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Evolution
ANNUAL REPORT 2021

Table of contents

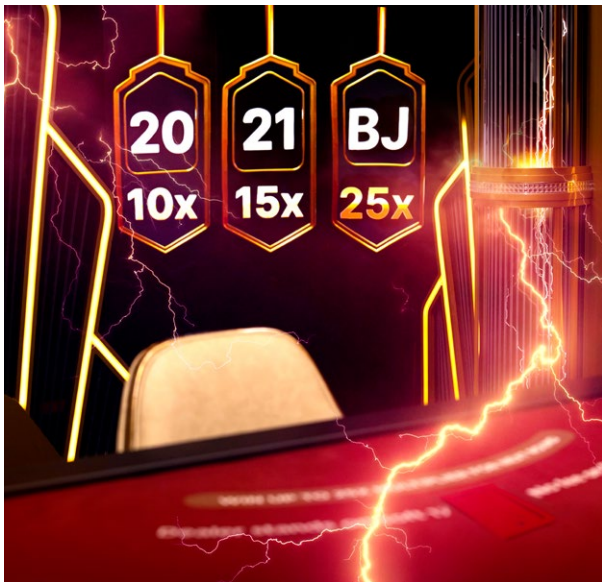
The year in brief 02
Group CEO comments 04

STRATEGIC REPORT

Our business model, vision and strategy 08
Our marketplace 10
Our operations 12
A unique record of innovation and growth 15
Our global studios 16
Our world-leading online casino games portfolio 18
Our growing customer base 24
The Evolution share 26

SUSTAINABILITY REPORT

Sustainability report 30
Our people 34
Our societies 36
Our environment 38
Diversity 40
Responsible gambling 42
Ethical business practices 44



GOVERNANCE

50 Directors' report
56 Corporate governance report
66 Our Board of Directors
68 Our group management team

FINANCIAL STATEMENTS

71 Financial reports
81 Notes
106 Declaration by the Board of Directors
107 Auditor's report
114 Glossary and definitions

The year in brief

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

THE YEAR IN FIGURES

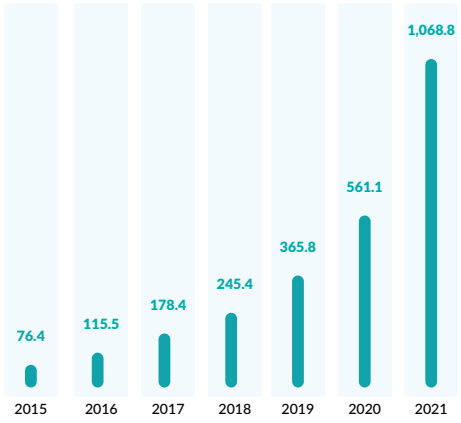
EBITDA **+121%** to **€734.7 million** (332.2) corresponding to a margin of **68.7%** (59.2)

Profit **+113%** to **€605.4 million** (284.6)

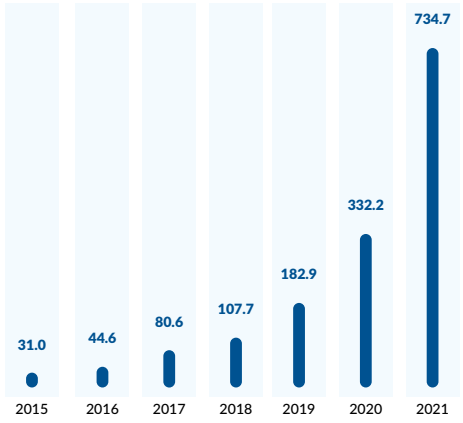
Earnings per share amounted to **€2.83** (1.55)

The Board proposes a dividend of **€1.42** (0.68) per share

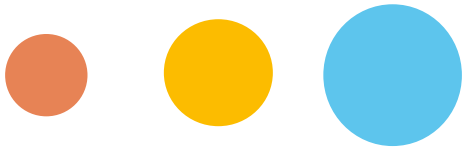
Operating Revenues (EUR MILLION)



EBITDA (EUR MILLION)



Cost Structure



19%
Depreciation, amortisation and impairment

31%
Other operating expenses

50%
Personnel costs

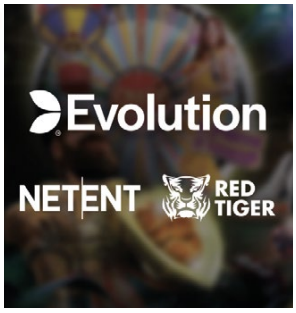
Revenues

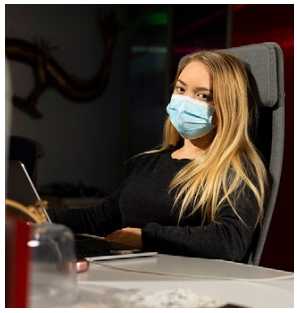
€1,068.8
MILLION

INCREASE: **+90%**

Patent Owner Evolution, EX2002, p. 2
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

HIGHLIGHTS





New games, game show growth, new gameplay

We launched a wide variety of new games in 2021, including additions to our award-winning Lightning family and new First Person games. We expanded the game show category with titles such as Gonzo's Treasure Hunt™ and Cash or Crash, in which players make decisions and gain greater control over game outcomes. In slots, NetEnt and Red Tiger continued to excite with multiple releases including NetEnt's Starburst™ XXXtreme, the sequel to the industry dominating Starburst™.

One Stop Shop

We also launched our One Stop Shop (OSS) enabling a truly global reach of Evolution's casino products. With OSS all our operators can reach all our content through one seamless backend and integration. This enables much easier and faster roll out of new products, regulatory adjustments and global reach for all products.

Acquisition of Big Time Gaming and DigiWheel

In 2021 we also welcomed two further highly innovative companies to the Group. Big Time Gaming (BTG) is the inventor of the acclaimed Megaways™ slots mechanic and the creator of many hugely successful slots titles. DigiWheel is the developer of the world's first patented HD spinning gaming wheel, offering opportunities to bring the very best of wheel-based online games to land-based casinos.

Operational throughout the pandemic

As COVID-19 continued to impact countries across the world, we maintained our focus on safe workplaces for our employees while remaining operational at all times. Essentially, it was 'business as usual' in serving our licensees, and we had a stream of new product launches continuing to attract and excite players.

More studios, more capacity, more talent

Expansion continued in 2021 as we added new studios and extended existing studio capacity. At the end of the year we had over 1,000 tables live, resulting from an increase of over 300 tables during the year. New studio sites included Michigan and a second studio in Canada. New studios are underway in Madrid and Armenia as well as a fourth US-studio in Connecticut. Existing studios in the US and Europe grew in capacity, while new engineering hubs in locations, such as Lisbon and Warsaw, were opened to support growth and help us continue to attract top talent. Expanding our studio capacity means we need a high recruitment pace and the year saw an increase of 3,900 staff corresponding to an increase of 41 percent.

Expansion into new regulated markets

2021 saw us enter several new markets. In Buenos Aires Province we were the first live casino provider to go live on day one of the new market.

In the new Dutch market, we were also live on the first day and have since launched a number of dedicated environments for licensees.

We also went live in newly regulated Canadian-Ontario market. As always, we aim to be first in every new market and to deliver first-to-market advantage for our licensees.

Patent Owner Evolution, EX2002, p. 3
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

Group CEO comments

Innovation, global growth and aiming for even greater heights.

In 2021 we continued to develop both our product portfolio and our company at a rapid pace, and we accomplished several important milestones. We succeeded with the integration of NetEnt, Red Tiger, Big Time Gaming (BTG) and DigiWheel. With this we strengthened our scope by having six powerful brands, which we as a company can leverage on. During the last couple of years, Evolution has grown and diversified through these significant acquisitions and with the additions of these brands to our product portfolio, we can firmly state that we are heading towards our goal of being the world's leading B2B online casino provider.

The year of 2021 was the year of massive expansion on several fronts, this naturally puts high pressure on the organisation and the company. Revenue increased by +90 percent with Live Casino as a major driver. Live Casino increased 54 percent organically during the year, while we, through restructuring measures, prepared the RNG business for growth. Supported by, among other things, new games, and our One Stop Shop (OSS) solution, the ambition is to deliver stronger growth in RNG during 2022 than in 2021. However, the path to higher growth will not be linear and I expect the growth rate to vary through the 2022 quarters. Despite the overall strong growth and expansion in 2021, we achieved a very strong margin of 68.7 percent, up from 59.2 percent in 2020, which was in line with our updated guidance for the year. For the full year 2022 we expect the EBITDA margin to be in the 69 percent-71 percent range.

We believe that one of our major competitive strengths is the player experience and end user satisfaction, things that drive us every day. Hence, Evolution's core assets are the flawless end-user experience in combination with innovative and entertaining games. The company's ambition is not only to continuously develop new unique games, but also to launch incremental improvements to our existing titles to enhance the player experience.

This focus is valid in all our categories, in tables, game shows and slots.
In 2021 we launched ground-breaking games in all three categories. We enhanced the table game classics with Red Envelope Baccarat. In the game show Cash or Crash, we introduced a bundle of choices for the players to make, and in the slot category we added slots with new features such as Starbust XXXtreme.

Evolution is a powerhouse of innovation and creativity and in 2022 products and innovation are clearly in focus. For 2022 we expect to continue to invest heavily in game innovation and we plan, as communicated earlier, to release a total of 88 new games across all categories. Our pipeline for 2022 consists of both new takes on player favourites and completely new.

In 2021, but also looking forward into 2022, we continued to see an increased demand for online casino across the globe. At the beginning of 2021, several studios operated at limited capacity, while all operators experienced increased traffic. There was a pent-up demand for new tables, but we also saw an underlying strong demand for capacity. This demand has been the main driver of our dramatic capacity expansion throughout the year, but it was not done without challenges in a world marked by the pandemic – a situation which we also believe is likely to some extent impact our expansion plans for 2022. The pandemic has caused operative challenges, and still does, but it also had some positive long-term effects on demand - as many new players found our games. However, it was not the main reason for our strong growth in 2021 - nor was it in 2020.

In 2021, we continued to invest in our existing studios and in new studio development and by year-end we had over 1,000 tables, having added over 300 tables during the year. This was a dramatic expansion reflecting our way of securing and taking market share. In 2022, we will continue to invest in operational capacity at similar rates.

Patent Owner Evolution, EX2002, p. 4
Light & Wonder, Inc. v. Evolution Malta Ltd.
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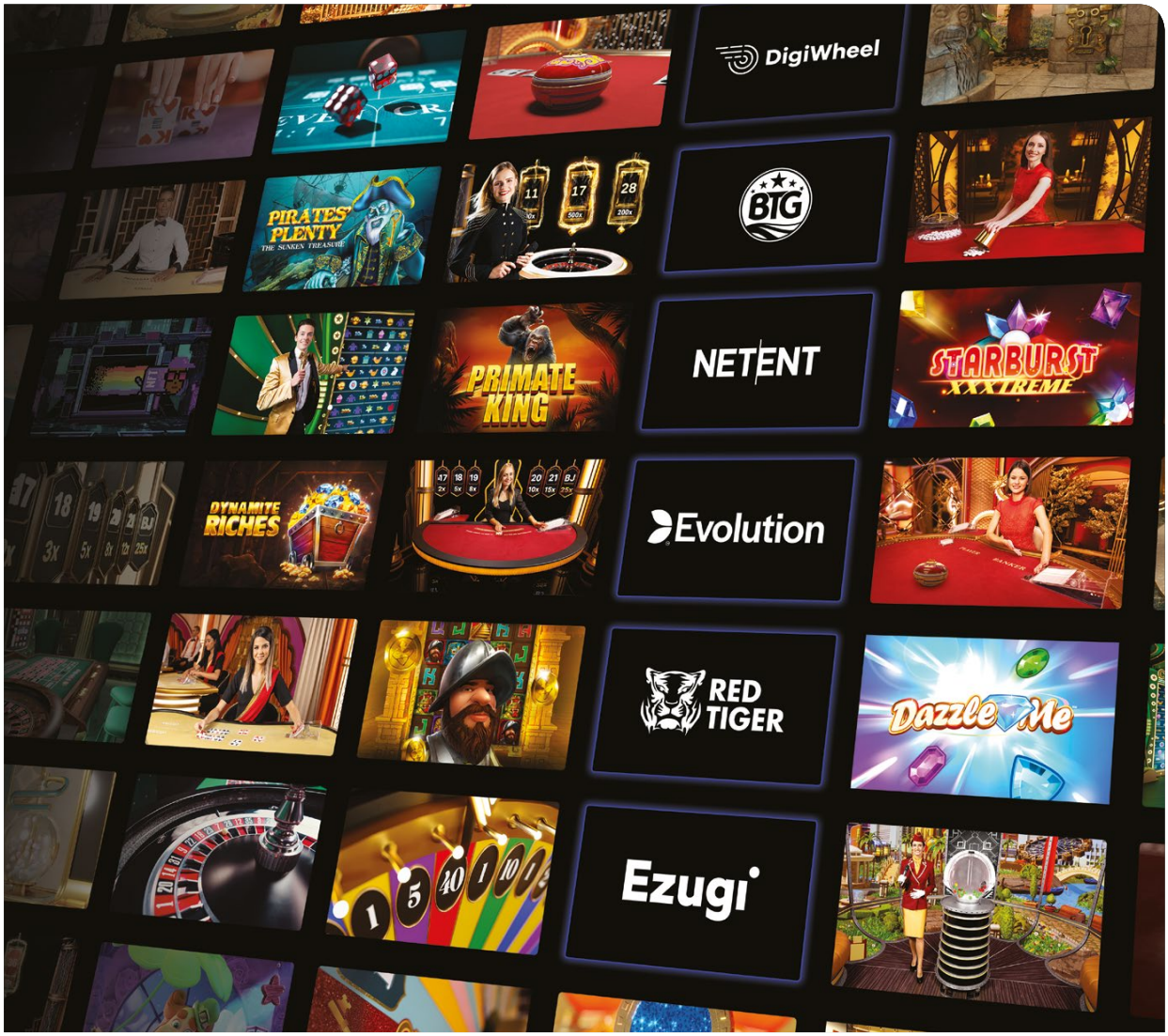


Investments in North America are set to continue, with expansion plans for all our existing studios, and with Connecticut next in line, but we will also continue to address new markets like Latin America. As already stated, we will continue to invest heavily to meet global demand.

There is a global demand for our products. While Europe still is our largest market, in 2021 Asia represented some 27 percent of revenues and North America 11 percent. We continue to be upbeat about North America, where we believe there is great growth potential in all the current regulated states. The opportunities in Asia, where we continue to be a small actor, are also attractive and even if Europe is more mature, we do see that there is more potential to address also in this region. From a global perspective, we will continue to leverage the ongoing market regulation with the aim to create the best gaming experience wherever there is an attractive business opportunity.

Besides adding tables, we have also added people in 2021. It goes without saying that doubling the number of headcounts over the last 18 months to 13,410, leaves its marks on everything from processes to costs and by that also on the margin. Still, it is the compounded talent and capabilities that our people possess that enable our success. I want to take the opportunity here to thank you all for a great job done in 2021! I am truly excited about all the things we want to accomplish together in 2022!

To sum it up, 2021 was a year of expansion and in 2022 we will continue to aim for market share and expand the gap to our competitors. We will continue to expand our operations and invest heavily in capacity and in innovation for even better products and top of the line end user experiences.

Martin Carlesund,
Group CEO

Patent Owner Evolution, EX2002, p. 5
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

STRATEGIC REPORT

OUR BUSINESS MODEL, VISION AND STRATEGY

OUR MARKETPLACE

OUR OPERATIONS

A UNIQUE RECORD OF INNOVATION AND GROWTH

OUR GLOBAL STUDIOS

OUR WORLD-LEADING ONLINE CASINO GAMES PORTFOLIO

OUR GROWING CUSTOMER BASE

THE EVOLUTION SHARE

Patent Owner Evolution, EX2002, p. 7
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

Our business model, vision and strategy

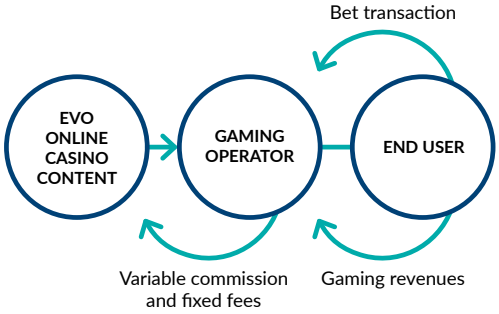
With a scalable business model and a market-leading offering, Evolution is leading the way for the development of the online casino segment on a global basis.

