	—47,518	—	—87,091
Closing residual value	1,664	9,745	54,313	39,310	24,757	4,678	134,467

Right of use assets mostly consist of offices and premises.

Computers, office & technical equipment	PARENT COMPANY	
	2022	2021
Opening cost	61	185
Acquisition for the year	60	16
Disposals/retirements	—	—140
Closing accumulated cost	121	61
Opening depreciation	—38	—135
Depreciation during the year	—13	—43
Disposals/retirements	—	140
Closing accumulated depreciation	—51	—38
Closing residual value	70	23

NOTE 10. PARTICIPATION IN GROUP COMPANIES

	2022	2021
Opening acquisition cost	2,635,756	2 495 279
Shareholder contribution Malta	2,284,750	140 030
Transfer of ownership of NetEnt to Malta	-2,284,750	—
Redemption shares/warrants NetEnt	-4,976	447
Closing book value	2,630,780	2 635 756

Name	Corporate ID	Registered office	% of equity and votes		Carrying value in Parent	
			31 Dec -22	31 Dec -21	31 Dec -22	31 Dec -21
Direct ownership						
Evolution Malta Holding Ltd	C48665	Sliema, Malta	100	100	2,630,780	346,030
Evolution Services Sweden AB (NetEnt AB)	556532-6443	Stockholm, Sweden	—	100*	—	2,289,726
Indirect ownership						
Evolution Malta Ltd	C48666	Malta	100	100	—	—
Evolution Gaming Malta Ltd	C44213	Malta	100	100	—	—
SIA Evolution Latvia	40003815611	Latvia	100	100	—	—
SIA Evolution Latvia Properties	50103931761	Latvia	100	100	—	—
Evolution Gaming Limited	05944946	Great Britain	100	100	—	—
Evolution Belgium BVBA	0638.824.479	Belgium	100	100	—	—
Evolution Products RO SRL	J40/6452/2016	Romania	100	100	—	—
Evolution US LLC	536294-5	USA	100	100	—	—
EvoGame Estonia OU	14035717	Estonia	100	100	—	—
Evolution Netherlands BV	66682452	Netherlands	100	100	—	—
EG Overseas Services BV	135218	Curacao	100	100	—	—
Evolution Canada Gaming Limited	BC1114063	Canada	100	100	—	—
Evolution Georgia LLC	405209689	Georgia	100	100	—	—
Evolution Alderney Limited	1963	Alderney	—	100	—	—
Evolution Products Development	193224142	Belarus	100	100	—	—
Ezugi NV	126712	Curacao	100	100	—	—
Ezugi NJ LLC	600424206	USA	100	100	—	—
Rommemut Ruah	513411058	Israel	100	100	—	—
Ezugi RO SRL	J23/3190/2019	Romania	100	100	—	—
Evolution Alderney Ltd	C83448	Malta	100	100	—	—
Evolution Georgia Services LLC	400305022	Georgia	100	100	—	—
Darwin's Theory Pty Ltd	648162903	Australia	100	100	—	—
Bigtime Gaming Pty Ltd	65151000592	Australia	100	100	—	—
Evolution Madrid S.L.	B 06959365	Spain	100	100	—	—
Transigo Ltd	543403	Ireland	100	100	—	—
Evolution Development Co Limited	82919295	Taiwan	100	100	—	—
Evolution Services SA PTY Limited	2019/311298/07	South Africa	100	100	—	—
Evolution Pennsylvania LLC	7732917	USA	100	100	—	—
Evolution Studio AM LLC	2861101116835	Armenia	100	100	—	—
Evolution Lithuania UAB	305561054	Lithuania	100	100	—	—
Evolution Canada Studio Limited	BC1253510	Canada	100	100	—	—
Evolution Gibraltar Limited	120192	Gibraltar	—	100	—	—
Evo Products Devleopment Portugal	516364570	Portugal	100	100	—	—
Evolution Services Sweden AB	556532-6443	Stockholm, Sweden	100	—	—	—
NetEnt Alderney Ltd	1790	Alderney	100	100	—	—
NetEnt Americas Holding Inc.	5627584	USA	100	100	—	—
NetEnt Americas LLC	400697458	USA	100	100	—	—
Evolution NetEnt Malta Holding Ltd	C37769	Malta	—	100	—	—
Evolution NetEnt Malta Ltd	C34838	Malta	—	100	—	—
Evolution NetEnt (Gibraltar) Ltd	97195	Gibraltar	100	100	—	—
NetEnt Emerging Markets IOM Ltd	O16618V	Isle of Man	—	100	—	—
NetEnt International Ltd	O17601V	Isle of Man	100	100	—	—
NetEnt Gaming Solutions PLC	C47277	Malta	100	100	—	—
Evolution NetEnt Product Services	C38803	Malta	—	100	—	—
NetEnt Poland Sp. Z o.o.	363625687	Poland	—	100	—	—

Name	Corporate ID	Registered office	% of equity and votes		Carrying value in Parent	
			31 Dec -22	31 Dec -21	31 Dec -22	31 Dec -21
Indirect ownership						
NetEnt Ukraine LLC	380 906 40	Ukraine	100	100	—	—
Intropin Technology Pvt Ltd	U72900TG2020FTC140125	India	100	100	—	—
NetEnt Emerging Markets Ltd	C87995	Malta	—	100	—	—
Red Tiger Gaming Ltd	128396C	Isle of Man	100	100	—	—
Red Tiger International (IOM) Ltd	132871C	Isle of Man	100	100	—	—
Evolution Red Tiger Gaming Malta Ltd	C84904	Malta	—	100	—	—
Evolution Red Tiger International Ltd	C91142	Malta	—	100	—	—
Red Tiger Gaming (Gibraltar) Ltd	118413	Gibraltar	100	100	—	—
Red Tiger Gaming (Alderney) Ltd	132513C	Isle of Man	100	100	—	—
Wholesale Games Ltd	C91137	Malta	—	100	—	—
Dopamine EOOD	203270608	Bulgaria	100	100	—	—
Evolution Products Development Poland Sp. Z o.o	193224142	Poland	100	100	—	—
Evo LATAM Corp S.R.L.	4065000046288	Costa Rica	100	100	—	—
Evolution Products Development Germany GmbH	HRB 239047	Germany	100	—	—	—
Evolution Argentina S.A.	182550	Argentina	100	—	—	—
Nolimit City Holding Ltd	C53383	Malta	100	—	—	—
Nolimit City Ltd	C54001	Malta	100	—	—	—
Nolimit City Ro SRL	J35/1974/2022	Romania	100	—	—	—
Nolimit City Stockholm AB	556671-7202	Stockholm, Sweden	100	—	—	—
Nolimit City India Private Ltd	06AAGCN2443M1ZB	India	100	—	—	—
Nolimit City Services Ltd	018118V	Isle of Man	100	—	—	—
Carrying value in parent company					2,630,780	2,635,756

