

Remuneration Report 2023 – Evolution AB (publ)

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

1. Introduction

This Remuneration Report gives an overview of how the guidelines for remuneration to senior executives of Evolution, adopted by the Annual General Meeting 2023, have been applied in 2023. The Remuneration Report also contains detailed information about the remuneration to the CEO of Evolution. In addition, the report also contains a compilation of Evolution's outstanding share-based incentive programmes. The Remuneration Report has been prepared in accordance with Chapter 8, Section 53 a of the Swedish Companies Act (2005:551), the Swedish Code of Corporate Governance Board's Rules on Remuneration of the Board and Executive Management and on Incentive Programmes.

Information according to Chapter 5, Sections 40-44 of the Annual Reports Act (1995:1554) is available in Note 3 on pages 88-89 in Evolution's Annual Report for 2023 (Annual Report 2023).

The Board of Directors has appointed a Remuneration Committee consisting of Joel Citron (Chairman), Ian Livingstone and Sandra Urie. Joel Citron and Sandra Urie are independent in relation to Evolution and the Company's management, Ian Livingstone is related to one of Evolution's larger shareholders and is not independent to Evolution, but to the Company's management. Information regarding the Remuneration Committee's work in 2023 can be found in the Corporate Governance Report on page 59 in the Annual Report 2023.

Remuneration to the Board of Directors who are not employed by Evolution is not covered by this report. Remuneration to the Board of Directors is resolved annually by the Annual General Meeting of Evolution and is presented in Note 3 on pages 88-89 in the Annual Report 2023. The Board of Directors receives no remuneration in addition to remuneration resolved by the Annual General Meeting, except for any travel expenses in connection with board meetings.

2. Significant events in 2023

Evolution's development in 2023

The CEO of Evolution summaries the Company's development in his statement on pages 5-6 in the Annual Report 2023.

Overview of the application of the guidelines for remuneration to senior executives in 2023

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

According to the Remuneration Guidelines, the remuneration to the Company's management must be market-based and may consist of a fixed cash salary, pension benefits and other benefits. In addition, the Annual General Meeting may – and regardless of the Remuneration Guidelines – resolve on, for example, share and share price related remuneration or incentive programmes based on warrants, as well as remuneration to the Board of Directors. The Remuneration Guidelines adopted by the Annual General Meeting 2023 can be found on page 60 in the Annual Report 2023. The Auditor's Report on whether the Remuneration Guidelines have been followed is available on Evolution's website evolution.com/investors.

The Remuneration Committee has evaluated the performance of the CEO in 2023 and prepared the Board of Director's resolution on remuneration for the CEO as well as for other persons in the Company's management. Furthermore, the Remuneration Committee has reviewed the Remuneration Guidelines. The Remuneration

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

In 2023, Evolution did not make any deviations from the decision-making process that, according to the Remuneration Guidelines, must be applied to determine the remuneration. During the year, the Board of Directors decided on an extraordinary cash-based retention programme for senior executives in connection to acquiring warrants in Evolution.

Table 1 – Total remuneration to the CEO

Table 1 below sets out the total remuneration to the CEO of Evolution and the Chairman of the Board during his employment with the Company, until 8 April 2022, EUR thousands.

Name of director (position)	Financial year	1 Fixed remuneration		2 Variable remuneration	3 Extraordinary remuneration	4 Pension benefits	5 Total remuneration	6 Portion of fixed and variable remuneration
		Base salary	Other benefits					
Martin Carlesund (CEO)	2023	2,613	14	-	2,232 ¹⁾	-	4,859	100/0
	2022	2,109	13	-	-	-	2,122	100/0
Jens von Bahr (Chairman)	2022	112	-	-	-	-	112	100/0

Other benefits comprise company car and health care insurance.

¹⁾ Conditional for acquiring warrants in Evolution.

3. Share-based remuneration

Outstanding share and share-related incentive programmes

Evolution currently has two outstanding incentive programmes with subscription 2024 and 2026, respectively. Senior executives, including the CEO, have had the opportunity to acquire warrants in these programmes, like other employees in Evolution.

Incentive programme 2023/2026: The Extra General Meeting on 9 November 2023 resolved to issue a maximum of 2,500,000 warrants. Each warrant entitles to subscribe for one new share in the Company of SEK 1,296.60 during the period from and including 16 November 2026 (however not earlier than the day after the publication of the Company’s year-end report for the period January-September 2026, the “First Exercise Date”) up to and including the date that falls 14 calendar days thereafter.

In total 1,995,389 warrants were subscribed. If all 1,995,389 warrants are exercised for subscription of 1,995,389 shares, the dilution effect will be approximately 0.9 percent. The recipients were key employees throughout the Group. Employees in Sweden and Georgia paid the market value for the warrants. Other employees paid market value for one warrant, while receiving one without payment for each warrant that had been paid for. For warrants acquired at market value, the price (warrant premium) has been determined using Black & Scholes valuation model, with the valuation being carried out by Svalner Skatt.

Incentive programme 2021/2024: The Extra General Meeting on 28 January 2021 resolved to issue a maximum of 5,000,000 warrants. Each warrant entitles to subscribe for one new share in the Company of SEK 1,113.80 during the period from and including 20 March 2024 (however not earlier than the day after the publication of the Company’s year-end report for the period January-December 2023, the “First Exercise Date”) up to and including the date that falls 30 calendar days thereafter.

In total 3,948,875 warrants were subscribed, of which 474,156 have been terminated or bought back during 2021-2023. If all 3,474,719 warrants are exercised for subscription of 3,474,719 shares, the dilution effect will be approximately 1.6 percent. The recipients were key employees throughout the Group. Employees in Sweden and Georgia paid the market value for the warrants. Other employees paid market value for one warrant, while receiving one without payment for each warrant that had been paid for. For warrants acquired at market value, the price (warrant premium) has been determined using Black & Scholes valuation model, with the valuation being carried out by Svalner Skatt.

Table 2 – Incentive programmes based on warrants, CEO

Name of director (position)	Principal terms and conditions of the incentive programme				Financial year 2023			
					Opening balance	During the year		Closing balance
	1 Programme	2 Premium paid and allotment date	3 Subscription period / subscription dates	4 Subscription price and subscription dates for shares	5 Warrants at beginning of the year	6 Warrants allotted	7 Warrants exercised	8 Warrants at end of the year
Martin Carlesund (CEO)	2023/2026	SEK 86.00 16/11/2023	16/11/2026 until and including 30/11/2026	SEK 1,296.60	-	175,000	-	175,000
	2021/2024	SEK 72.60 20/03/2021	20/03/2024 until and including 20/04/2024	SEK 1,113.80	650,000	-	-	650,000
	2020/2023	SEK 17.87 27/02/2020	28/02/2023 until and including 30/03/2023	SEK 821.60	1,000,000	-	-1,000,000	0

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

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

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

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

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

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

	2019	2020	2021	2022	2023
Remuneration to the CEO	760	1,384	7,715 ¹⁾	2,122	4,859 ²⁾
Evolution's operating profit	157,472	299,700	654,004	908,062	1,142,730
Remuneration per employee ³⁾	80	107	330 ⁴⁾	127	333 ⁵⁾

¹⁾ EUR 5,759 thousand conditional for acquiring warrants in Evolution.

²⁾ EUR 2,232 thousand conditional for acquiring warrants in Evolution.

³⁾ Average remuneration on a full-time equivalent basis for employees in the parent company, excluding senior executives.

⁴⁾ EUR 196 thousand per employee conditional for acquiring warrants in Evolution.

⁵⁾ EUR 137 thousand per employee conditional for acquiring warrants in Evolution.