Mission

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

Vision

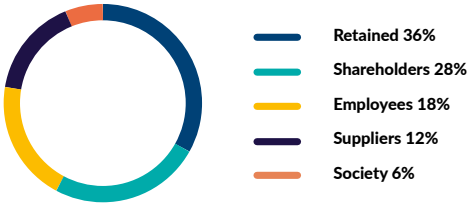
To be the leading online casino provider in the world.



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.

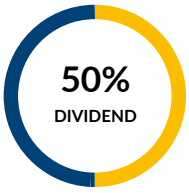


The chart shows the distribution of created economic value to employees in the form of salaries, suppliers for purchases of products and services, shareholders in the form of dividends and society in general by taxes and fees.

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 2021: Proposal of **50%**

Growth

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

✔ Outcome 2021: **90%** compared with **23%** for the total online casino market

Patent Owner Evolution, EX2002, p. 8
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

Revenue model

The majority of Evolution's revenues consist of commission fees for both live and RNG casino, which are paid monthly by operators. Commission is calculated as a percentage of the operators' winnings generated via the company's casino offering. Through commission, Evolution gains beneficial exposure to the general growth of the online casino market.

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 as unique as possible for the end user and helps the operator to stand out from the crowd.

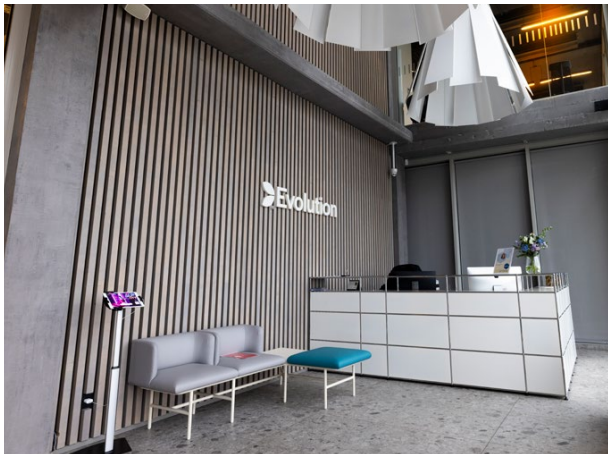
Dedicated table fees are monthly service charges to operators who have opted to provide dedicated tables for their end users. Dedicated tables are reserved and used exclusively by the operator and can be customised completely to the operator's requirements as regards studio environment, graphics, brand 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.

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's perpetual mission is 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 in 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 an array of best-in-class solutions for operators and their players across Live Casino, RNG table games and slots as well as live online game shows.

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.

In 2021 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.

Patent Owner Evolution, EX2002, p. 9
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

Our marketplace

Online casino continues its strong performance in the gaming market.

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 had an estimated value of EUR 359 billion (324) in 2021, measured in gross gaming revenues.

Roughly 75 percent (78) 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 online gaming has grown significantly faster than the total gaming market in recent years. For the past five years (2017-2021), online gaming achieved a compound annual growth rate of around 16 percent compared with negative 1.6 percent for the market as a whole.

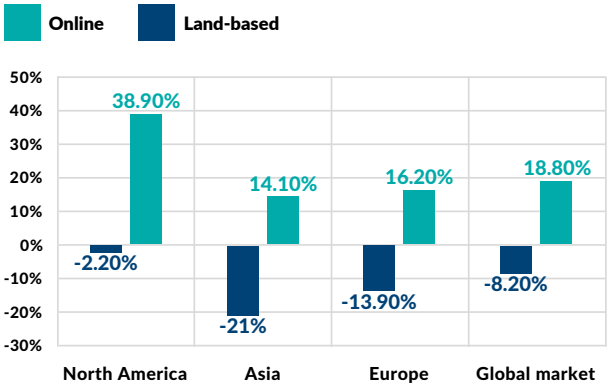
Online casino

Globally online casino has had an annual growth rate of almost 19 percent between 2017 and 2021. Live casino has been the fastest growing segment within online casino, with an annual growth rate of 31 percent in the same period and the growth rate for RNG amounts to close to 15 percent.

According to H2GC, the global online casino market had an estimated value of EUR 23.9 billion (19.4) at the end of 2021, representing a growth of 23 percent compared with the year before. The live casino market had an estimated value of EUR 7.5 billion (6.1) at the end of 2021 and share of live, i.e. live casino's share of the total online casino market, was 31.5 percent (31). The RNG market had an estimated value of EUR 16.4 billion (13.3).

The North American Casino market had an estimated value of EUR 63.8 billion (57.4) at the end of 2021, online casino's share of the total market amounted to approximately 8 percent. Currently we offer both live games, as well as slots in the states of New Jersey, Pennsylvania and Michigan as well as in Canada. In Connecticut and West Virginia, we are live with slots, however, during 2022, we will also expand with live games in Connecticut with a new state-of-the-art studio. State by state regulation will dictate the pace of how the market expands.

Compound annual growth rate 2017-2021*



*H2 Gambling Capital: Detailed Global Summary Data (€), 10th Feb 2022.

GLOBAL CASINO MARKET 2021

- Land-based casino 78%
- Live casino 7%
- RNG 15%

Compound Annual Growth Rate 2017-2021

LIVE CASINO	RNG CASINO	LAND-BASED CASINO
+31.1%	+14.7%	-8.2%

Patent Owner Evolution, EX2002, p. 10
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

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.

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. See page 14 for a list of our licenses.

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 2019, 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.

Patent Owner Evolution, EX2002, p. 11
Light & Wonder, Inc. v. Evolution Malta Ltd.
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Our live 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.

Technical platform

Evolution continually invests in the technical platform that forms the basis of the company's operations. Investments relate to servers and adapted hardware such as video recording devices, card scanners and dealer computers.

The company has a stable and reliable technical system that manages all data traffic and integration 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 2021, system availability was 99.87 (99.87) percent, excluding scheduled maintenance.

SYSTEM AVAILABILITY ▸▸ **2021: 99.87%**

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 2021, 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.

Patent Owner Evolution, EX2002, p. 12
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

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.

Over recent years, mobile gaming has increased, and in 2021, 69 percent (69) of gaming revenues generated via Evolution's platform stemmed from mobile devices.

Mobile devices are expected to continue gaining in popularity. All mobile games are built in HTML5 to ensure smooth integration with the operator's mobile websites and apps.

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.

Patent Owner Evolution, EX2002, p. 13
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

LICENSES

Evolution endeavours to be the most reliable and transparent live casino provider in the market and therefore holds all the licenses and certifications Evolution considers to be necessary 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
Bahamas
Belgium
Canada - Alberta
Canada - British Columbia
Canada - Nova Scotia
Canada - Ontario
Canada - Quebec
Curacao
Gibraltar
Greece
Latvia
Malta
Romania
South Africa
Spain
United Kingdom
USA - Connecticut
USA - Michigan
USA - New Jersey
USA - Oklahoma Tribal
USA - Pennsylvania
USA - West Virginia

In addition, Evolution's products are certified in the following countries:

Alderney
Argentina - Buenos Aires City
Argentina - Buenos Aires Province
Bahamas
Belgium
Bosnia
Bulgaria
Canada — Alberta
Canada — British Columbia
Canada — Manitoba
Canada — Ontario
Canada — Quebec
Colombia
Croatia
Czech Republic
Denmark
Estonia
Georgia
Gibraltar
Greece
Hungry
Isle of Man
Italy
Latvia
Lithuania
Malta
Netherlands
Phillipines
Portugal
Romania
Serbia
Spain
Sweden
Switzerland
United Kingdom
USA - Connecticut
USA - Michigan
USA - New Jersey
USA - Pennsylvania
USA - West Virginia

Patent Owner Evolution, EX2002, p. 14
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

A unique record of innovation and growth

From a small studio with only a handful of co-workers in Riga in April 2006, Evolution has grown into a leading provider with the majority of European tier 1 operators as customers, 1,000+ tables in studios and environments in ten countries and with game experiences for all types of end users — from high rollers to mass market.

2006

- Evolution is founded
- Launch of production studio in Riga

2011

- First live casino provider to be certified in the newly regulated Italian market

2012

- First live casino provider to be certified in the newly regulated Danish market

2013

- Games launched on mobile
- Evolution certified in the Spanish market

2014

- New production studio opened in Malta
- Immersive Roulette is named EGR Game of the Year

2015

- The company's shares are listed on Nasdaq First North

2017

- Launch of Dream Catcher money wheel and introduction of the live game shows category
- The company's shares are moved from First North to the Nasdaq Stockholm main market, immediately joining the large cap segment

2018

- Launch of studios in Canada, Georgia and New Jersey, USA

2019

- Consolidation of unique live game shows category
- MONOPOLY Live crowned Game of the Year at the EGR Operator Awards
- Acquisition of Ezugi

2020

- Launch of 12 new games including Crazy Time, Mega Ball, Craps and more
- Acquisition of NetEnt

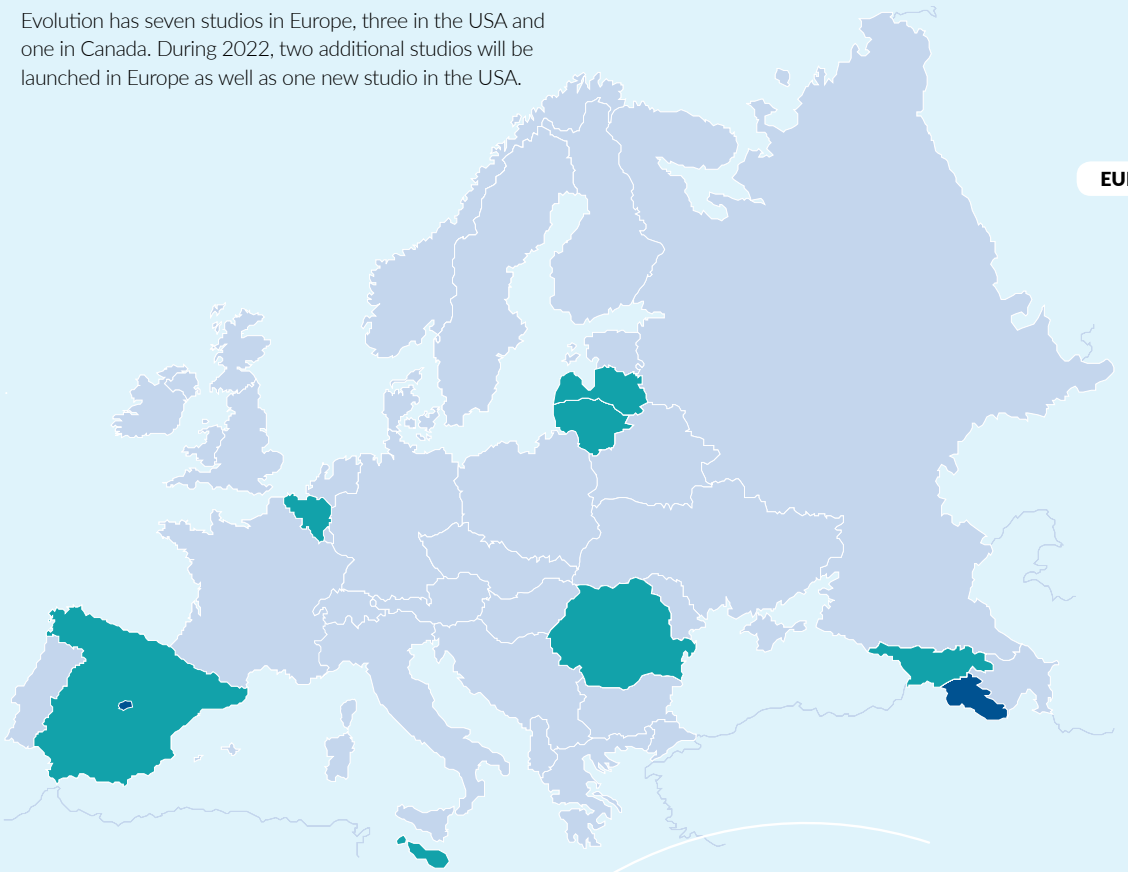
2021

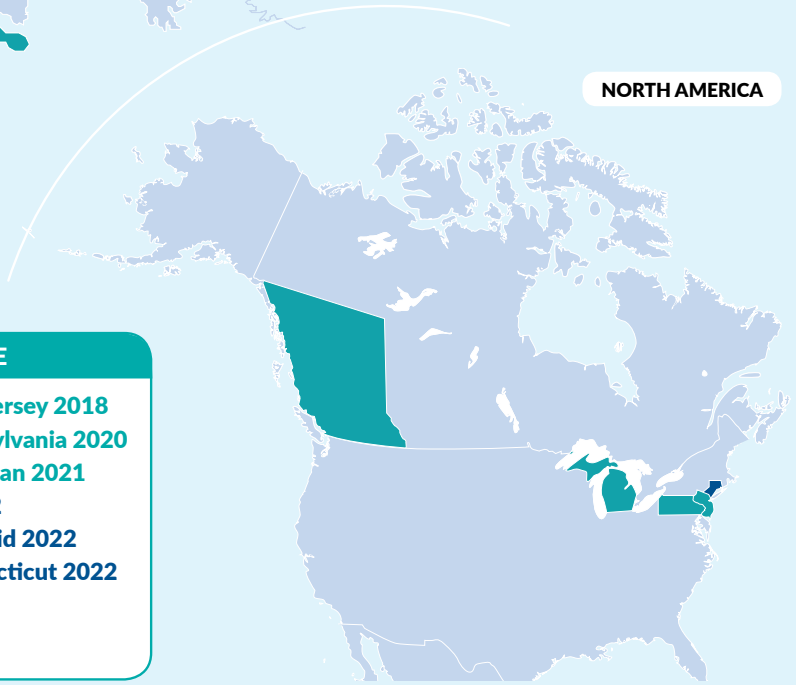
- Expansion of live casino studios and launch of Michigan, USA studio
- Crowned Live Casino Supplier of the Year for the twelfth successive year at the EGR B2B awards
- Acquisition of Big Time Gaming and DigiWheel

Patent Owner Evolution, EX2002, p. 15
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

Our global studios

Evolution has seven studios in Europe, three in the USA and one in Canada. During 2022, two additional studios will be launched in Europe as well as one new studio in the USA.





STUDIOS WORLDWIDE

- Belgium 2015
- Canada 2018
- Georgia 2018
- Latvia 2006
- Lithuania 2020
- Malta 2014
- Romania 2016
- Spain 2014
- USA — New Jersey 2018
- USA — Pennsylvania 2020
- USA — Michigan 2021
- Armenia 2022
- Spain — Madrid 2022
- USA — Connecticut 2022

Patent Owner Evolution, EX2002, p. 16
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

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 Mriehel, 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 fastest growing 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 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, one in British Columbia, Canada and three in the USA, in New Jersey, Pennsylvania and Michigan. All together Evolution operates over 1,000 tables for Evolution's customers.

Ongoing studio projects with planned launch during 2022 include new studios in Madrid and Yerevan, Armenia. Also, a fourth US studio will be launched in Connecticut in 2022.