*3,2 percent through compulsory redemption of outstanding shares.

NOTE 11. ACCOUNTS RECEIVABLE

	GROUP	
	2022	2021
Accounts receivable	283,712	204,058
Credit loss reserve	-6,700	-3,358
Total accounts receivable	277,012	200,700

Historically, the Group's customer losses have been low. The Group's customers operate in a growth market with strong balance sheets. Credit loss reserve is presented in Note 21.

NOTE 12. OTHER CURRENT RECEIVABLES

	GROUP		PARENT COMPANY	
	2022	2021	2022	2021
Inventory	7,690	3,524	—	—
Prepayments to suppliers	2,159	2,401	69	—
VAT	10,083	6,983	118	—
Other	1,084	267	319	958
Total	21,016	13,175	506	958

NOTE 13. PREPAID EXPENSES AND ACCRUED INCOME

	GROUP		PARENT COMPANY	
	2022	2021	2022	2021
Prepaid license fees, software and IT services	10,266	6,889	190	239
Accrued revenues	10,263	7,379	—	—
Prepaid rent	1,838	1,726	—	—
Prepaid marketing	2,254	229	—	—
Prepaid employee related costs	6,836	11,040	6,012	11,040
Prepaid insurance	1,137	495	279	198
Prepaid maintenance expenses	180	38	—	—
Other prepaid expenses	4,689	3,989	36	47
Total	37,463	31,785	6,517	11,524

NOTE 14. CASH AND CASH EQUIVALENTS

	GROUP		PARENT COMPANY	
	2022	2021	2022	2021
Cash and cash balances	532,554	421,432	6,250	79,952
Total	532,554	421,432	6,250	79,952

Cash and cash equivalents consist of cash and current accounts in banks. EUR 20,602 thousands (16,638) refer to jackpot liabilities, see Note 15. The Group has EUR 100 million in short-term investment on the closing day (-).

NOTE 15. OTHER CURRENT LIABILITIES

	GROUP		PARENT COMPANY	
	2022	2021	2022	2021
Employee-related liabilities	19,576	16,744	318	335
Jackpot liabilities	20,602	16,838	—	—
Other liabilities	3,143	77,545	—	72,010
Total	43,321	111,127	318	72,345

Jackpot liabilities are payments from operators and contribute to the accumulation of a jackpot. The amount is the entire jackpot that can be won and paid out to the winning operator. Debt for compulsory redemption of outstanding shares in NetEnt was included in other liabilities 2021 and amounted to EUR 71,618 thousand.

NOTE 16. ACCRUED EXPENSES AND DEFERRED INCOME

	GROUP		PARENT COMPANY	
	2022	2021	2022	2021
Employee related expenses	22,274	18,353	1,556	693
Contract liabilities	2,743	4,343	—	—
Accrued audit and consulting fees	2,250	3,258	95	91
Accrued utility expenses	1,523	195	—	—
Accrued royalty expenses	4,883	5,937	—	—
Other accrued expenses	11,353	12,394	82	38
Total	45,026	44,480	1,733	822

NOTE 17. LEASING - GROUP

IFRS 16 requires the lessees to recognise almost all leasing contracts on the balance sheet as assets and liabilities, except short-term leases and leases of low value assets. At the start of a lease, the lessee obtains the right to use the asset for a period of time and also has an obligation to pay for that right.

Major part of the right of use assets relates to leases of premises and offices.

Lease term: The lease term corresponds to the non-cancellable duration of the contracts signed, except in cases where Evolution is reasonably certain of having an extension option or an early termination option in the contract.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions. Amounts discounted at local market long-term loan rate +2 percentage points.

Lease liabilities are secured by the related underlying assets. The undiscounted maturity of lease liabilities is as follows:

Maturity structure lease liabilities	31 December 2022	31 December 2021
Within 1 year	15,051	16,858
1-2 years	13,594	14,628
2-3 years	13,414	9,816
3-4 years	11,791	8,942
4-5 years	9,961	7,447
After 5 years	28,327	19,352
Total	92,138	77,044
Effect of discounting	-12,585	-9,234
Leasing liability in balance sheet	79,553	67,810
short-term liability	14,395	14,639
long-term liability	65,158	53,171

Lease expenses in income statement	2022	2021
Short-term leases ¹⁾	-93	-71
Short-term leases of low-value assets ¹⁾	-127	-178
Depreciation, right of use assets	-11,051	-9,010
Interest expenses on lease liabilities ²⁾	-3,007	-2,101
Total	-14,058	-11,111

¹⁾ Included in Other operating expenses, not recognised as lease liability

²⁾ Included in Financial expenses

Leasing in cash flow statement	2022	2021
Cash flow from operating activities		
Short-term leases	-93	-71
Low-value leases	-127	-178
Cash flow from financing activities		
Amortisation of lease liabilities	-14,145	-12,834
Total cash outflow	-14,365	-13,083

NOTE 18. AUDITOR REMUNERATION

	GROUP		PARENT COMPANY	
	2022	2021	2022	2021
PwC				
Auditing assignments	-756	-755	-340	-355
Audit-related services, in addition to auditing	—	-26	—	-14
Tax advisory services	-17	-54	—	-12
Other services	-59	-65	-58	-63
Total	-832	-900	-398	-444

Of the Group's remuneration to auditors, EUR 428 thousand (492) pertains to Öhrlings PricewaterhouseCoopers AB. Fees to other audit firms amounts to EUR 307 thousand (173).