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

EXPANSIONS AND LAUNCHES

Evolution's expansion in regulated markets

2011	Italy
2012	Denmark
2013	Spain
2014	Malta
2015	United Kingdom
2015	Belgium
2016	Bulgaria, Hungary, Romania
2017	Serbia
2018	Canada, Georgia, New Jersey (USA)
2019	Estonia, Latvia, Sweden, Switzerland
2020	Colombia, Lithuania, Pennsylvania (USA)
2021	Alberta (Canada), Ontario (Canada), Greece, Michigan (USA), Connecticut (USA)

EXPANSIONS AND LAUNCHES

Evolution's game launches

2006-2016

- Live Roulette
- Auto Roulette
- Live Blackjack
- Live Baccarat
- Live Casino Hold'em
- Live Three Card Poker
- Live Caribbean Stud Poker
- Live Ultimate Texas Hold'em Poker

2017

- Dream Catcher
- Double Ball Roulette
- American Roulette
- Live Casino Hold'em Jumbo 7 Jackpot
- Live Caribbean Stud Poker Progressive Jackpot

2018

- Lightning Roulette
- Salon Privé range
- Dragon Tiger
- Infinite Blackjack
- Football Studio
- First Person Roulette
- First Person Blackjack
- Live Texas Hold'em Bonus Poker and First Five Jackpot

2019

- MONOPOLY Live
- Deal or No Deal Live
- Lightning Dice
- Super Sic Bo
- Free Bet Blackjack
- Side Bet City
- 2 Hand Casino Hold'em
- First Person Lightning Roulette
- First Person Dream Catcher

2020

- Crazy Time
- Mega Ball
- Craps
- Power Blackjack
- Instant Roulette
- Lightning Baccarat
- Speed Blackjack
- First Person Baccarat, Craps, Dragon Tiger, Football Studio and Mega Ball

2021

- Gonzo's Treasure Hunt™
- First Person American Roulette
- Fan Tan
- Cash or Crash
- Golden Wealth Baccarat
- First Person Golden Wealth Baccarat
- First Person Lightning Baccarat
- Lightning Blackjack
- First Person Lightning Blackjack
- Bac Bo

Patent Owner Evolution, EX2002, p. 17
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

Our world-leading online casino games 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

1,000+ Live Casino tables

10 new live games in 2021

59 new slots games in 2021

It is interesting to know that most of the benefit we derived from our product suite in 2021 was from the hard work we invested in our games, platform and systems during 2016-2020. For example, we began investing in our Baccarat product years back. At that time, Baccarat was just a few percent of our total business. We held the vision that players wanted a pure, honest and respectful, Baccarat game and we didn't simply follow the pack and do what others we doing. We instead looked to companies like Apple for inspiration to see how they modified their product for new markets — they didn't. They offered the product they believed people wanted, not the product they had. While on a much smaller scale, we did the same. We changed every small detail of the Baccarat product and then we added and added and added to our Baccarat offering. It is interesting to note that the bulk of the global innovation in Baccarat and what I call Baccarat support games is all coming from the team at Evolution. We continued to improve our Baccarat offering in 2021 with new, exciting variants and I am delighted to say players are loving our new innovations.

Gambling is a very personal experience and it takes time to earn the trust of players. This is important to remember when we're creating new games, we need to be respectful of players and their gaming experience to not lose their trust.

Speaking of investing for the future, we introduced several game shows in 2021 that give players' something they don't normally get: strategy. Most games fall into what I call the 'bet and watch' category, which means the player has no control over the outcome or how much they win. But with the introduction of Lightning Blackjack, Gonzo's Treasure Hunt™, and Cash or Crash, we gave players games that involve decision making.

These games are finding their audience and hundreds of thousands of players per month are enjoying them and then going on to play other great live games in our network. We want there to be something for everyone who plays games from Evolution.

Patent Owner Evolution, EX2002, p. 18
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

I am very excited about our upcoming games in 2022! We are investing in more regional games, such as Super Andar Bahar, and we are adding a little something extra that we think players will love.

We are also going back to our roots and bringing two new Roulette game shows to players. In 2018, we launched Lighting Roulette and to my knowledge this is the best performing game in online or land-based gaming in many decades. In 2022, we will expand on the success of this game with a more intense version called XXXtreme Lightning Roulette. We are borrowing the interestingly spelled 'extreme' brand from NetEnt's successful game Starburst XXXtreme. The Xs are common parlance with gamblers to mean 'multiplier' as in, "I won over 5,000x playing Crazy Time yesterday."

We will continue the expansion of the XXXtreme brand in other games across the group, such as Crazy Coin Flip, where we offer XXXtreme spins. This game is a collaboration between Evolution, Red Tiger, and NetEnt, and it beautifully blends the worlds of live and slots in a Crazy Time inspired game.

We have so many more great games coming in 2022, some of which we shared in our recent Evolution Online Event in February 2022.

For our three slots brands NetEnt, Red Tiger and Big Time Gaming the biggest opportunity is perhaps not with new products but with getting our existing great products to new customers and more players. Our One Stop Shop initiative is going to help with this immensely. One Stop Shop is Evolution Group's single platform that enables casino operators to achieve simple, fast and unified integration for all our brands.

The slots business is very different from live and we are hard at work making not just new games, of which there are many, but tools, and processes that allow us to service a global slots market.

We are very lucky to have several powerful brands within the Evolution Group that we can expand on as we're planning on doing in 2022 and beyond! We will release 88 new games games this year and they are sure to appeal to a very wide range of of players. Making a great game is hard, but we are listening closely to players and operators, making adjustments, and I am excited for what 2022 has in store.

I am often asked, what is my favourite Evolution game, and I always say the same thing, "the next one." That is still true today and that's not going to change in the coming decade either.

TODD HAUSHALTER
Chief Product Officer and Games Operations

Patent Owner Evolution, EX2002, p. 19
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

Our world-leading online casino 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 and Big Time Gaming brands.

Live games: Traditional table games and 'new takes'

Lightning Blackjack, a 2021 addition to our multi-award-winning Lightning family of games, is another new take on a casino classic. Alongside the familiar Blackjack gameplay, the game is super-charged with RNG-based Lightning Card multipliers that hit in every game round for the chance of bigger wins.

Golden Wealth Baccarat provided an all-new and distinctively different version of Baccarat. Set in an elegant VIP-style studio, it has added digital elements and a guarantee of five golden multiplier cards in every game round for more frequent, multiplied wins.

In 2021, we also introduced Fan Tan, the ancient Asian bead game of chance. Additionally, we created Bac Bo, a unique dice variant of Baccarat.

Overall, Evolution offers the widest range of classic table games with the widest range of variants per game category and a whole host of exclusive titles not available anywhere else. VIP and Salon Privé solutions, and native speaking dealer tables for numerous languages, provide even more ways to tailor online casinos to the precise needs of operators' markets and player profiles.

Ezugi, Evolution's sister brand in live casino, further extends choice for online casino operators. Localised content is a key part of the Ezugi offering. This is illustrated by hugely popular card games such as Andar Bahar, Teen Patti, Bet on Teen Patti and One Day Teen Patti Classic, which sit alongside more widely known casino classics in the Ezugi portfolio. In addition, Ezugi offers live lottery-style games such as Bet On Numbers for certain retail markets.

Patent Owner Evolution, EX2002, p. 20
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

Live games: Uniquely entertaining game shows

Our live game shows category continues to go from strength to strength, providing a completely new way to attract and entertain players.

Evolution titles such as MONOPOLY Live and Deal or No Deal Live – based on powerhouse brands from Hasbro, Inc. (via sublicense from Scientific Games and Endemol Shine Group respectively) – are major attractions that helped established this new category. Mega Ball and Crazy Time followed, the latter becoming the most successful game launch in Evolution's history.

In 2021, we continued to push the boundaries. Cash or Crash is another unique specialty game, where players take off on an augmented reality blimp ride, aiming to soar high and win up to 50,000x their bet. Cash or Crash also introduced a new strategy element in our gameplay, with players able to make decisions that give them greater control over game outcomes.

Another landmark for 2021 was Gonzo's Treasure Hunt™, a unique slots-inspired live game show that achieved several firsts. Featuring the Spanish explorer Gonzo from NetEnt's highly successful Gonzo's Quest™ slot, it was the first major cross-pollination between our live and slots brands, the world's first live casino game to blend live and slots-style gameplay, and the first with the option to play in VR (Virtual Reality) mode.

2021 also saw continued strong growth for Lightning Roulette, the multi-award-winner that spawned the live game shows category. The game made its US market entry in New Jersey, while in Europe several localised language versions – and dedicated, operator-branded versions too – were introduced.

Patent Owner Evolution, EX2002, p. 21
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

RNG games: Table games

Our First Person range continues its exciting growth as a key component of our overall game portfolio.

2021 saw the addition of First Person American Roulette, First Person Golden Wealth Baccarat, First Person Lightning Baccarat and First Person Lightning Blackjack.

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

Most First Person games are fully customisable to match the look and feel of their respective brand.

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

Patent Owner Evolution, EX2002, p. 22
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

RNG games: Slots

Our portfolio of innovative slots comprises our brands NetEnt, Red Tiger and Big Time Gaming (BTG) and perfectly complements our live games offering.

The June 2021 acquisition of Big Time Gaming, creator of the acclaimed Megaways™ slots game mechanic and numerous iconic slots titles, further strengthened our strategic position as the world's leading provider of digital casino games.

BTG is renowned for top-performing slots such as Bonanza, Extra Chilli and Who Wants To Be A Millionaire. In 2021, new titles such as Pirate Pays Megaways™, Spicy Meatballs™ and Who Wants To Be A Millionaire Megaways™ were added to the portfolio.

In 2021, NetEnt released Starburst™ XXXtreme, the sequel to Starburst™, its iconic, industry defining slot, as well as titles such as Gordon Ramsay Hell's Kitchen™ and Silverback Gold.

Red Tiger launched notable titles such as Primate King, Vault Cracker and Pirates' Plenty™ Megaways™. Alongside captivating content, Red Tiger's enormously successful Daily Drop Jackpots Network and leading player engagement tools continued to drive results for operators.

Our slots portfolio currently comprises over 350 titles.

Patent Owner Evolution, EX2002, p. 23
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

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 600 customers at the end of 2021 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 2021

In 2021, agreements were signed with Dutch operators JVH Gaming & Entertainment Group and Janshen-Hahnraths Group; Entain plc group's Ladbrokes and Coral brands in the UK; Super Group owned Betway for the provision of Evolution's online live casino and 'First Person' RNG-based casino games in the US states of New Jersey and Pennsylvania; Cordish Gaming Group, a division of The Cordish Companies, to deliver its live casino and First Person RNG-based games to players in Pennsylvania; Ontario Lottery and Gaming Corporation and Alberta Gaming, Liquor & Cannabis, both in Canada; BetWarrior in Argentina; SunBet, the online betting arm of Sun International Hotel and Casino Group in South Africa. 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

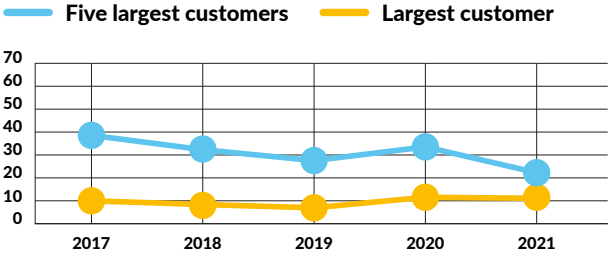
As a B2B provider, Evolution's revenues are generated via gaming operators and casinos. The company has stringent monitoring processes in place to detect attempts at fraud and money laundering, but it is the operators that handle all monetary transactions with their end users.

The company has established a 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

The majority of Evolution's largest customers have strengthened their focus on live casino in recent years. We partner with our customers and work closely with them in all aspects of their operations. Evolution's largest customer accounted for approximately 11 percent (11) of revenues in 2021, and the five largest customers accounted for roughly 22 percent (33) of revenues.

Customer dependency (% of revenues)



Patent Owner Evolution, EX2002, p. 24
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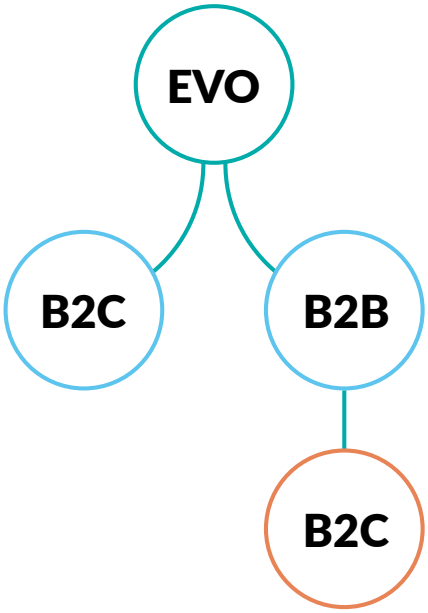
IPR2025-01078

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 dilligence 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.

Patent Owner Evolution, EX2002, p. 25
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

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 2021, 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 increased by 54 percent to SEK 1,286.20 on the last trading day of the year, corresponding to a market capitalisation of about SEK 277 billion. A total 261,209,174 shares were traded during the year, corresponding to a total turnover of SEK 327 billion and a turnover velocity of 116 percent. The average number of shares traded per trading day was 1,032,447 and the volume weighted average price was SEK 1,254.13. Total return, share price performance including reinvested dividends, amounted to 54.65 percent.

Analyst coverage

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

Shareholders

On 31 December 2021, Evolution had 110,648 known shareholders, compared with 67,515 at the end of 2020. The company's ten largest shareholders accounted for 49.6 percent of the share capital and votes. Shareholders disclosed as based in Sweden accounted for 29.9 percent of the capital, a decrease from last year's 33.9 percent. The US and the UK account for the highest percentage of shareholders registered outside Sweden.

Dividend

At the Annual General Meeting, 16 April 2021, Evolution resolved on a dividend of EUR 0.68 per share for 2020. The Board of Directors proposes an increase in the dividend of 109 percent to EUR 1.42 (0.68) per share for the 2021 fiscal year, representing a payout ratio of 50 percent (51) of net profit, in accordance with the company's dividend policy to distribute 50 percent of the annual consolidated net profit over time. The total dividend of EUR 302,751,455 is calculated by the number of outstanding shares, 215,111,115, with the deduction of Evolution's holding of own shares which amount to 1,905,865 shares.

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.

2022 Financial Calendar

Annual General Meeting: 8 April 2022

Interim report January-March: 28 April 2022

Interim report January-June: 21 July 2022

Interim report January-September: 27 October 2022

Year-end report: February 2023

Ticker names

Nasdaq Stockholm: EVO

Bloomberg: EVO:SS

Reuters: EVOG.ST

Patent Owner Evolution, EX2002, p. 26
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

SHARE PRICE PERFORMANCE 2021

Evolution

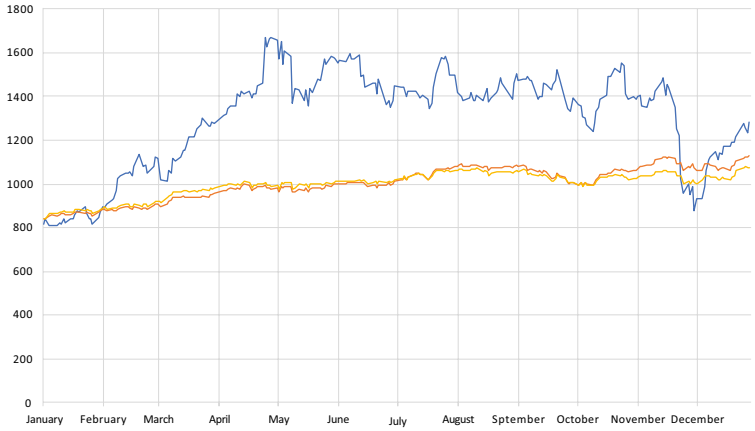
OMXSPI

OMXS30

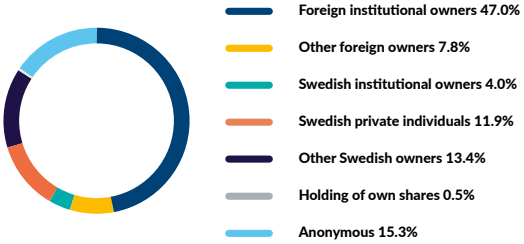
In 2021, the price of Evolution's share increased 54%. During the same period, the OMX Stockholm 30 Index rose 29% and the OMX Stockholm Price Index rose 35%.*

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

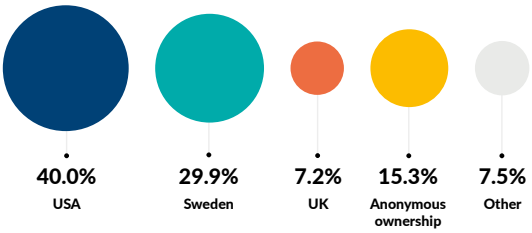
OMX Stockholm 30 consists of the 30 most actively traded stocks on Nasdaq Stockholm. Evolution was included into this index on 4 January 2021.