NOTE 19. TRANSACTIONS WITH RELATED PARTIES

Related companies are defined as the subsidiaries in the Evolution Group and companies over which related physical persons have a controlling, joint controlling or significant influence. Related persons include board members, senior executives and close family members of the above.

No Board Member, senior executive or shareholder has:

- (i) been a party to a transaction with the Company on unusual terms or that was of an unusual nature, or
- (ii) that is of importance, or has been of importance, for the operations as a whole in the present or immediately preceding financial year, or in any previous financial year, and in any way may be considered outstanding in any way or incomplete.

Information about participation in Group companies can be found in Note 10.

The Group has transactions with related parties reported in Note 2 where intercompany revenues account for 37 percent (42) of Total revenues. The Parent Company's revenue of EUR 19,641 thousands (19,175) entail allocation of centrally incurred administration costs.

Information about Remunerations and other benefits can be found in Note 3 and in the Corporate Governance Report. All intra-Group transactions take place on general and commercial terms and at market price.

NOTE 20. SHARE RELATED REMUNERATIONS

At the end of 2022, the Company has two incentive programmes: 2020/2023 and 2021/2024.

2020/2023 programme: The Extra General Meeting on 16 January 2020 resolved to issue a maximum of 4,000,000 warrants. Each warrant entitles the holder to subscribe for one new share in the company for SEK 373.90 during the period from and including 28 February 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 109,950 were terminated or bought back during 2020-2022.

The programme has a cap, if the average share price exceeds 200 percent of SEK 373.90 during ten trading days ending on the date three trading days before first exercise date, the number of shares each warrant entitles subscription for and the share subscription price is recalculated. Expected dilution effect is approximately 0.2 percent.

2021/2024 programme: The Extra General Meeting on 28 January 2021 resolved to issue a maximum of 5,000,000 warrants. Each warrant entitles the holder to subscribe for one new share in the company for 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.

In total 3,948,875 warrants were subscribed, of which 230,396 were terminated or bought back during 2021-2022. If all 3,718,479 warrants are exercised for subscription of 3,718,479 shares, the dilution effect will be approximately 1.7 percent.

2020/2023 & 2021/2024 programmes:

The recipients of the warrants are key employees throughout the Group. Employees in Sweden paid market value for the warrants. Employees outside Sweden paid market value for one warrant, while receiving one without payment for each that had been paid for (equity settled). For warrants acquired at market value, the warrant premium was determined using Black & Scholes valuation model, valuation made by Svalner Skatt.

All inputs used in the valuation model determining fair value of the warrant premiums can be found as appendix to the decisions at the general meetings on the company's website: www.evolution.com/investors/corporate-governance.

2022	2020/2023	2021/2024
Opening number of warrants	3,928,650	3,899,105
Terminated or bought back	-38,600	-180,626
Closing number of warrants	3,890,050	3,718,479

2021	2018/2021	2020/2023	2021/2024
Opening number of warrants	1,761,280	3,985,000	—
Warrants granted	—	—	3,948,875
Terminated or bought back	-82,205	-56,350	-49,770
Warrants exercised	-1,679,075	—	—
Closing number of warrants	0	3,928,650	3,899,105

Total personnel cost expensed in 2022 related to the warrant programmes amounted to EUR 2,471 thousand (3,917).

2018/2021 programme: During July-August 2021, the incentive programme that was adopted on the Annual General Meeting on 20 April 2018 exercised. Upon exercise, 1,679,075 new shares were subscribed for and dilution effect amounted to 0.8 percent.

NOTE 21. FINANCIAL RISK MANAGEMENT

21.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest risk), credit risk and liquidity risk. The risk management is coordinated at Group level for all companies that have Evolution AB (publ) as the ultimate Parent Company. The Group has not used derivative instruments to hedge any risk exposure in present or previous periods.

(a) Market risk

(i) Currency risk

The currency risk is related to future commercial transactions and recognised assets and liabilities reported in a different currency from each entity's functional currency. Currency fluctuations may impact Evolution's financial performance.

The Group's accounts are maintained in EUR, while revenues from customer agreements are partially in different local currencies, including CAD, GBP and USD. Certain expenses are also denominated in foreign currencies.

The Group's exposure for currency risk is stated in the following table showing percentage share of revenues in other currencies than EUR.

Revenue	2022	2021
CAD, Canadian Dollar	2.3%	1.4%
GBP, British Pound	2.3%	2.2%
USD, US Dollar	10.4%	5.3%

The exchange rates between the local currencies and EUR have fluctuated significantly and may in the future fluctuate significantly. While foreign exchange risk and exposure to currency fluctuations have not had a material impact on the Group's business, financial position or profit historically, the Company does not hedge its exposure to currency fluctuations. As a consequence, fluctuations in exchange rates and currencies could have a significant effect on the cash flows of the Company, which could impact the Group's financial results in ways unrelated to its operations and/or have a material adverse effect on its business, financial position and profit. The Group management does not consider the Group to have such a significant exposure to currency risk that it is necessary to carry out a sensitivity analysis showing how the profit/loss and equity would be affected if there were reasonable possible exchange rate fluctuations at the end of the reporting period. In 2022, the Group reported a loss in the income statement for exchange rate differences of EUR 1,607 thousand (-3,553).

(ii) Cash flow interest rate risk

Except for cash and cash balances, the Group does not have any material interest-bearing assets and liabilities.