TYPE OF OWNERS



OWNERSHIP DISTRIBUTION BY COUNTRY



10 LARGEST SHAREHOLDERS AS OF 31 DECEMBER 2021

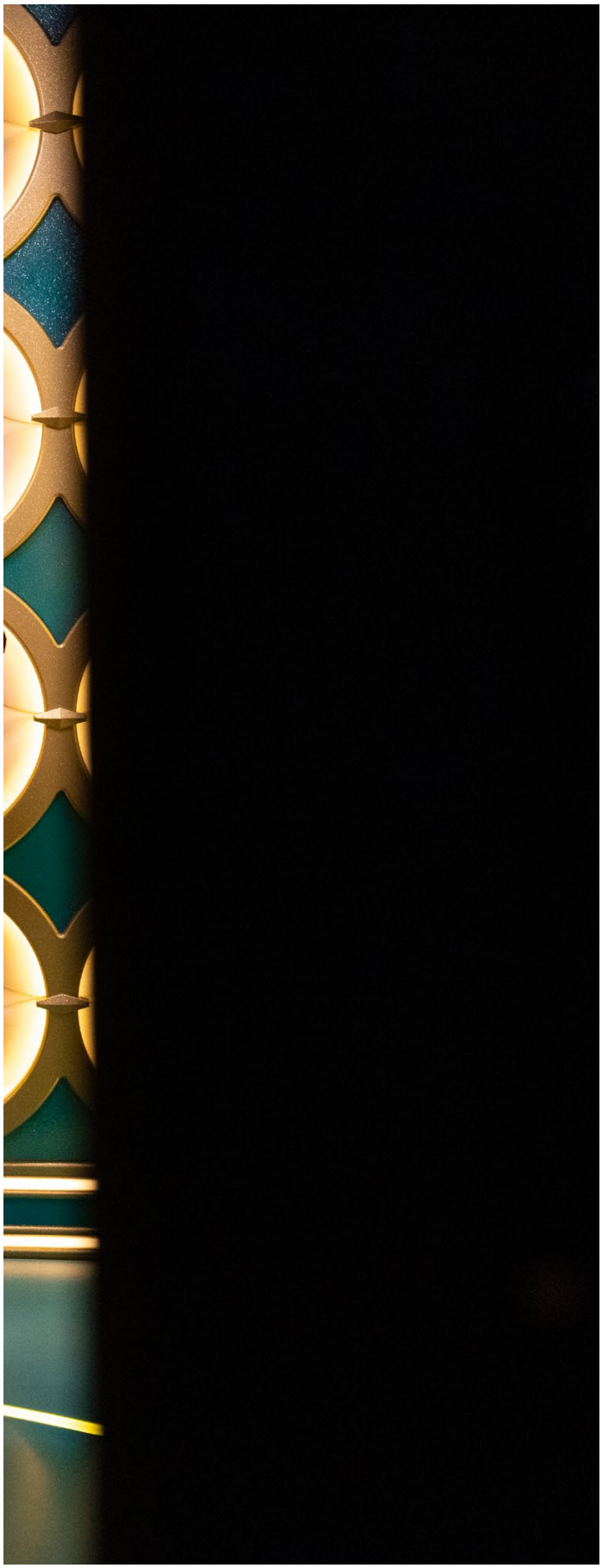
Shareholder	Number of shares	Capital and votes
Capital Group	32,765,814	15.7%
Österbahr Ventures AB	23,043,180	10.7%
BlackRock	11,030,414	5.1%
WCM Investment Mgmt	10,976,711	5.1%
Richard Livingstone	10,062,647	4.7%
Vanguard	4,870,641	2.3%
GQG Partners	3,514,681	1.6%
Morgan Stanley Inv. Mgmt	3,430,648	1.6%
Avanza Pension	3,331,705	1.5%
Norges Bank	2,763,171	1.3%
Total, 10 largest shareholders	**106,789,612**	**49.6%**
Other shareholders	**108,321,503**	**50.4%**
GRAND TOTAL	**215.111.115**	**100%**

SHARE DATA

Share data	2021	2020	2019
Earnings per share (EUR)	2.83	1.55	0.83
Dividend (EUR per share)	1.42	0.68	0.42
Payout ratio	50%	51%	51%
Shares outstanding at the end of the year	215,111,115	212,327,008	181,622,725
Average number of shares outstanding after dilution	221,818,828	189,021,346	183,387,341
Share price on the last closing day of the year	1286.20	834.80	282.00
Total return	54.7%	197.1%	179.2%
Number of shares traded	261,209,174	263,680,295	103,656,368
Market capitalisation at year-end (SEKm)	276,675	177,250	51,218
Number of shareholders	110,648	67,515	17,860

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).

Patent Owner Evolution, EX2002, p. 27
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078



SUSTAINABILITY REPORT

SUSTAINABILITY REPORT
OUR PEOPLE
OUR SOCIETIES
OUR ENVIRONMENT
DIVERSITY
RESPONSIBLE GAMING
ETHICAL BUSINESS PRACTICES

Patent Owner Evolution, EX2002, p. 29
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

Sustainability report

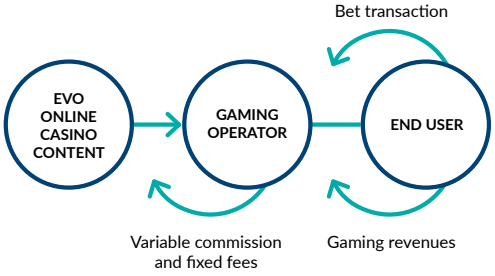
Evolution is committed to sustainable business practices, the continuous safeguarding and support of its team members as well as opting to have a positive impact on the societies in which the company operates. Evolution AB's sustainability reporting summarises sustainability work in 2021 and constitutes the Statutory Sustainability Report.

On July 6 2021, the EU Commission published the final and complete version of the Delegated Act of the Taxonomy Regulation. In line with these requirements, Evolution in 2021 has performed a process to identify eligible business activities that can be aligned with the EU Taxonomy. The result was that there were no eligible activities to report or disclose, and therefore the group fulfills the requirements of the Non-Financial Reporting Directive.

Business model

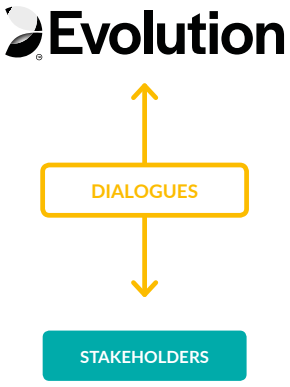
Evolution innovates, develops, and produces content for online casino on a B2B basis. Our content can only be played through the interface of an operator who adds important aspects of the gaming experience e.g. authentication of the player, player account management and user interface.

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.



Stakeholder dialogue

Evolution continuously engages in dialogues with the company's stakeholders, primarily through meetings with customers, suppliers and shareholders.



Patent Owner Evolution, EX2002, p. 30
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

Sustainability policies

Evolution has a group-wide Sustainability Policy and abides to sustainability in all corporate activities through the implementation of this policy and other governing documents including its Code of Conduct and Whistleblowing Procedure. Moreover, Evolution expects its customers, suppliers and business partners to adhere to standards similar to those reflected in the Evolution Sustainability Policy and Code of Conduct in the conduct of their own businesses.

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

- Business model, page 30
- Environment, page 38-39
- Human rights and social conditions, page 36-37 and 44-45
- Anti-bribery and anti-corruption, page 44-45
- Equal opportunities and prohibition of discrimination page 40-41
- Responsible gaming, page 42-43.

Both the Sustainability Policy and the Code of Conduct are available on the company's website. In addition, Evolution has the following group-wide policies covering sustainability related topics:

- Anti-bribery and Anti-corruption Policy
- Risk Management Policy
- Global HR Policy
- Data Protection & Privacy Policy
- Work Environment Policy
- Equality Plan
- Discrimination Policy
- Communication Policy.

The company's policies are implemented through reoccurring communication to team members and mandatory trainings. The policies are reviewed annually and always accessible by employees through the company's intranet.

Sustainability risks

Evolution's operations are exposed to certain risks that are associated with the sustainability area. Specific risks can be found under each section as well as in the risk section on pages 56-59.

Patent Owner Evolution, EX2002, p. 31
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

Sustainability at Evolution

Evolution's fast-paced and stable business growth relies on the company's winning combination of an innovative and long-term perspective on our product development, our operations and our people. Evolution is committed to sustainable business practices, continuous efforts promoting the well-being and development of our team members as well as our ambition to strive for a positive impact both on the immediate societies in which we operate and the environment at large. We apply a broad definition of the term 'sustainability', our ambition in this area is rooted in our values and we consider it an integral part of both the strategic and operational work.

Metrics and framework

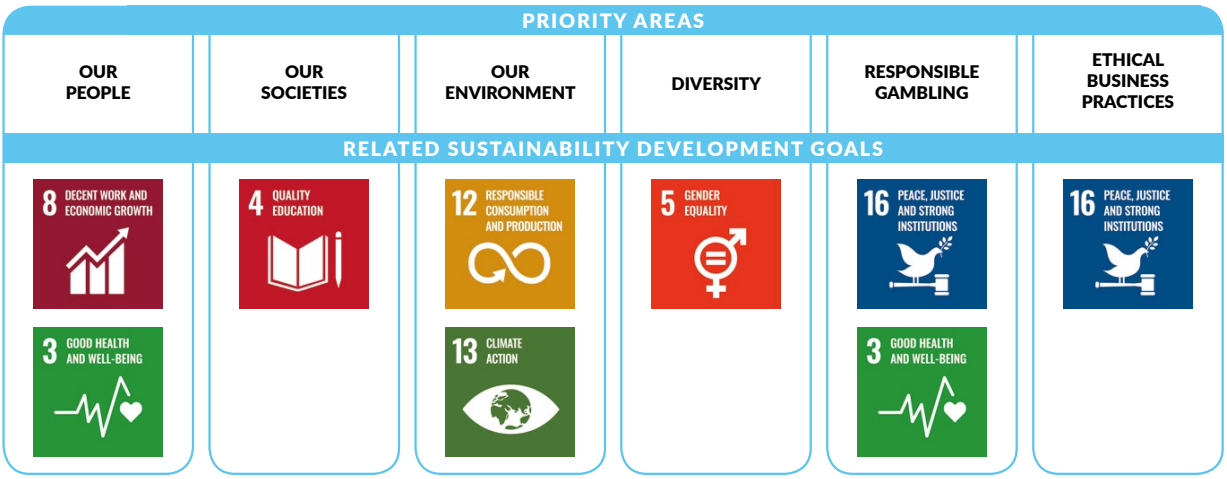
Evolution uses a number of governing documents and metrics to keep its efforts related to sustainability focused and relevant. This framework consists of a combination of internal policies, such as the company's Code of Conduct, Sustainability Policy and policies supporting diversity and ethical business practices, as well as globally recognised principles and frameworks.

The overall responsibility for compliance with these policies and principles lies with the Board of Directors. However, we recognise that our goals can only be achieved when all team members collectively contribute. To ensure that the policies and principles are known to all team members so that they can be applied in the daily work, all new team members are introduced to these policies when joining the company and required to take training in key areas dependent on the scope of their role.

Evolution's Sustainability Development Goals focus

The UN's Sustainability Development Goals (SDG) are a blueprint for how various members of the global society can support 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 each comprise of a number of targets and focus areas.

The matrix below shows the results of our evaluation of how Evolution's ambitions in regard to sustainability fits into the UN SDG structure.



Patent Owner Evolution, EX2002, p. 32
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

Collaboration is critical

Evolution is a leader in its niche, and we know that our innovative nature puts us in a privileged position to also take the lead on sustainability matters from the perspectives that our role in the industry eco system allows. As a B2B developer of content and services, our product cannot be provided to the end-users unless our customers, the operators, have added their attributes and made it available to their players. It is the role of the relevant supervising authority to monitor license compliance from all actors in a market. We therefore engage with a diverse range of stakeholders to deliver progress on our sustainability ambition, and we continue to seek partnerships and collaborate with experts as we develop our work in this area. This on-going dialogue spans gambling authorities and regulators, industry organisations, operators in terms of providing our product as well as local authorities on matters like labour law and business practices. Evolution considers participation in regulatory audits, operators sustainability audits, license application processes and other types of checks a key means to continuously refine our work processes, implement best practice and contribute in keeping our industry sound and fair while safe-guarding the well-being of our employees.

Aside from monitoring our own progress in this area, Evolution expects its customers, suppliers and business partners to adhere to standards similar to those reflected in our Sustainability Policy and Code of Conduct in the conduct of their own businesses.

Key highlights and achievements during 2021

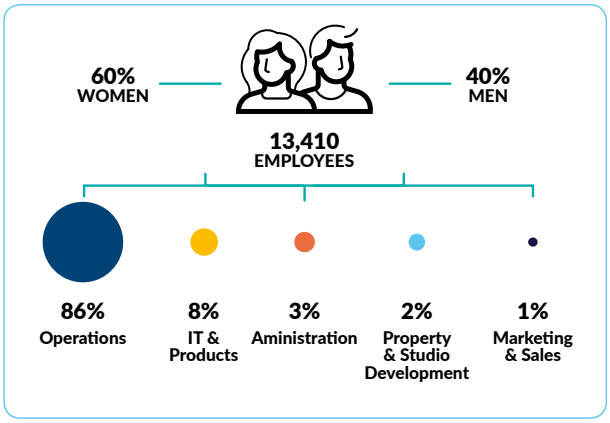
Worth noting for 2021 are the additional efforts and activities that have been achieved in regard to talent development and employee satisfaction. These include a new employee satisfaction survey and several training programs and efforts. There has also been a new training platform launched – EVOlearning – which supports both easy access to development courses as well as the mandatory trainings for employees on business ethics and responsible gambling. During the year, Evolution has also launched a new AI tool for monitoring of the gaming floor for deviances in betting behaviour.

For the bulk of 2021, the impact from COVID-19 restrictions as well as from the virus itself continued to impact our whole operation. As a company, where a large part of the staff is required to be physically in the workplace to execute tasks, attention on the safety of our teams has remained top priority during the year. The pandemic has also hindered implementation of many of the planned activities in the sustainability area for 2021 as many external events have been cancelled and larger gatherings essentially have been banned for the most part of the year.

OUR PEOPLE	OUR SOCIETIES	OUR ENVIRONMENT	DIVERSITY	RESPONSIBLE GAMING	ETHICAL BUSINESS PRACTICES	EXTERNAL ACCREDITA-TIONS
6,700 job opportunities created across our sites in the last **18** months. Employee turnover decreased by **3** percentage points vs 2020. **725** participants in leadership courses. Introduction of new employee engagement program with leadership tools. No cases of business ethics non-compliance, working environment deficiencies or corruption issues were revealed to the whistleblower system.	Funds donated to organisations that support educational initiatives.	kWh/table energy consumption decreased by **4,1%** in our major studios. Climate- smart premises, including actions in energy efficiency, indoor environments & material selection for all new sites.	**59%** females in manager roles across the organisation. **35%** females in senior leadership. **50/50** gender split in studio leads. **100+** nationalities in the organisation.	**75%** of employees completed responsible gambling training. **66%** increase in the number of reports of suspected problem gambling vs 2019.	New AI tool built and launched to capture deviances in betting behaviour. **80%** of relevant employees completed information security training. **49** B2B licenses.	ISO 270001: 2013 ISO 50001: 2018

Patent Owner Evolution, EX2002, p. 33
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

OUR PEOPLE



OUR PEOPLE

Evolution shall be a fair and admirable employer by actively working to promote a safe and healthy work environment which supports the professional and personal development of the employees.

We believe in ownership and accountability both at team and individual level as a prerequisite of efficient and high quality output and that it is our employees' decisions and actions that drive our business forward. Thus, it is a risk if we fail to recruit, develop and retain employees with the right skills and a strong motivation, as it might impact the overall performance of the company. To manage this, we work intensively to create an open and transparent work environment which is characterised by best practice sharing and team work and which offers both hard and soft skill learning opportunities. To identify both areas which work well and areas of development, we conduct employee engagement surveys and analyse employee turnover.

Highlights 2021:

- In the last 18 months, Evolution has created 6,700 job opportunities across our sites
- 97 percent of the employees have permanent contracts
- Employee turnover (overall) decreased with approximately 3 percentage points vs 2020
- No cases of business ethics non-compliance, working environments deficiencies or corruption issues were revealed to the whistleblower system.

Evolution is proud to have created 6,700 new job opportunities in the last 18 months, and essentially growing the staff as much in the last one and a half years as we did in the first 14 years of operations. It is worth noting that this has been accomplished in the context of a global pandemic and in the midst of the merger of both NetEnt, Red Tiger, Big Time Gaming and DigiWheel into the Evolution Group.

Just like any company that relies on innovation and a high level of service to customers for its success, it is essential for Evolution to attract and retain the top talent in each market, and it is gratifying to see the high number of new positions filled while the employee turnover decreased in 2021 vs the previous year.

Evolution operates under the notion that a strong corporate culture, which promotes a positive and developing employee experience while keeping the needs of the customer and the end user at its core, is what ultimately brings the unique online casino experience that Evolution is known for. With our values ALIVE, do RIGHT and work TOGETHER at heart, we strive as a team as well as on individual level to always go a little bit further every day.

Evolution has a long tradition of onboarding and training new team members within the Studio Operations department for their tasks. Every new recruit joining to work as a Game Presenter or a Shuffler spends their first weeks with the company in the Evolution Academy.

During 2021, we revamped our onboarding process also for new joiners to the other departments. A new manager portal has been introduced, which include a 5 step-model for how a manager can conduct a successful onboarding, regardless of role and function, as well as on-boarding sessions where new joiners get introduced to the company and also gets to virtually meet others who have just joined the team.

Our employees

The majority of our people work within the operative gaming side of the business, with Game Presenters comprising the largest group of employees. This group spends the bulk of their workday in front of the camera in one of our studios hosting the game. Most of the employees in this group join Evolution for their first work experience and they are trained in dealing and card shuffling techniques to excel in their current role, but also in transferable skills such as presentation techniques and English skills.

The Game Presenter position does not require any previous work experience and for many it is an opportunity to kick-start their career. Evolution actively promotes both horizontal and vertical internal career opportunities as well as relocation between sites and has many examples of team members who have built their careers with us. Thanks to our hyper growth and new market entries, we have the opportunity to offer ambitious team members to grow substantially both personally and professionally. The vast majority of our seniors within the Studio Operations department have started in a more junior position and developed into a senior role with more responsibility. Across the organisation as a whole, the average age for a manager position is 32 years.

Because of our innovative profiling, advanced pioneering technology and global distribution of our service and products, Evolution is also an attractive employer to software engineers.

Patent Owner Evolution, EX2002, p. 34
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

In coming years, we are looking to create up to 1,000 additional job opportunities within this field.
In 2020, we initiated two new Engineering hubs, in Lisbon, Portugal and in Warsaw, Poland and in 2021, at least one more is scheduled to be opened in Europe. Each new hub will be set up as a self-sufficient game innovation hub which will create and maintain products for our whole product portfolio.

Striving for people excellence

Evolution has a learning-on-the-job culture and many examples of successful careers built internally. Thanks to the company's rapid growth, there are multiple internal career paths, and the company offers several training programs to support this. This includes relocation, rotation and work shadow programmes as well as more traditional technical, leadership and soft-skill trainings. On the software engineering side, Evolution also collaborates with universities in several markets and hosts Bootcamps and meet-ups in its core technological languages with the aim to share knowledge and encouraging youth interest in technology. The engineering teams also contributes to conferences and open source projects which strive to boost technology know-how and development.

Evolution team members are required to pass mandatory courses in responsible gambling, information security, GDPR as well as for specific positions, in the areas of anti-money laundering, counter terrorist financing, anti-corruption and anti-bribery. During 2021, all training modules where revamped and a new training portal was launched in the end of that year.

In late 2019, Evolution introduced a global People Excellence unit which is tasked to bring the efforts within people management and development under one global approach and toolbox. During its first full year, this unit has focused on revamping our employee engagement approach and introduced a new survey tool aimed at supporting leaders of all levels to develop both themselves and their teams, upgrade of mandatory training library and introduction of self-study courses and materials as well soft skill training for leaders. Furthermore, we have also introduced Bookboon, which is an online portal through which employees can access audio and written books and sessions on a wide variety of personal and professional development for free.

The new employee engagement programme centres around a 12 question survey which is designed to make managers at all levels identify both areas which work well and areas which require development for their teams. Each manager is then prompted to create an action plan – primarily focusing on small-scale every-day activities which will boost areas which work well and address the challenges as an integrated part of daily work.

The first survey was implemented in May 2021 and had 61% participation rate. The results show that an overwhelming majority of the employees feel that they are clear on what is expected from them and that they have been provided with the necessary tools to fulfil their assignments, which are the two fundamental parts for an employee to be able to succeed in the workplace.

It also showed that the company has more to do in terms of bringing all teams closer to its overall vision. The survey and following action plans were supported by the training of 40 engagement champions and individual follow-up with 75% of all people managers. In 2022, two surveys are planned, the first one scheduled for April.

Evolution also introduced a new Leadership Curriculum targeting all levels of leaders and focusing particularly on soft skills, such as how to lead a group and communications. During the year, 78 sessions were done with 725 participants.

HealthyEVO

In line with its sustainability ambition, Evolution is also keen to empower and encourage team members to make healthier choices for themselves by promoting a healthy and sound lifestyle. This effort was initiated on a small scale in 2019. We have during the last two years focused on a safe workplace, stress-management and mindfulness, and largely span activities which employees can engage in on an individual level. As the pandemic restrictions now are starting to be lifted, the original activity plan involving group activities will be revisited for the latter part of 2022 as relevant.

What we did 2021

- Introduction of online training for game presenters
- Launch of a new programme for Employee Engagement, consisting of a 12 question survey and action plan tools for all managers. Results: 61% participation rate and individual follow-up with 75% of all people managers
- Introduction of new leadership curriculum focusing on soft skills; 78 sessions across all major locations, 725 participants
- Introduction of the EVO Managers Portal – a resource centre for all people managers, including a new 5-step onboarding procedure
- Launch of online portal with access to eBooks, audio learning, virtual classrooms and online courses on topics for personal and professional development. In 2021, there were 29K downloads
- Due to the pandemic and its restrictions, many of our planned employee activities for 2021 had to be postponed.

Next steps

- Employee Engagement survey and action plan follow-up: April and October
- Continued roll-out of the new leadership curriculum
- Relaunch of the original HealthyEVO initiative to encourage employees to lead a healthy lifestyle.

Patent Owner Evolution, EX2002, p. 35
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

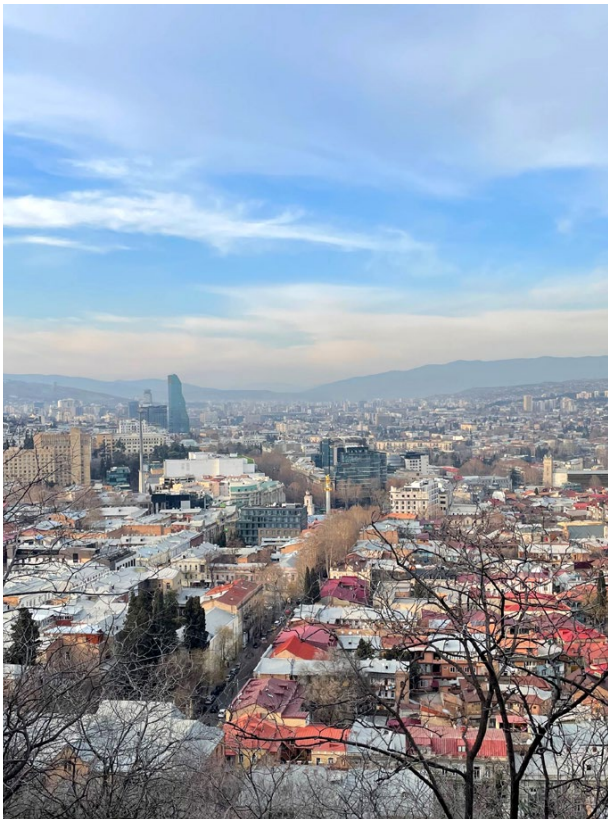
OUR SOCIETIES

Evolution shall actively support positive development of the societies in which it operates.

Highlights 2021:

- Donation of funds and educational materials to local organisations.

Evolution strives to be a good corporate citizen by giving back to the communities in which we operate. This work is primarily focused on various donation initiatives executed in collaboration with local community organisations.



Patent Owner Evolution, EX2002, p. 36
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

Evolution — part of the local community

Our drive to contribute to a better society is primarily focused on aiming to support educational initiatives for underprivileged and rural areas in the societies where we have teams present. Just as we encourage our employees to continuously learn and develop, we want to help those outside of our organisation who struggle to access learning opportunities.

One notable project in this area in 2021 was in Georgia: our team members chose to donate funds to local organisations that work to promote learning and education opportunities in the rural areas of Georgia. Amongst other thing, the efforts resulted in:

- Laptops and access to the internet and other study materials were provided in two rural regions and 19 settlements
- Funding for Project Believe which is part of the UNDP program to ensure access to quality education in the rural parts of Georgia. The project has been going on for eight years and the aim of it is to support promising students via public lectures in sustainable development, personal development, inclusion and diversity, speech, etc.
- Funding of the building for the Knowledge Café which is a social enterprise in the city of Tsnori, which combines a multimedia library, bookstore and a cafe.

In Latvia, our teams have contributed through back-to-school donations, where unprivileged children are equipped with school materials. Through our Engineering teams, we engage regularly in knowledge sharing initiatives for the industry and aspiring software engineers.

Like was the case in 2020, the pandemic and the restrictions in the wake of it impacted our ability to engage in community support which require gathering as a group. As restrictions are now lifting, we expect to revisit additional opportunities for community support which relies on interactions in a group.

What we did in 2021

- Donations of funds and goods targeting students and school children in Latvia and Georgia.

Next steps

- Evolution intends to gradually increase its positive impact on local societies primarily through efforts in the area of knowledge sharing and supporting access to learning and education for groups that for some reason lack access to this.

Patent Owner Evolution, EX2002, p. 37
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

OUR ENVIRONMENT

Evolution shall apply its innovative mindset and technical know-how to minimise its environmental impact.

Evolution is aware of the overall environmental risks related to climate change and contamination. To manage this, we work to reduce the environmental impact of our operations and have integrated environment and climate considerations into our strategic and daily business operations. Thanks to the nature of our business, our direct environmental impact is limited, but we take action to reduce our negative impact and carbon footprint.

Highlights:

- kWh/table consumption decreased by on average 4.1 percent in our major studios
- Ongoing project to create climate-smart premises, particularly focusing on the new locations, including actions in energy efficiency, indoor environments and material selection
- ISO 500001:2018 accreditation for all major studios.

Sustainability through innovation

Through our digital business nature, Evolution's operations have a relatively limited environmental impact, with the main environmental footprint coming from energy use for our properties and our technical equipment. However, in line with the principles for how we run our business, Evolution constantly strives to use its innovative capacity to increase its energy efficiency.

This comes into play in every aspect of the product delivery chain – spanning from how we use our facilities and build studio equipment to software and hardware innovations which means less power use without loss in product delivery or user experience. The work in this area spans from details such as innovative solutions and sensors that automatically switch off equipment that is not used 24/7, the use of low energy lighting to major construction considerations that go into the selection of HVAC systems and building envelope. For major investments there is an 'energy efficiency' parameter included in the procurement process which supports favouring energy efficient options over less sustainable options.

Evolution also has recycling processes in place for both office and studio hardware where we strive to increase the amount of material which is either reused, donated, sold or passed onto official recycling centres.

Patent Owner Evolution, EX2002, p. 38
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

Aiming to increase energy efficiency YOY

All Evolution's major studios which operate from our owned buildings are ISO 50001:2018 certified. Evolution runs the smaller studios on the same principles for energy consumption. There are smart meters installed across all studios which allow remote monitoring of energy consumption.

Evolution tracks energy consumption based on total use for its major studios and in terms of energy use per table in each major studio. During 2021, the total energy use for the major studios increased by 13 percent, largely driven by the significant increase in operating space in Georgia and the fact that towards the end of the year, a second studio was opened in Malta. The additional ventilation required to keep team members safe during the pandemic also impacted energy use for the full year for 2021.

Total kWh per year for the three largest studios:

2019	2020	2021
8,452,225	9,738,355	11,036,414

During 2021, the Latvian studio changed its table compilation. Several classic table games were replaced by game shows, which require significantly more space for one game, but which each of the game shows still counted as one table. This is the reason to why the total energy use for Latvia decreased, while the energy consumption per table in Latvia increased during 2021.

Average kWh/table energy consumption per month in major broadcasting studios 2021 vs 2020:

Location	2020	2021	Difference kWh/studio table	Difference %
Latvia, Riga	1,365	1,465	100	7.3%
Georgia, Tbilisi	1,053	984	-69	-6.6%
Malta, Fort Mriehel	1,472	1,281	-191	-12.9%

More technology for less travel

In terms of desk-based employees, Evolution has video conferencing, chat and project management systems which allow most meetings and team interaction to take place virtually, requiring less business travel. This helps limit the number of employees who travel on a regular basis as part of their work duties.

During the last two years, when the pandemic forced a larger part of desk-based employees to work from home, there has been further development of the technical infrastructure supporting virtual work across multiple locations, which will continue to be used also after the pandemic.

What we did in 2021

- Validation of the ISO 50001 certification for the studios in Riga, Latvia, Malta and Tbilisi, Georgia.

Next steps

- Continued innovative approach to technical equipment promoting energy efficiency
- Continued attention on recycling of IT equipment and studio interiors
- Go back to the original plan of at least one litter collection activity per major studio per year (pending continuous relief of pandemic restrictions).

Patent Owner Evolution, EX2002, p. 39
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

DIVERSITY

Evolution shall provide an inclusive and respectful workplace where diversity in all its forms is considered a competitive advantage and an asset. We operate on the notion that bringing a variety of perspectives and experiences into every part of work stimulates innovation, creates a more dynamic workplace and boosts the development and the success for the company overall.

Highlights:

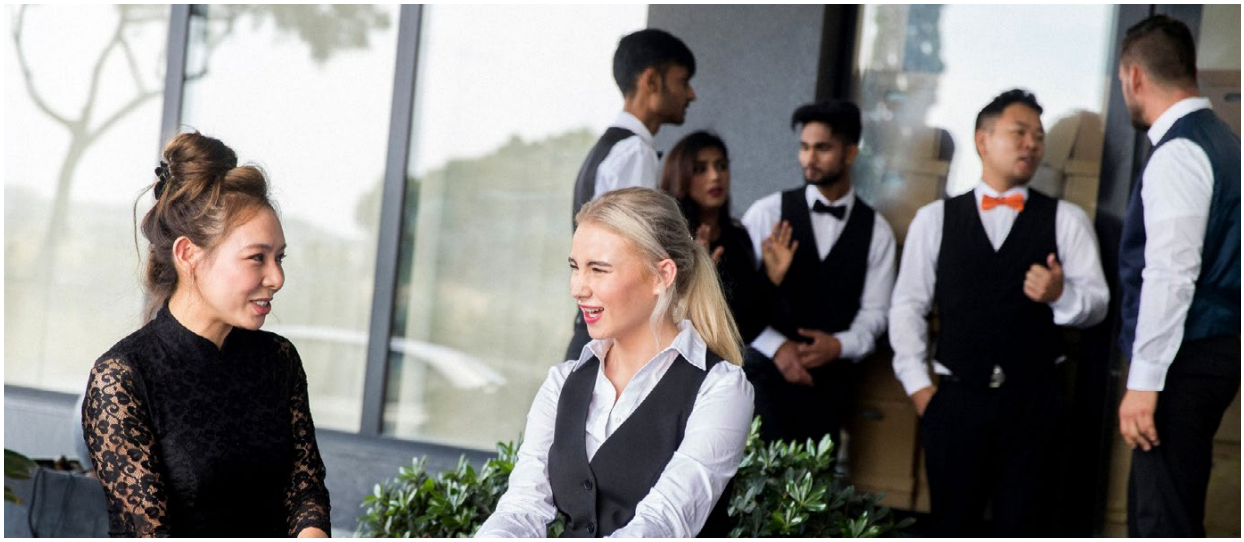
- 59 percent of the total amount of managers in Evolution are female, in the top two layers of global management 35 (45) percent are females
- 100+ nationalities represented in Evolution
- Average age for a manager role across the company is 32 years
- 50/50 gender split in terms of studio leads (2 out of three major studios are led by a female)
- 12 percent of nationalities in the company are represented in senior management roles.