(b) Credit risk

Credit risk is related to accounts receivable and other receivables and cash and cash equivalents. The Group's exposure to credit risk at the end of the reporting period is stated in the following table:

Assets	2022	2021
Non-current receivables	8,868	11,096
Accounts receivable	277,012	200,700
Other current receivables	21,016	13,175
Accrued revenues	10,263	7,379
Cash and cash equivalents	532,554	421,432
Total	849,713	653,782

31 December 2022	Not due	1-30 days due	31-90 days due	91-180 days due	181 days due	More than 181 days due		Total
						2022	2021	
Accounts receivable	188,295	62,045	15,661	11,062	6,649	283,712		
Credit loss reserve	—	-947	-1,752	-156	-3,845		-6,700	

31 December 2021	Not due	1-30 days due	31-90 days due	91-180 days due	181 days due	More than 181 days due		Total
						2021	2020	
Accounts receivable	127,365	39,342	30,905	3,895	-807	200,700		
Credit loss reserve	—	-394	-19	-16	-2,929		-3,358	

The maximum exposure to credit risk related to the financial assets above at the end of the reporting period is the same as their carrying value, as stated in each note to the financial statements.

The Group has no collateral for these assets. The Group only uses financial institutions that have high quality standards or high ratings. The Group has suitable policies in place to ensure that services are only sold to customers with a sufficient credit rating.

The Group regularly monitors how these receivables perform in order to discover bad debt losses, with previous experience of the collection of current receivables as the starting point. The Group management considers the accounts receivable to be secure; the Group often conducts business with these counterparties, which are considered by the Group management to have a good credit rating, as they have hitherto managed their payments without remarks.

As per 31 December 2022, there were past-due accounts receivable for which provisions had not been made of EUR 88,717 thousand (69,977). The Group has past-due accounts receivable for which provisions have been made of EUR 6,700 thousand (3,358). These past due receivables include liabilities within the category more than 181 days, which refer to a number of independent customers that have not been in financial difficulties as of late. Even if a number of customers account for a certain proportion of the Group's past due receivables, the Group management does not believe the concentration of credit risk represents a material risk factor.

Due to the Group's operations and the market in which it operates, a limited number of customers account for a certain part of the Group's revenues. The Group management does not consider that any individual customer or group of interdependent customers constitute any material concentration of credit risk with regard to accounts receivables. The Group's financial assets amount to EUR 849,713 thousand (653,782). Current receivables with a maturity of less than 12 months, consist primarily of accounts receivable. No financial assets or liabilities are reported at a value that deviates significantly from fair value.

(c) Liquidity risk

The Group is exposed to liquidity risk as regards meeting of future obligations regarding its financial liabilities, which mostly comprise accounts payable and other liabilities (Note 15). Prudent risk management means having sufficient liquidity and credit facilities to ensure that the Group has sufficient funding to meet its obligations.

The Group management monitors liquidity risk by reviewing expected cash flows and ensuring that no additional financing will be needed in the upcoming year. Undiscounted liabilities are shown in the table below with an annual analysis of the Group's liabilities.

Considering the inflow and outflow of cash that occur at the maturity of financial instruments, the Group's liquidity risk is not considered to be material. The value of the Group's assets and liabilities as measured at the end of the reporting period is analysed per category, based on the remaining time to agreed maturity, in the relevant notes to the financial statements.

Maturity structure financial liabilities

31 December 2022	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Earnout BTG	—	115,000	115,000	—	—
Earnout NLC	—	50,000	50,000	40,000	—
Lease liabilities	3,763	11,288	13,594	35,166	28,327
Jackpot liabilities	20,602	—	—	—	—
Accounts payable	10,094	—	—	—	—
Total	34,459	176,288	178,594	75,166	28,327

31 December 2021	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Earnout BTG	—	—	115,000	115,000	—
Debt compulsory redemption shares NetEnt	71,618	—	—	—	—
Lease liabilities	4,215	12,644	14,628	26,206	19,352
Jackpot liabilities	16,838	—	—	—	—
Accounts payable	8,578	—	—	—	—
Total	101,249	12,644	129,628	141,206	19,352

21.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group's capital consists of equity, as stated in the balance sheet. The Group maintains a capital level adapted to the financial liabilities and obligations that the business gives rise to. The Group management considers the capital to be of a suitable size at the end of the reporting period, considering the nature of the Group's operations.

21.3 Fair value of financial instruments

The amounts recognised as bank deposits and liabilities in the financial reports are reasonable estimates of the fair values, with consideration for the nature of such instruments and the relatively short time period between their origination and expected realisation. Additional purchase considerations are fair value hierarchy level 3 liabilities. Changes of their fair values are recognised in the income statement. No remeasurements have been done during 2022 or 2021. The fair value calculation has been performed by future expected payments being discounted by current market rates in line with the term of the liabilities.

Reconciliation of liabilities attributable to financing activities

2022	Opening balance	Non-cash items					Cash flow	
		Through acquisition of subsidiary	New agreements	Terminated agreements	Interest	Currency exchange differences	Amortisation	Closing balance
Lease liabilities	67,810	71	25,939	-3,862	3,004	736	-14,145	79,553
Total	67,810	71	25,939	-3,862	3,004	736	-14,145	79,553

2021	Opening balance	Non-cash items					Cash flow	
		Through acquisition of subsidiary	New agreements	Terminated agreements	Interest	Currency exchange differences	Amortisation	Closing balance
Lease liabilities	49,969	2,271	24,156	—	2,101	2,147	-12,834	67,810
Total	49,969	2,271	24,156	—	2,101	2,147	-12,834	67,810

NOTE 22. CRITICAL ESTIMATES AND ASSESSMENTS

The Group management and the Board of Directors have discussed the development, choice of disclosures on the Group's most important accounting principles and estimates, as well as the application of these.

Estimates and assessments are evaluated continually and are based on historic experience and other factors, including expectations for future events that are considered to be reasonable under current conditions.

Valuation of intangibles

Except for the impairment testing of intangible assets described below, the Group management does not consider that the estimates and assessments made in the preparation of these financial reports have entailed any difficulties or that they are subjective or complicated enough to merit a description as critical in accordance with the requirements in IAS 1.

The Group has made considerable investments in the development of its gaming platform. Assets related to the development of the Group's gaming software are recognised as intangible assets in the balance sheet and Note 8 and amounted to EUR 232.1 million (239.4).

Every year, these assets are tested for impairment in accordance with IAS 36, and it is determined whether there is objective evidence of an impairment loss. The Group has assessed the ability to generate revenue for each one of the projects that relate to the gaming software and no objective evidence of impairment has emerged.

Value at closing for goodwill amounted to EUR 2,315.3 million (2,188.5). The impairment requirement for the Group's goodwill arises through comparison of the recoverable value with the goodwill's carrying value. The recoverable value is produced by means of a current value calculation of forecast cash flows. The discounting rate before tax is used for the calculation and amounts to 9.7 percent (7.6), which is equivalent to the calculated required return. The future cash flows used are based on the Group's four-year forecast. Cash flows after forecast period are based on annual growth of 2 percent. The recoverable value exceeds the carrying value and a sensitivity analysis has been conducted where a 30 percent negative change on either discounting rate, growth or margin has been simulated. There was no indication of impairment in any of the scenarios used for the sensitivity analysis.

Accounting for acquisitions

IFRS 3 financial reporting standard states that acquisitions are to be classified as business combinations or asset purchases. An individual assessment of the nature of the acquisition is required for each individual transaction. Evolution's acquisition of Nolimit City is recorded as business combination, meaning that Evolution has taken over personnel for management and operation of the acquired assets and liabilities.

Preliminary acquisition analysis has been prepared based on available information, review and assessment to ensure that Evolution's accounting principles are applied.

NOTE 23. ACQUISITIONS

2022

During the year, the redemption of outstanding shares in NetEnt was finalised and an amount of EUR 63.8 million was paid. Working capital adjustment for BTG was also paid, amounting to EUR 10.3 million, with corresponding increase in goodwill.

Nolimit City

Evolution has acquired 100 percent of the share capital in Nolimit City Holding Ltd (NLC). NLC are included in the consolidated accounts from 1 July. The up-front consideration was EUR 200 million on a cash and debt free basis and was paid in cash, and also working capital adjustment of EUR 14.3 million. Evolution may pay earnouts in cash, based on NLC's EBITDA for the years 2022, 2023 and 2024. Maximum earnout is EUR 140 million, payable in 2023, 2024 and 2025, respectively.

According to the preliminary acquisition analysis, a non-tax deductible goodwill of EUR 260.9 million arose that is primarily attributable to the skills that NLC's employees contribute and strengthened presence in important markets. The useful life for customer relationships and game portfolio is estimated to be ten years, and platform five years.

	NLC
Customer relationships	35,482
Brand	22,222
Game portfolio	8,145
Platform	518
Other intangible assets	3
Right of use assets	66
Property, plant and equipment	228
Deferred tax assets	22
Other long-term receivables	336
Accounts receivable	4,166
Other short-term receivables	2,791
Accrued income and prepaid expenses	756
Cash and cash equivalents	15,271
Deferred tax liability	-6,637
Leasing liability	-71
Accounts payable	-255
Tax liability	-7,413
Other short-term liabilities	-825
Accrued expenses	-295
Total acquired net assets	74,510
Purchase consideration	
Initial purchase consideration, cash	200,000
Working capital settlement, cash	14,322
Additional purchase consideration, debt net present value	121,069
Total purchase consideration	335,391
Fair value acquired net assets	- 74,510
Goodwill	260,881
Investing activities	
Redemption outstanding shares NetEnt	-63,792
Working capital settlement BTG	-10,293
Consideration paid NLC	-200,000
Working capital settlement NLC	-14,322
Cash in acquired NLC companies	15,271
Effect on consolidated cash and cash equivalents	-273,136

NLC's contribution	2022
Operating revenue	13,573
Amortisation of excess values	-2,233
Profit after tax for the year	7,973

The following table shows revenue and profit for the year as if the acquisition of NLC took place on 1 January:

Group 2022	NLC	Evolution	Group
Operating revenue	27,048	1,443,164	1,470,212
Profit after tax for the year	12,547	835,388	847,935

NLC's profit for the year include amortisation of excess values of EUR 4,466 thousand. EUR 119 thousand acquisition cost is included in Other operating expenses in the income statement.

2021

During the year, the remaining purchase consideration regarding Ezugi and Red Tiger was paid and amounted to EUR 2,356 thousands and EUR 12,913 thousands respectively. Outstanding warrants in NetEnt was bought back, amounting to EUR 447 thousands.

Big Time Gaming

Evolution has acquired 100 percent of the share capital in Big Time Gaming Pty Ltd (BTG). The transaction was closed on 30 June and BTG is included in the consolidated accounts from 1 July. The up-front consideration was paid in cash and Evolution shares, corresponding to EUR 80 million and EUR 147.8 million respectively. In addition, Evolution will pay earnouts, based on BTG's EBITDA for the years 2022/23 and 2023/24. Maximum earnout is EUR 230 million, payable in 2023 and 2024, of which 70 percent in cash and 30 percent in Evolution shares.

According to the preliminary acquisition analysis, a non-tax deductible goodwill of EUR 392.0 million arose that is primarily attributable to the skills that BTG's employees contribute and strengthened presence in important markets. The useful life for customer relationships and game portfolio is estimated to be ten years.

DigiWheel

Evolution has acquired 100 percent of the share capital in Transigo Ltd (DigiWheel), which is included in the consolidated accounts from 1 September. The up-front consideration of EUR 1 million was paid in cash. In addition, Evolution may pay an earnout of five times DigiWheel's profit for the year 2024 or a maximum of EUR 250 million.