Diversity is a business advantage

Diversity in the workplace is a condition for Evolution's operational excellence. To successfully run a large organisation across multiple cultures and countries in a fast-paced business context, the management structure is required to have a breadth in both background and experience. Equality and diversity efforts are hence an integral part of day-to-day operations and a key component in the company's business success which is visible throughout the whole company. At Evolution, we consider diversity a strategic advantage and a key asset.

Evolution offers an inclusive workplace where individuals are evaluated based on merit and qualification. The company is committed to supporting equal rights of all employees and to assure that all employee's capabilities are utilised and developed irrespective of age, disability, ethnicity, gender, transgender identity or expression, nationality, religion or other belief system or sexual orientation. This work is guided by the company's governing standards in this area, including its Code of Conduct, Sustainability Policy and Equality Plan.

Patent Owner Evolution, EX2002, p. 40
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078



Promotion and representation

At Evolution, the starting point for recruitment and promotion is that the individual who best meets the qualification requirements is to be employed or promoted. For the company as a whole, 59 percent of the managers across all levels are female. In terms of senior leadership, Evolution has 35 percent (45) female leaders when combining the group management team and the employees reporting to this team, excluding assistant positions. The main reason for the decrease in percentage is a couple of organisational changes where several members of the Group Management Team at the turn of the year had additional reports compared to 2020. This group represents 13 percent different nationalities of the 105 nationalities in the company (in 2020, 16 percent of the then 80 nationalities in the company were represented).

In terms of the broadcasting studio leads, there is a 50/50 (50/50 in 2020) gender division at the end of 2021. During the year, one new studio was opened in Michigan, USA, a second studio was opened in Canada. During the year, three new studio leaders were internally promoted, two females and one male. For each new studio that we open, we aim to have a mix of employees from our different locations in key roles to ensure that Evolution's corporate culture and experience from existing team members are smoothly transferred on to the new site from the start as well as to provide an opportunity for our team members to grow by gaining experience from a new location and culture. During the two last years with the pandemic, some of these plans had to be revised as only part of the planned relocations were possible. The intention is to go back to the original plan as the pandemic restrictions are now being lifted. The 12 studio leads represent eight different nationalities.

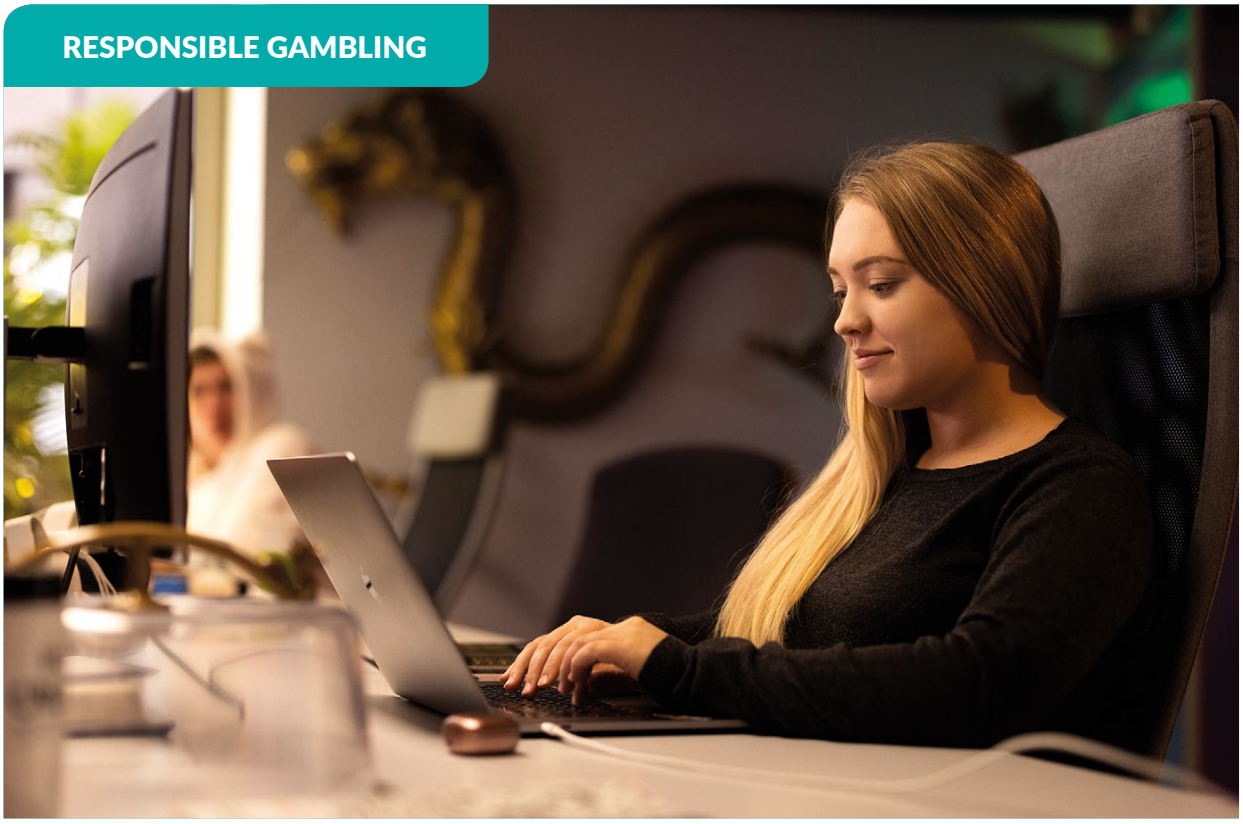
What we did in 2021

- Attention to gender balance in terms of studio leads – resulting in two out of three promotions of female leaders.

Next steps

- Continued attention and monitoring of gender and nationality representation in senior management
- Continued highlighting of representative career opportunities and success stories to inspire and promote the company's focus on merit and capability over background.

Patent Owner Evolution, EX2002, p. 41
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078



RESPONSIBLE GAMBLING

Evolution is committed to responsible gambling practices, as well as actively promoting awareness and facilitating access to information and tools which can help stop problem gambling.

To most, online casino is a leisure activity which is exciting and fun. Evolution, however, also recognises that there is a risk that our products can be used in an unhealthy way. Evolution is a B2B content provider and as such we have no information about the player identify or insights into the betting history for a specific player, all that information stays with the operator. Hence, Evolution's attempts to hinder any use of our products by people with problematic gambling behaviour primarily by supporting our customers in their work to ensure their players have a healthy approach to gambling through our internal processes and training for identifying problem gambling. Furthermore, Evolution provides its content only to licensed operators, which means that the operator is subject to regulations in regards to how they can offer the products to their players.

2021 Highlights:

- 66 percent increase in the number of reported cases of suspected problem gambling to operators vs 2020
- 75 percent of employees completed training on responsible gambling.

Creating new and unexpected online experiences is central to Evolution's success. Meanwhile, Evolution also recognises its responsibility to help counteract any unhealthy use of its products. As a B2B provider, Evolution cannot track the specific behaviour of an individual player. Evolution only provides its product to licensed operators which then are subject to regulatory requirements in line with their license for a specific market and we also engage in efforts supporting the work of operators and relevant industry bodies as well as ensuring internal awareness and efficient reporting processes.

The work is split in four key areas:

- Sponsorship and collaboration with industrial bodies that provide information, best practice and recommended action for addressing problem gambling
- Contractual requirements that all business partners adhere to responsible gambling practices and technical integration support to enable operators' gambling control systems, like play limits
- Efficient internal reporting systems through which any suspicious problem gambling is reported to the relevant operator for further investigation
- Education of personnel, primarily those who work at the tables and in Customer Service, on how to detect signals of problem gambling and the appropriate reporting action.

Patent Owner Evolution, EX2002, p. 42
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

Helping our customers do right

Evolution provides its content only to licensed operators, which in turn market and offer the products to players. Operators' licenses come with restrictions in regard to the operator's offering to players in a specific market. Our contracts specify that operators adhere to the standards for responsible gambling as outlaid by the relevant industry bodies for their markets. All our games are delivered with the functionality that allows operators to set player bet limits.

While Evolution does not engage in any direct marketing targeting players, we wish to promote responsible marketing practices in general and hence, we support the Code of Advertising Gaming and Gambling developed by the UK sector organisation CAP (Committee of Advertising Practice). In line with this, any product communications published by the company always carry the 'BeGambleAware' message with references for where one can find more information. Licensees using our materials to promote our product as part of their offer are required to use the same information of their own.

Similarly, all corporate accounts on social media platforms, which are used to promote products and offer age restrictions are behind an 18+ age gate and information about responsible gambling practices are included in the 'About' sections for these accounts.

Equipping our teams

We have increased our focus on identifying problem gambling in recent years and as a result, the reports to operators with suspected gambling problems have increased by 66 percent for 2021 vs 2020 (75 percent for 2020 vs 2019). This has involved several targeted efforts in terms of process and training of core teams and also in terms of control mechanisms.

Our Customer Service teams – who are responsible for reporting any concerns to operators for further investigation – undergo in-depth training as part of their introduction and are tested on response actions in this area before starting to work. The team also have step-by-step manuals for handling if a player voices concerns about their gambling.

In 2020, we introduced a team of Chat Moderators that are dedicated to monitoring the in-game chat on our busiest tables. Identification of problem gambling cases is one of their main duties and we are pleased to see how the introduction of this team has significantly increased the number of reports to our customers for further action.

Total number of suspected problem gambling cases identified and reported to customers per year:

2019	5,759
2020	23,096
2021	68,002

While not all employees deal with situations directly related to the use of our products in their work, we believe that anyone working in this industry should have the same basic awareness on how to promote responsible gambling. All newcomers are therefore assigned our responsible gambling training.

In 2020, we initiated a revision of our mandatory training with the intention to modernise the training module itself, make it more accessible for our teams and improving follow-up mechanisms. Since late December of 2020, the new training module for responsible gambling is now in use. We require all teams to repeat the training annually and non-completion now results in escalation to the manager.

What we did in 2021

- Revamp and relaunch of the training module for responsible gambling
- Introduction of new training platform, facilitating access for all team members to the training module as well as improving follow up on non-completion.

Next steps

- Investigate additional sponsorships and support for industry expert bodies promoting healthy use of online gambling products
- Highlight responsible gambling practices through the introduction of information modules on internal and external platforms
- Work towards 100 percent completion of responsible gambling training for all employees.

Patent Owner Evolution, EX2002, p. 43
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

ETHICAL BUSINESS PRACTICES

Evolution is fully committed to its Code of Conduct and actively counteracts corruption in all forms, including bribes and extortion.

The risk of impropriety to Evolution can be found within the company, among suppliers and business partners and/or customers and could damage the company's finances, brand, employees' well-being, as well as their trust for the company. We mitigate this risk by internal stable regulatory structures consisting of policies and guidelines as well as applying our Code of Conduct and a whistleblower function which is available to all employees through our intranet. Furthermore, Evolution only provides its product to licensed operators who passed our thorough due diligence process. Substantial resources are also invested in complying with local and national legislation in each country of operation and during 2021, the legal team, which includes compliance personnel, increased to almost 100 people. With thousands of concurrent players and millions of bets each day, one of our most important strategic objectives is to offer a safe gaming environment without compromising the in-play experience.

2021 Highlights:

- ISO 27001:2013 certification for all locations
- 49 B2B licenses
- 80 percent* of all employees completed Information Security training
- The legal team, which includes compliance, grew to almost 100 people
- 50+ team members working solely on Game Integrity & Risk (supported by numerous team members in other teams)

*Until December 13th 2020 when the previous training portal was disabled to make room for the new training portal, EVOlearning

A fair business is a healthy business

Fair and just business practices are essential to Evolution's continued growth and thus a strategic priority. Activities in this area are guided by our Code of Conduct supported by our policy structure for ethical business practices, which include processes for verification of customers, as well as a solid set-up for information security and fair treatment of our workforce.

The ultimate responsibility for this area lies with the Board of Directors and its key principles are outlaid in our Code of Conduct. All business partners and employees are expected to adhere to this policy, without exception. The Code of Conduct is presented to all newcomers upon joining the company and always readily available via both internal and public corporate channels. It is reviewed annually by the Board.

In addition to the Code of Conduct, the company has also adopted an Anti-Bribery and Anti-Corruption Policy as well as an Anti-Money Laundering Counter Terrorist Financing Policy which are supported by our established due diligence and procurement processes for customers and major suppliers. Our principles for these areas as well as the broader sustainability scope is also outlined in our Sustainability Policy which we expect both team members and business partners to adhere to.

Zero tolerance for violation of human rights

Evolution recognises the well-being of anyone working in connection to our products or services as business critical. We commit to full compliance with local labour laws and rights, laws on fees and taxes and occupational health and safety laws. In line with our Sustainability Policy, we also recognise each team member's right to freedom of association and to collective bargaining.

While we control most of the supply chain inhouse, our due diligence checks of suppliers help verify that Evolution is not co-operating with suppliers that violate human rights.

Working actively to counteract corruption and fraudulent behaviours

The company works actively to abstain from corruption in all its forms, including extortion and bribery and is committed to observing the standards of conduct set forth in the United Kingdom Bribery Act 2010, the United States Foreign Corrupt Practices Act and the applicable anti-bribery and anti-corruption laws and regulations of the countries in which the company operates.

For any new customer, we perform a thorough due diligence, including background checks of the ultimate benefit owner (UBO). Our customers who hold a B2B license are contractually bound to report any new operator that they provide our products to for us to also perform a due diligence on our customers' customer.

Patent Owner Evolution, EX2002, p. 44
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

As Evolution does not manage any monetary flows from players, the practical anti-money laundering work primarily lies with the operators. Regardless, Evolution remains committed to the global effort to combat money laundering and the financing of terrorism and has established processes to prevent Evolution's products to be used for money laundering, as stated in the company's Anti-Money Laundering and Counter Terrorist Financing Policy.

For many years, Evolution has applied a proactive approach for fierce protection of game integrity on the gaming floor. While we do not possess information about the specific identity of a particular player, we are adamant about taking the opportunities that we have to detect irregular betting actions and through this provide our operators with the security of a protected and monitored gaming floor. This in turn allows operators to take immediate steps to prevent their service from being used for fraud or money laundering purposes.

Evolution monitors all gaming activities through a combination of automatic and manual control systems. This work is led by Evolution's Game Integrity and Risk department which consists of around 50 people. This core team of experts are in turn supported by team members in other functions in terms of specific tasks, like card counting. All tables, games, transactions, volumes and behaviour patterns are monitored in real time, 24 hours a day, year-round.

In 2021, we initiated a project to complement our current detection reports which rely on manual pre-defined, fixed criteria with machine learning methods which adds self-learning algorithms this approach opens for an instant, real-time detection of suspicious alternations in users betting behaviours both based on the intel we have from many years of monitoring, but also target new betting patterns which might come in the future or for which historical data could not set a fixed criteria. The roll-out of these new reports are already underway with several legacy reports successfully replaced.

For this year, we are working on using artificial intelligence in video analytics to verify staff behaviour at the table in real-time against internal procedures that will enable the triggering of security alerts if deviations are detected.

Data security is critical to our creditability

Gaming security is of the utmost importance for Evolution to maintain confidence in the market. Evolution holds an ISO 27001:2013 certification, the highest ISO standard for IT security. The certificate is a confirmation that Evolution has successfully organised its processes in a way that safeguards confidentiality, integrity and availability of information and data.

Evolution's operations demand a worldwide coordinated response to data protection and data privacy related issues. Evolution has implemented processes for compliance with Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (GDPR) and other applicable local laws relating to data protection and data privacy.