According to the preliminary acquisition analysis, a non-tax deductible goodwill of EUR 517 thousand arose that is primarily attributable to the skills that DigiWheel's employees contribute. The useful life for proprietary software is estimated to be ten years.

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

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

Investing activities

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

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

Big Time Gaming's contribution 2021

Operating revenue	21,798
Amortisation of excess values	-3,365
Profit after tax for the year	11,270

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

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

Group 2021	BTG	Evolution	Group
Operating revenue	40,243	1,046,979	1,087,222
Profit after tax for the year	16,828	594,165	610,993

BTG's profit for the year include acquisition costs of EUR 831 thousand and amortisation of excess values of EUR 6,730 thousand. DigiWheel would have had no effect on revenue and only marginal effect on net profit.

NOTE 24. EVENTS FOLLOWING THE BALANCE SHEET DATE

On 28 February 2023, the incentive programme 2020/2023, which was decided by the extraordinary general meeting on 16 January 2020, expired. Shares can be subscribed from 28 February and the following 30 calendar days. The incentive programme has a cap, if the average share exceeds 200 percent of SEK 373.90 during ten trading days ending of the date three trading days before first exercise date, the number of shares each warrant entitles subscription for and the share subscription price is recalculated. Before the submission of the Annual Report, 1,073,180 warrants were used to subscribe for 493,662 new shares in the Company, the new shares were subscribed for SEK 821.60. Expected dilution effect is approximately 0.2 percent.

5-YEAR SUMMARY

Condensed consolidated income statements	2022	2021	2020	2019	2018
Total operating revenues	1,456,737	1,068,777	561,134	365,752	245,418
Total operating expenses	-548,675	-414,773	-261,434	-208,280	-155,934
Operating profit	908,062	654,004	299,700	157,472	89,484
Financial items	-1,469	-6,513	-1,018	-200	-158
Profit before tax	906,593	647,491	298,682	157,272	89,326
Profit for the year	843,361	605,435	284,622	149,726	83,460
Condensed consolidated balance sheets	2022	2021	2020	2019	2018
Assets					
Total non-current assets	3,259,996	3,093,655	2,669,883	104,991	62,095
Current receivables	576,821	387,980	277,554	146,649	93,611
Cash and cash equivalents	532,554	421,432	221,675	182,520	84,951
Total current assets	1,109,375	809,412	499,229	329,169	178,562
TOTAL ASSETS	4,369,371	3,903,067	3,169,112	434,160	240,657
Equity and liabilities					
Total equity	3,460,281	3,190,950	2,726,171	280,897	162,270
Non-current liabilities	483,197	341,987	74,744	15,552	5,619
Current liabilities	425,893	370,130	368,197	137,711	72,768
Total liabilities	909,090	712,117	442,941	153,263	78,387
TOTAL EQUITY AND LIABILITIES	4,369,371	3,903,067	3,169,112	434,160	240,657
Condensed consolidated cash flow statements	2022	2021	2020	2019	2018
Cash flow from operating activities	877,465	598,895	316,051	175,786	100,036
Cash flow from investing activities	-371,596	-154,952	6,821	-42,524	-31,650
Cash flow from financing activities	-394,201	-248,516	-279,910	-36,054	-32,644
Cash flow for the year	111,668	195,427	42,962	97,208	35,742
Cash and cash equivalents at year-end	532,554	421,432	221,675	182,520	84,951
Key ratios	2022	2021	2020	2019	2018
EBITDA margin	69.2%	68.7%	59.2%	50.0%	43.9%
Operating margin	62.3%	61.2%	53.4%	43.1%	36.5%
Profit margin	57.9%	56.6%	50.7%	40.9%	34.0%
Equity/assets ratio	79.2%	81.8%	86.0%	64.7%	67.4%
Average number of full-time employees	10,802	7,917	5,118	4,894	3,529
Full-time employees at year-end	12,144	8,987	6,825	5,554	4,319
Earnings per share basic, EUR	3.95	2.83	1.55	0.83	0.46
Equity per share, EUR	16.23	14.91	12.84	1.55	0.90
Operating cash flow per share basic, EUR	4.11	2.80	1.72	0.97	0.56
Quota value per share	0.003	0.003	0.003	0.003	0.003
Average number of outstanding shares, basic	213,267,500	213,714,575	183,927,915	180,737,305	179,851,885
Average number of outstanding shares, diluted	217,505,567	221,818,828	189,021,346	183,387,341	182,625,245
Number of outstanding shares	213,205,250	213,952,250	212,327,008	181,622,725	179,851,885

KEY RATIOS NOT DEFINED IN ACCORDANCE WITH IFRS

The company presents certain financial measures in the interim report that are not defined under IFRS. These key ratios are common to use in our industry for benchmarking companies. One of the financial objectives in the IPO was >35% EBITDA margin. The company believes that these measures provide useful supplemental information to investors and the company's management as they permit the evaluation of the company's financial performance and position. Since not all companies calculate financial measures in the same way, these are not always comparable to the measures used by other companies. Consequently, these financial measures should not be seen as a substitute for measures defined under IFRS. The tables below include measurements that are not defined in accordance with IFRS, unless otherwise stated. For definitions and purposes, see also section Glossary and definitions.

Reconciliation of key ratios not defined in accordance with IFRS

	GROUP	
	2022	2021
<i>Operating margin</i>		
Profit before tax	906,593	647,491
Excluding net financial items	1,469	6,513
Operating profit (EBIT)	908,062	654,004
Divided by Total operating revenues	1,456,737	1,068,777
Operating (EBIT) margin	62.3%	61.2%
<i>EBITDA and EBITDA margin</i>		
Profit before tax	906,593	647,491
Net financial items	1,469	6,513
Depreciation/amortisation	100,378	80,646
EBITDA	1,008,440	734,650
Divided by Total operating revenues	1,456,737	1,068,777
EBITDA margin	69.2%	68.7%
<i>Profit margin</i>		
Profit for the year	843,361	605,435
Divided by Total operating revenues	1,456,737	1,068,777
Profit margin	57.9%	56.6%
<i>Equity/Assets ratio</i>		
Total equity	3,460,281	3,190,950
Divided by Total assets	4,369,371	3,903,067
Equity/Assets ratio	79.2%	81.8%

Declaration by the Board of Directors

The Board of Directors and the Group CEO certify that the annual accounts and the sustainability report have been prepared in accordance with the Annual Accounts Act and RFR 2 "Accounting for Legal Entities" and give a true and fair view of the Company's financial position and earnings and that the Directors' Report gives a fair overview of the development of the Company's operations, position and earnings, and describes significant risks and uncertainties that the Company faces.

The Board of Directors and the Group CEO certify that the consolidated accounts, have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and give a true and fair view of the Group's financial position and earnings, and that the Directors' Report for the Group gives a fair overview of the development of the Group's operations, position and earnings and describes significant risks and uncertainties that the companies included in the Group faces.

JENS VON BAHR
Chairman of the Board

JOEL CITRON
Board Member

JONAS ENGWALL
Board Member

FREDRIK ÖSTERBERG
Board Member

IAN LIVINGSTONE
Board Member

MIMI DRAKE
Board Member

SANDRA URIE
Board Member

MARTIN CARLESUND
Group CEO

As stated above, the annual and consolidated accounts were approved for publication by the Board of Directors on 14 March 2023.

The consolidated income statement and balance sheet and the Parent Company's income statement and balance sheet are subject to approval by the Annual General Meeting on 4 April 2023.

Our audit report was issued on 14 March 2023.
Öhrlings PricewaterhouseCoopers AB

Johan Engstam
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of Evolution AB (publ), corporate identity number 556994-5792.



REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

OPINIONS

We have audited the annual accounts and consolidated accounts of Evolution AB (publ) for the year 2022 except for the corporate governance statement on pages 59-72. The annual accounts and consolidated accounts of the company are included on pages 53-108 and 111 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company and the group as of 31 December 2022 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2022 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 59-72. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the income statement and statement of financial position for the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

BASIS FOR OPINIONS

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

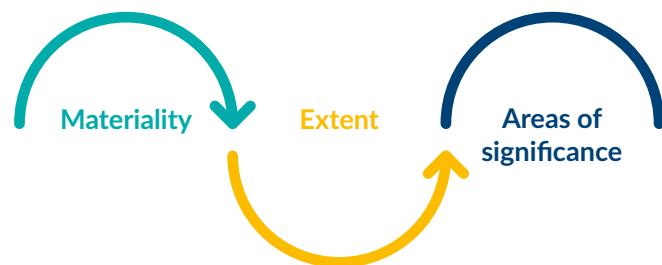
This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

OUR AUDIT APPROACH

Overview

- Overall materiality: €44 million, which corresponds to about 5% of profit before tax
- Existence and accuracy of revenues
- Valuations in connection with the acquisition of Nolimit City Holding Ltd



Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Group materiality	€44 million
How it was determined	5% of profit before tax
Basis for selection	We selected profit before tax as a benchmark because we believe that this is the value that users most often compare the Group's results with and because it is a generally accepted benchmark. The 5% level is considered, in auditing standards, to be an acceptable quantitative materiality threshold.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €4 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

KEY AUDIT MATTERS

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter	How the key audit matter was addressed in our audit
<p>Revenue</p> <p>Revenues total € 1,456 million and refer primarily to revenues from the provision of internally developed online casino games. The company's customers pay commission fees based on the gaming surplus the products generate on behalf of the customers, and a fixed monthly fee. In addition, fees for services such as start-up fees for integration are also invoiced to the customers. The company's revenues are a significant item comprised of a large number of transactions and which are calculated according to the terms of condition of each agreement. There is a risk that all transactions do not exist and that transactions are priced incorrectly. Accounting principles are found in Note 1.14. Further description of the revenues is found in Note 2.</p>	<p>Based on the number of transactions and the customer specific contracts to which the revenues refer, in performing our audit we have primarily focused on the existence and accuracy of the reported revenues. The audit activities performed have implied that we have, amongst other things:</p> <ul style="list-style-type: none"> • Obtained an understanding of the significant transaction flows and critical IT systems, and as regards these we have examined important controls in order to manage the risk of misstatements in the financial reporting. In our audit, we have also utilised the expertise of IT specialists. • Evaluated to determine if changes in the company's application of accounting principles and/or assessment has impacted the reporting of revenues. • For a selection of individual revenue transactions, verified that these have been priced according to the customer contracts in place and that the revenues recognized in the year exist. • We have undertaken a follow-up of payments of outstanding accounts receivable and have also discussed matured receivables to assess whether the provisions have been reported correctly based on the assessed risk of bad debts. • We have also assessed if the accounting principles and disclosures in the annual report are correct and in accordance with IFRS.
<p>Acquisition of Nolimit City Holding Ltd</p> <p>The acquisition of Nolimit City Holding Ltd occurred during the year. In connection with acquisitions, management prepares a purchase price allocation where all assets and liabilities acquired are valued at fair value. The difference between the purchase price and the fair value of assets and liabilities acquired represents goodwill. The valuation of assets and liabilities identified are dependent on management's judgements and estimates. There is a risk that management's valuations are based on incorrect or unreasonable judgements and estimates and that would result in undetected errors in the valuation of assets, liabilities or goodwill acquired. Accounting principles are found in Note 1.2. Further description of the acquisition is found in Note 23.</p>	<p>We have, during our audit, performed procedures on the companies purchase price allocation. The procedures include, amongst other things:</p> <ul style="list-style-type: none"> • Audited the company's valuation of assets and liabilities acquired and the methods used for these valuations. • Assessed management's judgements and estimates made in preparing these valuations. • We have also assessed whether the accounting principles and disclosures in the annual report are correct and in accordance with IFRS.