Evolution has appointed a Data Protection Specialist for ensuring compliance with applicable laws. During 2021, we were informed about 35 (9 in 2020) incidents regarding potential personal data breaches, of which 1 (1 in 2020) was reported to data authorities.

What we did in 2021

- The ISO 27001:2013 certification for information security management was validated
- Developed and rolled out phase 1 in new Artificial Intelligence tool for monitoring betting behaviour irregularities
- Introduced new internal training portal and revamped and relaunched new training modules for Information Security, AML and GDPR.

Next steps

- Development of Artificial Intelligence tool for monitoring of Game Presenter actions at the table against internal processes for gaming integrity purposes
- Enhance our data governance framework to further improve data management processes.

Patent Owner Evolution, EX2002, p. 45
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

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 2021 on pages 30-45 and that it has been prepared in accordance with the Annual Accounts Act.

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, 18 March 2022
Öhrlings PricewaterhouseCoopers AB

Johan Engstam
Authorised Public Accountant

Patent Owner Evolution, EX2002, p. 46
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

Patent Owner Evolution, EX2002, p. 47
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

2 TERMINAL
-1 WAREHOUSE
1 BASECAMP
2 LIGHTS

GOVERNANCE

DIRECTORS' REPORT

CORPORATE GOVERNANCE REPORT

OUR BOARD OF DIRECTORS

OUR GROUP MANAGEMENT TEAM

Patent Owner Evolution, EX2002, p. 49
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

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 2021 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 2021, the Group had more than 600 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 and Michigan, USA as well as Vancouver, Canada and Kaunas, Lithuania. The Company also runs on-premise studios at land-based casinos in Belgium, Romania, the UK 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 live casino platform. Through commission, Evolution gains beneficial exposure to the general growth of the global live 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 2021

- Launch of 10 new live games, including titles in the unique game shows category
- Investments in studios throughout the year to meet global demand for online casino
- Agreements with several key new operators
- Acquisition of Big Time Gaming, global supplier of online slot games and DigiWheel, developers of a unique HD spinning gaming wheel
- The Board proposes a dividend of EUR 1.42 per share (0.68).

Market

The global online casino market (Live & RNG) developed strongly in 2021 and, according to the independent institute H2 Gambling Capital, it had an estimated value of EUR 23,885 million (19,387) at year-end. The North American online casino market had an estimated value of EUR 5,156 million (3,029) at year-end and the European EUR 14,136 (12,462). 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. RNG is the largest vertical with approximately 68 percent of the online casino market. Live casino has traditionally been an add-on product in operators' online casino interface, but it has now become an integrated and strategically important product since it provides opportunities for brand differentiation.

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

Patent Owner Evolution, EX2002, p. 50
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

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 2021, agreements were signed with Dutch operators JVH Gaming & Entertainment Group and Janshen-Hahnraths Group; Entain plc group's Ladbrokes and Coral brands in the UK; Super Group owned Betway for the provision of Evolution's online Live Casino and 'First Person' RNG-based casino games in the US states of New Jersey and Pennsylvania; Cordish Gaming Group, a division of The Cordish Companies, to deliver its Live Casino and First Person RNG-based games to players in Pennsylvania; Ontario Lottery and Gaming Corporation and Alberta Gaming, Liquor & Cannabis, both in Canada; BetWarrior in Argentina; SunBet, the online betting arm of Sun International Hotel and Casino Group in South Africa. 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 1068.8 million (561.1) in the financial year ending on 31 December 2021. 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 414.8 million (261.4). The Company's personnel expenses rose to EUR 207.2 million (133.8), 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 80.6 million (32.5), an increase explained primarily by the expansion of the Company's studios. Other operating expenses rose to EUR 127.0 million (95.2), driven by expenses for premises, consumables and communications. Operating profit for the year amounted to EUR 654.0 million (299.7) with an operating margin of 61.2 percent (53.4).

Financial items only had a marginal impact on the profit and amounted to negative EUR 6.5 million (-1.0).

The Group's effective tax rate for the year amounted to 6.5 percent (4.7). The effective tax rate is chiefly 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 605.4 million (284.6).

Investments

On 30 June 2021, Evolution acquired Big Time Gaming Pty Ltd (BTG). 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 earn-outs, based on BTG's EBITDA for the years 2022/23 and 2023/24. Maximum earn-out is EUR 230 million, payable in 2023 and 2024, of which 70 percent in cash and 30 percent in Evolution shares.

On 1 September 2021 Evolution acquired Transigo Ltd (DigiWheel). The up-front consideration of EUR 1 million was paid in cash. In addition, Evolution may pay an earn-out, five times DigiWheel's profit for year 2024 or a maximum of EUR 250 million. See also Note 23.

The Group's investments in intangible assets amounted to EUR 28.3 million (13.6) in 2021. 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 2022, but also exclusive content rights.

Investments in property, plant and equipment amounted to EUR 33.3 million (23.3). 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 598.9 million (316.1) over the period. The increase is primarily due to improved profit. Cash flow from investing activities was negative in the amount of EUR 155.0 million (6.8). 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 248.5 million (negative 279.9) and included dividend to shareholders of EUR 144.4 million (76.1) and buy back of own shares of EUR 123.3 million (9.9). 2020 included redemption of NetEnt's credit facilities of EUR 184.7 million. Cash and cash equivalents amounted to EUR 421.4 million (221.7) at year-end.

Employees

As of 31 December 2021, Evolution employed 13,410 (9,506) people, corresponding to 8,987 (6,818) full-time equivalents. The average number of full-time equivalents for the full-year was 7,917 (5,118).

Patent Owner Evolution, EX2002, p. 51
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

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 30-45.

Parent Company

The Parent Company is a holding company that was formed in December 2014. Operating revenues for the 2021 full-year amounted to EUR 19.2 million (9.4) and expenses to EUR 19.0 million (9.2). Operating profit amounted to EUR 0.3 million (0.2). Profit for the period amounted to EUR 250.9 million (200.2). The Parent Company's cash and cash equivalents amounted to EUR 80.0 million (34.4) at the end of the year and equity amounted to EUR 2,829.3 million (2,666.3). No significant investments were made in intangible or tangible assets. During the year, the Company received dividends from the Maltese subsidiary amounting to EUR 250 million (200).

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 regulations 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.

Patent Owner Evolution, EX2002, p. 52
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

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 13,000 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 86 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.

Patent Owner Evolution, EX2002, p. 53
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

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 2021, the top five customers (in terms of revenue generated) contributed 22 percent (33) 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 26-27.

The Company has, during the period 6 December 2021 – 30 December 2021, acquired a total of 1,158,865 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 1,091.20, each with a nominal value of EUR 0.003 corresponding to 0.54 percent of the share capital. After the end of the period the Company has repurchased an additional 747,000 own shares 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. 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.

Patent Owner Evolution, EX2002, p. 54
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

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.

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 2022 Annual General Meeting approve the transfer to shareholders of EUR 302,751,455 (144,382,365), corresponding to EUR 1.42 (0.68) per share.

The following earnings are at the disposal of the Annual General Meeting	
Share premium reserve	2,606,394,330
Retained earnings	-28,628,734
Profit for the year	250,881,868
Total	**2,828,647,464**

The Board of Directors proposes the following appropriation	
Dividend to shareholders	
EUR 1.42 per share (213,205,250 x 1.42), totaling	302,751,455
Carried forward in share premium reserve	2,525,896,009
Carried forward in retained earnings	0
Total	**2,828,647,464**

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.

Events following the balance sheet date

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. Since 6 December 2021 up to and including 18 February 2022, a total of 1,905,865 shares have been acquired within the scope of the programme.

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 conceming buy-out of shares. After the period 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 SEK 683,064,948.33).

After the balance sheet date, on February 24th, Russia launched a military attack on Ukraine. Evolution has a game development hub in Ukraine which primarily works on new releases for slots. Since the war begun, our efforts have been focusing on the well-being of our local team. Evolution has no offices or customers based in Russia and the direct financial effects of the war are at this stage not material to the group.

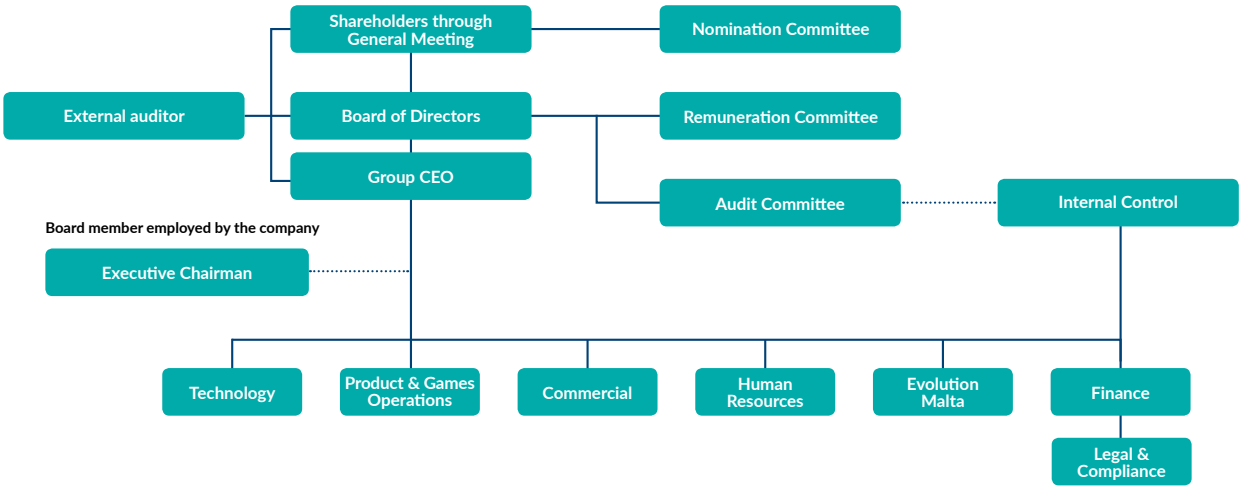
The Group's and the Parent Company's positions as of 31 December 2021 and the profit of the operations for the 2021 financial year are stated in the following income statements and balance sheets, cash flow statements, statements of changes in equity and notes to the financial statements.

Patent Owner Evolution, EX2002, p. 55
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

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 2021, 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 2021, there were 110,648 shareholders. At the same point in time, the company's largest shareholders were Capital Group with 15.7 percent of the share capital and votes, and Jens von Bahr as well as Fredrik Österberg (through Österbahr Ventures AB) with 10.7 percent of the share capital and votes.

The ten largest shareholders represented 49.6 percent of the share capital and votes. Further information about the company's share and shareholders is presented under "The Evolution share" on page 26-27 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.

Patent Owner Evolution, EX2002, p. 56
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

Annual General Meeting 2021

The 2021 Annual General Meeting was held on 16 April 2021. At the meeting, 51 percent of all shares and votes were represented.

At the annual general meeting income statements and balance sheets for 2020 for the company and the group were adopted and it was resolved on, among other things, a dividend of EUR 0.68 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 2022

The 2022 Annual General Meeting will take place on 8 April 2022. 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 2021 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 2022 Annual General Meeting.

Member	Appointed by	Independent in relation to the company and its senior management	Share of votes as per 31 December 2021
Ian Livingstone	Richard Livingstone	Yes	4.7%
Peter Ihrfelt (Chairman)	Österbahr Ventures AB	Yes	10.7%
Michael Hayward	WCM Investment Management	Yes	5.1%
Jonas Engwall	Board of Directors of Evolution AB	Yes	–

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.

Patent Owner Evolution, EX2002, p. 57
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

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 2021 Annual General Meeting, Jens von Bahr (Chairman), Joel Citron, Jonas Engwall, Ian Livingstone and Fredrik Österberg were elected as members of the Board of Directors. Mimi Drake was elected as a member of the Board of Directors at an Extraordinary General Meeting on 20 August 2021. Sandra Urie was elected as a member of the Board of Directors at an Extraordinary General Meeting on 6 October 2021. For further details of each Board Member, see page 66-67.

In addition to being a Board Member, Jens von Bahr is also employed by the company as the Executive Chairman. He is not a member of the company's senior management. Under the terms of his employment, Jens von Bahr shall, in addition to, and separately from, his duties as Chairman of the Board, focus on strategic issues and establish and implement the Group's future growth plans in cooperation with the management team, customers and shareholders. As one of the founders of the Group, Jens von Bahr has special insight into the operations and the live casino industry and the markets in which the Group operates or may operate in the future. He also has long-term and valuable relationships with customers and business partners. Consequently, having access to this experience at both the Board level and in the ongoing operations benefits both the company and its shareholders.

As an employee, the Executive Chairman reports to the Group CEO. The division of responsibilities between the Group CEO and the Executive Chairman is well regulated in the Board's rules of procedure and the company's instructions for the Group CEO. Jens von Bahr does not receive any remuneration for his duties as a member of the company's Board of Directors. In accordance with what was communicated in connection with the listing of the company on Nasdaq Stockholm in June 2017, the company expects that Jens von Bahr's employment will be re-considered in the future.

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

	Fees and salaries [1]				Attendance [2]		
Member	**Board fee**	**Committee fee**	**Salary**	**Independent [3]**	**Board meetings**	**Audit Committee**	**Remuneration Committee**
Jens von Bahr	N/A	N/A	SEK 4,200,000	No/No	13	N/A	N/A
Joel Citron	EUR 30,000	N/A	N/A	Yes/Yes	14	4	1
Jonas Engwall	EUR 30,000	N/A	N/A	Yes/Yes	13	4	1
Mimi Drake	EUR 30,000	N/A	N/A	Yes/Yes	6	1	N/A
Sandra Urie	EUR 30,000	N/A	N/A	Yes/Yes	5	N/A	N/A
Ian Livingstone	EUR 30,000	N/A	N/A	Yes/Yes	13	N/A	1
Fredrik Österberg	EUR 30,000	N/A	N/A	No/No	14	3	N/A

[1] Fees refer to the amounts approved by the 2021 Annual General Meeting. For Board Members who are employees, the stated figure refers to annual salary.

[2] Attendance refers to meetings during the 2021 financial year.

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

Patent Owner Evolution, EX2002, p. 58
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

Independence

The number of Board members who are independent in relation to the company is five (71 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 10.7 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 is employed by the company as Executive Chairman and Fredrik Österberg has been employed by the company during the last three years they are also 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.

Chairman of the Board in 2021

The Chairman of the Board is appointed by the Annual General Meeting. Jens von Bahr was elected Chairman of the Board by the 2021 Annual General Meeting for the period until the end of the next Annual General Meeting. Jens von Bahr is the Executive Chairman of the Board, meaning that he is employed by the company. See the Composition of the Board of Directors section on page 58 for further details of what this employment entails.

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 2021

The Board of Directors held 14 meetings in 2021, of which three were 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, the Group CEO and Group CFO.

At each meeting, the Group CEO updates the Board Members on the company's operational and financial development. In addition, various senior executives and the auditor participate if necessary, to present various factual matters. The principal points addressed by Board meetings in 2021 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 2021 include:

- **February**

  Adoption of interim report for the fourth quarter of 2020
- **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 2020

  Evaluation of the work of the Board of Directors and the Group CEO

  Approval of the documentation for the 2021 Annual General Meeting
- **April**

  Adoption of interim report for the first quarter of 2020 Statutory Board meeting
- **July**

  Adoption of interim report for the second quarter of 2021
- **August**

  Statutory Board meeting
- **October**

  Adoption of interim report for the third quarter of 2021 Statutory Board meeting
- **December**

  Approval of 2022 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.

Patent Owner Evolution, EX2002, p. 59
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

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, approved by the Annual General Meeting and paid to Board Members who are not employees of the company. At the 2021 Annual General Meeting, it was decided that a fee of EUR 30,000 should be paid to each Board Member not employed by the company.

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

Jens von Bahr is employed by the company and does therefore not receive any Board fee. Jens von Bahr receives an annual salary of SEK 4,200,000 from the company (including applicable retirement benefits and without entitlement to variable compensation). The fee paid to Jens von Bahr for his position in the company was approved by an Extraordinary General Meeting on 24 January 2017.

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
- Salary, other remuneration and pension benefits for the Executive Chairman
- 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 2021, 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 2021, four meetings were held.