OTHER INFORMATION THAN THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-52, 59-72, 109-110 and 118-120. The information in Evolution AB (publ)'s Remuneration Report 2022, which is published on the company's website at the same time as this report also constitutes other information. The Board of Directors and the Group CEO are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE GROUP CEO

The Board of Directors and the Group CEO are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Group CEO are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Group CEO are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Group CEO intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

AUDITOR'S RESPONSIBILITY

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that

includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden 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 annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

THE AUDITOR'S AUDIT OF THE ADMINISTRATION OF THE COMPANY AND THE PROPOSED APPROPRIATIONS OF THE COMPANY'S PROFIT OR LOSS

OPINIONS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the Group CEO of Evolution AB (publ) for the year 2022 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Director's and the Group CEO be discharged from liability for the financial year.

BASIS FOR OPINIONS

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

RESPONSIBILITIES OF THE BOARD OF DIRECTOR'S AND THE GROUP CEO

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organisation and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Group CEO shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

AUDITOR'S RESPONSIBILITY

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Group CEO in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

THE AUDITOR'S EXAMINATION OF THE ESEF REPORT OPINION

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Group CEO have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Evolution AB (publ) for the financial year 2022.

Our examination and our opinion relate only to the statutory requirements. In our opinion, the Esef report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

BASIS FOR OPINIONS

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Evolution AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

RESPONSIBILITIES OF THE BOARD OF DIRECTOR'S AND THE GROUP CEO

The Board of Directors and the Group CEO are responsible for ensuring the the Esef report has been prepared in accordance with the Chapter 16, Section 4 (a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Group CEO determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to form an opinion with reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4 (a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts.

The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Group CEO, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Group CEO.

The procedures mainly include a validation that the Esef report has been prepared in a valid XHTML format and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esef report has been marked with iXBRL in accordance with what follows from the Esef regulation.

THE AUDITOR'S EXAMINATION OF THE CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for that the corporate governance statement on pages 59-72 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevR 16. The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Öhrlings PricewaterhouseCoopers AB, Torsgatan 21, 113 97 Stockholm, Sweden, was appointed auditor of Evolution AB (publ) by the general meeting of the shareholders on the 8 April 2022 and has been the company's auditor since 2014.

Stockholm 14 March 2023

Öhrlings PricewaterhouseCoopers AB

Johan Engstam

Authorized Public Accountant

Glossary and definitions

FINANCIAL KEY RATIOS, ITEMS AND TERMS

Operating profit, EBIT	Profit before tax excluding net financial items.
Operating profit, EBIT, margin	Operating profit in relation to total operating revenues.
EBITDA	Operating profit excluding depreciation, amortisation and impairments.
EBITDA margin	EBITDA in relation to operating revenues.
Profit margin	Profit for the year in relation to total operating revenues.
Equity/assets ratio	Equity at the end of the year in relation to total assets at the end of the year.
Cash and cash equivalents	Cash and bank assets.
Average number of full-time employees	The average number of full-time employees during the year. Full-time equivalents include part-time positions.
EUR, EURm, kEUR	EUR, EUR million, EUR thousands.
PER SHARE	
Earnings per share basic, EUR	Profit for the year in relation to total average number of outstanding shares before dilution.
Earnings per share diluted, EUR	Profit for the year in relation to total average number of outstanding shares after dilution.
Equity per share, EUR	Equity at the end of the year in relation to total number of outstanding shares at the end of the year.
Operating cash flow per share, EUR	Cash flow from operating activities in relation to average number of outstanding shares before dilution.
Quota value per share, EUR	Share capital divided by total number of outstanding shares at the end of the year.
Average number of shares outstanding	The average number of shares outstanding during the year.
Number of shares outstanding	Number of shares outstanding at the end of the year.

OPERATIONAL AND OTHER TERMS

B2B	Refers to "Business-to-Business," i.e. business conducted between two companies with no private individuals involved.
B2G	Refers to "Business-to-Government," i.e. business conducted between a company and a government body with no private individuals involved.
Gross Gaming Revenue	Consists of the bet reduced by the winnings returned to the player.
Derivative/game derivative	Refers to further developments of Evolution's core games. They may be subject to special rules or have other characteristics that are not found in the original game.
Direct Game Launch	Refers to add-on functionality in Evolution's offering which allows the operator to place links that open a live casino game directly when the end user clicks on them.
H2GC	Refers to the independent market analysis firm H2 Gambling Capital.
HD	Refers to "High Definition", i.e. a high resolution image.
MCR	Refers to "Mission Control Room," the control room that controls Evolution's operations in all live casino studios.
RNG	Refers to "Random Number Generated," i.e. games based on random number generated data.
Share of live	Refers to the proportion of the revenue that stems from live casino in relation to the total gaming revenue.
Slots	A game about getting three symbols in a row, on a row of rotating reels.
End users	Refers to the gaming operators' customers, i.e. gamers.
Streaming	Refers to the English term for playing audio and video files on the recipient's unit at the same time as they are transferred via a network, such as the Internet.
Tier 1	Refers to customers of materially strategic and/or financial importance. Evolution communicates all new Tier 1 customers via press releases and/or interim statements.

GAME LEGAL LINES

MONOPOLY Live	The MONOPOLY name and logo, the distinctive design of the game board, the four corner squares, the MR. MONOPOLY name and character as well as each of the distinctive elements of the board and the playing pieces are trademarks of Hasbro, Inc for its property trading game and game equipment. ©1935, 2023 Hasbro, Inc. All rights reserved. Used with permission.
Deal or No Deal Live	Based on the Endemol Shine television programme Deal or No Deal © 2003. Deal or No Deal Live Project © 2023 Endemol Shine IP B.V. Deal or No Deal is a registered trademark of Endemol Shine IP B.V. Used with permission. All rights reserved.



ANNUAL REPORT 2022