Patent Owner Evolution, EX2002, p. 60
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

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

The company has an Executive Chairman 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 Executive Chairman as an employee should not interfere with the duties of the Group CEO and that the Executive Chairman may not perform any ongoing management tasks. The Board of Directors' rules of procedure state that the work performed by the Chairman of the Board as an employee is separate from, and in addition to, his work as Chairman of the Board. In addition to duties explicitly in line with his employment contract and the Group CEO's instruction, he may not perform any assignments for the company that go beyond the work of the Chairman of the Board, unless approved by the Board of Directors.

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 2021 re-elected Öhrlings PricewaterhouseCoopers AB as the company's auditors up until the close of the Annual General Meeting held in 2022. 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 2021 Annual General Meeting established guidelines for senior executives for the period up until the Annual General Meeting held in 2022. 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 68-69.

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.

Patent Owner Evolution, EX2002, p. 61
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

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 49,770 were bought back at the end of 2021. If all 3,899,105 warrants are exercised for subscription of 3,899,105 shares, the dilution effect will be approximately 1.8 percent.

The recipients 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 31 March 2023 (however not earlier than the day after the publication of the company's year-end report for the period January–December 2022, the "First Exercise Date") up to and including the date that falls 30 calendar days thereafter.

In total 4,000,000 warrants were subscribed, of which 71,350 were bought back during 2020-2021. If all 3,928,650 warrants are exercised for subscription of 3,928,650 shares, the dilution effect will be approximately 1.8 percent.

The recipients 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	30/04/2023
Number of recipients	248	108
Total number of warrants subscribed	**3,899,105**	**3,928,650**

Patent Owner Evolution, EX2002, p. 62
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

During July-August 2021, the incentive programme 2018/2021 adopted on the Annual General Meeting on 20 April 2018 exercised. In total 1,679,075 new shares were subscribed for by a number of key individuals in the Company. Total dilution amounted to 0.79 percent.

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 CLO 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.

Patent Owner Evolution, EX2002, p. 63
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

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.

Patent Owner Evolution, EX2002, p. 64
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

Patent Owner Evolution, EX2002, p. 65
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

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:
23,043,180 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 1970. 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.

Patent Owner Evolution, EX2002, p. 66
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

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:
1,574,935 shares.

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:
23,043,180 shares through Österbahr Ventures AB (jointly owned with Jens von Bahr) and 50,000 shares privately.

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

The company's auditors
ÖHRLINGS PRICEWATERHOUSECOOPERS AB
Johan Engstam
Authorised Public Accountant

Patent Owner Evolution, EX2002, p. 67
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

Our group management team

MARTIN CARLESUND
Group CEO

Born 1970. Employed by the group since 2015.

Shareholding: 441,147 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.

DAVID CRAELIUS
Chief Technology Officer

Born 1974. Employed by the group since 2016.

Shareholding: 16,400 shares

Warrants:
Rights through warrant program 2020/2023: 28,000

Rights through warrant program 2021/2024: 50,000

Other assignments:
David is a board member of Stravito AB, Hivemind AB, Craelius & Hansson AB.

Experience:
David has been CTO of Klarna, Head of Banking at Avanza and CIO of Nordnet. He has studied at the Royal Institute of Technology in Stockholm.

TODD HAUSHALTER
Chief Product Officer and Games Operations

Born 1978. Employed by the group since 2015.

Shareholding: 82,800 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.

Patent Owner Evolution, EX2002, p. 68
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

SEBASTIAN JOHANNISSON
Chief Strategy Officer

Born 1978. Employed by the group since 2008.

Shareholding: 892,500 shares

Warrants:
Rights through warrant program 2020/2023: 120,000

Rights through warrant program 2021/2024: 130,000

Experience:
Sebastian has been 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: 25,280 shares

Warrants:
Rights through warrant program 2020/2023: 55,000

Rights through warrant program 2021/2024: 130,000

Other assignments:
Founder and owner of Strong Brands Sweden AB.

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.

Patent Owner Evolution, EX2002, p. 69
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

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 2021 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

Patent Owner Evolution, EX2002, p. 71
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

Consolidated income statement

	NOTE	2021	2020
Revenues - Live		839,238	543,315
Revenues - RNG		229,539	17,819
Total operating revenues	2	**1,068,777**	**561,134**
Personnel expenses	3	–207,165	–133,752
Depreciation, amortisation and impairment	8, 9	–80,646	–32,513
Other operating expenses	17, 18	–126,962	–95,169
Total operating expenses		**–414,773**	**–261,434**
Operating profit		**654,004**	**299,700**
Financial income	4	1,317	47
Financial expenses	5	–7,830	–1,065
Profit before tax		**647,491**	**298,682**
Tax on profit for the year	6	–42,056	–14,060
Profit for the year		**605,435**	**284,622**
Of which attributable to:			
Owners of the Parent Company		605,435	284,622
Average number of shares, basic	7	213,714,575	183,927,915
Earnings per share basic, EUR		2.83	1.55
Average number of shares, diluted		221,818,828	189,021,346
Earnings per share diluted, EUR		2.73	1.51

Consolidated statement of comprehensive income

	2021	2020
Profit for the year	**605,435**	**284,622**
Other comprehensive income		
Items that may subsequently be reclassified to profit or loss for the year		
Exchange differences arising from the translation of foreign operations	–55,834	37,449
Other comprehensive income for the year	–55,834	**37,449**
Comprehensive income for the year	**549,601**	**322,071**

Patent Owner Evolution, EX2002, p. 72
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

Consolidated statement of financial position

	NOTE	31 December 2021	31 December 2020
Assets			
Goodwill	8	2,188,482	1,834,333
Other intangible assets	8	757,250	723,187
Land and buildings	9	11,409	11,629
Right of use assets	9, 17	54,313	44,104
Other property, plant and equipment	9	68,745	50,632
Other non-current receivables		11,096	3,302
Deferred tax assets	6	2,360	2,696
Total non-current assets		**3,093,655**	**2,669,883**
Accounts receivable	11	200,700	120,481
Current tax receivables		142,320	137,735
Other current receivables	12	13,175	8,755
Prepaid expenses and accrued income	13	31,785	10,583
Cash and cash equivalents	14	421,432	221,675
Total current assets		**809,412**	**499,229**
TOTAL ASSETS		**3,903,067**	**3,169,112**
Equity and liabilities			
Share capital		647	638
Other capital contributed		2,405,622	2,225,817
Reserves		–18,286	37,548
Retained earnings including profit for the year		802,967	462,168
Total equity		**3,190,950**	**2,726,171**
Deferred tax liabilities	6	58,816	36,666
Non-current lease liabilities	17	53,171	38,078
Other long-term liabilities	23	230,000	–
Total non-current liabilities		**341,987**	**74,744**
Accounts payable		8,578	15,335
Provisions		2,253	11,377
Current tax liabilities		189,053	164,082
Other current liabilities	15	111,127	128,502
Current lease liabilities	17	14,639	11,891
Accrued expenses and prepaid income	16	44,480	37,010
Total current liabilities		**370,130**	**368,197**
TOTAL EQUITY AND LIABILITIES		**3,903,067**	**3,169,112**

Patent Owner Evolution, EX2002, p. 73
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

Consolidated statement of changes in equity

2020	Share capital	Other capital contributed	Reserves	Retained earnings including profit for the year	Total equity
Opening equity 01/01/2020	**545**	**17,430**	**99**	**262,823**	**280,897**
Profit for the year	–	–	–	284,622	284,622
Other comprehensive income	–	–	37,449	–	37,449
Transactions with shareholders					
Repurchase of own shares	–	–	–	-9,854	-9,854
Dividend	–	–	–	-76,140	-76,140
Warrants	–	4,504	–	717	5,221
Non cash issue	93	2,203,883	–	–	2,203,976
Closing equity 31/12/2020	**638**	**2,225,817**	**37,548**	**462,168**	**2,726,171**

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**

Patent Owner Evolution, EX2002, p. 74
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

Consolidated statement of cash flows

	NOTE	2021	2020
Operating profit		654,004	299,700
Adjustment for items not included in cash flow:			
Depreciation and amortisation		80,646	32,513
Provisions		–7,696	9,979
Other		–2,840	13,866
Interest received		230	2,468
Interest paid		–3,372	–1,065
Tax paid		–26,794	–6,517
Cash flow from operating activities before changes in working capital		**694,178**	**350,944**
Increase/decrease in accounts receivable		–70,442	–32,345
Increase/decrease in accounts payable		–7,114	–253
Increase/decrease in other working capital		–17,727	–2,295
Cash flow from operating activities		**598,895**	**316,051**
Acquisition of intangible assets		–28,285	–13,635
Acquisition of property, plant and equipment		–33,307	–23,251
Acquisition of subsidiaries	23	–92,230	46,085
Increase/decrease in other financial assets		–1,130	–2,378
Cash flow from investing activities		**–154,952**	**6,821**
Repayment of debt to credit institutions		–	–190,351
Repayment of lease liabilities		–12,834	–5,059
Repurchase of own shares		–123,315	–9,854
Warrant premiums		8,826	4,504
Dividends paid		–144,382	–76,140
New share issue		23,189	–3,010
Cash flow from financing activities		**–248,516**	**–279,910**
Cash flow for the year		**195,427**	**42,962**
Cash and cash equivalents at beginning of the year		221,675	182,520
Exchange rate differences		4,330	–3,807
Cash and cash equivalents at year-end	14	**421,432**	**221,675**

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

Patent Owner Evolution, EX2002, p. 75
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

Income statement — Parent Company

	NOTE	2021	2020
Net sales	2	19,175	9,405
Other external expenses	18	–5,221	–3,151
Personnel expenses	3	–13,428	–5,850
Depreciation, amortisation and impairments	8, 9	–262	–219
Operating profit		**264**	**185**
Interest income and similar income items	4	250,941	200,141
Interest expenses and similar expense items	5	—	—
Profit before tax		**251,205**	**200,326**
Tax on profit for the year	6	–323	–88
Profit for the year		**250,882**	**200,238**

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

Patent Owner Evolution, EX2002, p. 76
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

Balance sheet — Parent Company

	NOTE	31 December 2021	31 December 2020
Assets			
Non-current assets			
Intangible assets	8	681	763
Property, plant and equipment	9	23	50
Participating interest in Group companies	10	2,635,756	2,495,279
Deposits		14	41
Total non-current assets		**2,636,474**	**2,496,133**
Current assets			
Receivables from Group companies		258,537	212,914
Other current receivables	12	958	751
Prepaid expenses and accrued income	13	11,524	368
Cash and cash equivalents	14	79,952	34,388
Total current assets		**350,971**	**248,421**
TOTAL ASSETS		**2,987,445**	**2,744,554**
Equity and liabilities			
Restricted equity			
Share capital		647	638
Unrestricted equity			
Share premium reserve		2,606,393	2,426,591
Retained earnings		−28,628	38,831
Profit for the year		250,882	200,238
Total equity		**2,829,294**	**2,666,298**
Current liabilities			
Accounts payable		247	2,617
Current tax liabilities		390	1,120
Liabilities from Group companies		84,347	—
Other current liabilities	15	72,345	73,719
Accrued expenses and prepaid income	16	822	800
Total current liabilities		**158,151**	**78,256**
TOTAL EQUITY AND LIABILITIES		**2,987,445**	**2,744,554**

Patent Owner Evolution, EX2002, p. 77
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

Statement of changes in equity — Parent Company

	Restricted equity	Unrestricted equity		
2020	**Share capital**	**Share premium reserve**	**Retained earnings**	**Total equity**
Opening equity 01/01/2020	**545**	**218,206**	**124,825**	**343,576**
Profit for the year	—	—	200,238	200,238
Transactions with shareholders				
Dividend	—	—	–76,140	–76,140
Warrants	—	4,504	—	4,504
Repurchase of own shares	—	—	–9,854	–9,854
Non cash issue	93	2,203,883	—	2,203,976
Closing equity 31/12/2020	**638**	**2,426,591**	**239,069**	**2,666,298**

	Restricted equity	Unrestricted equity		
2021	**Share capital**	**Share premium reserve**	**Retained earnings**	**Total equity**
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**	**2,826,294**

2020	
Outstanding shares at year-end	212,327,008
2021	
Outstanding shares at year-end	213,952,250

The share quota value is 0.003 EUR

Patent Owner Evolution, EX2002, p. 78
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

Cash flow statement — Parent Company

	NOTE	2021	2020
Operating profit		264	185
Adjustment for items not included in cash flow:			
Depreciation and amortisation		262	219
Interest received		784	136
Tax paid		–2,011	–282
Cash flow from operating activities before changes in working capital		**–544**	**258**
Increase/decrease in accounts payable		–2,373	2,492
Increase in intercompany receivables and liabilities, net		46,498	–76,220
Increase/decrease in other working capital		–11,757	458
Cash flow from operating activities		**31,824**	**–73,012**
Acquisition of intangible assets		–137	–125
Acquisition of property, plant and equipment		–16	–14
Acquisition of subsidiary	23	–447	–9,072
Deposition paid		27	–1
Cash flow from investing activities		**–573**	**–9,212**
Repurchase of own shares		–123,315	–9,854
Warrants		8,826	4,504
Dividend paid		–144,382	–76,140
Dividend received		250,000	200,000
New share issue		23,184	–3,010
Cash flow from financing activities		**14,313**	**115,500**
Cash flow for the year		**45,564**	**33,276**
Cash and cash equivalents at beginning of the year		34,388	1,112
Cash and cash equivalents at year-end	**14**	**79,952**	**34,388**

Patent Owner Evolution, EX2002, p. 79
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

Patent Owner Evolution, EX2002, p. 80
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

NOTES

TABLE OF CONTENTS

Note 1. Accounting and valuation principles	82
Note 2. Revenues	90
Note 3. Employees	90
Note 4. Financial income	91
Note 5. Financial expenses	91
Note 6. Income tax and deferred tax	92
Note 7. Earnings per share	92
Note 8. Intangible assets	93
Note 9. Property, plant and equipment	94
Note 10. Participations in Group companies	94
Note 11. Accounts receivable	96
Note 12. Other current receivables	96
Note 13. Prepaid expenses and accrued income	96
Note 14. Cash and cash equivalents	96
Note 15. Other current liabilities	96
Note 16. Accrued expenses and deferred income	96
Note 17. Leasing - Group	96
Note 18. Auditor remuneration	98
Note 19. Transactions with related parties	98
Note 20. Share related remunerations	98
Note 21. Financial risk management	98
Note 22. Critical estimates and assessments	102
Note 23. Acquisitions	102
5-Year Summary	104
Key Ratios not defined in accordance with IFRS	105

Patent Owner Evolution, EX2002, p. 81
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

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 2021, the Group had approximately 600 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 Vasagatan 16 in Stockholm. The Company has during 2021 changed its name from Evolution Gaming Group AB (publ) to Evolution AB (publ). Evolution AB (publ) has been listed on Nasdaq Stockholm Large Cap since June 2017 using the ticker EVO.

On 18 March 2022, 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 8 April 2022.

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 1.25 "Parent Company's accounting principles".

New or amended accounting standards applied in 2021 did not have any material impact on Evolution's financial statements. New or amended accounting standards applied after 2021 are not exptected 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

Patent Owner Evolution, EX2002, p. 82
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

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 recognised as assets are amortised over an estimated useful life of five years.

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).

Patent Owner Evolution, EX2002, p. 83
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

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 though profit or loss. This category includes derivative instruments with a positive fair value. Evolution has no financial instruments in this category.

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.

Patent Owner Evolution, EX2002, p. 84
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

1.7.3 Impairment

Based on an analysis made by the Company, the Group is applying the 'simplified approach' to bad debts with a requirement to establish and recognise a lifetime expected loss allowance. The Company has adopted the presumption that a default does not occur later than when a financial asset is 90 days past due date unless an entity has reasonable information to demonstrate that a more lagging default criterion is more appropriate.

Because of continued low levels of historic credit losses and the lack of any negative concrete long-term macro-economic factors pointing towards an increased likelihood of credit losses, Evolution continues to have insufficient basis to build a model to calculate expected future credit losses.

(See Note 21 for information about credit loss reserve).

1.8 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.

1.9 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.

1.10 SHARE CAPITAL

Ordinary shares are 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.

1.11 CAPITAL CONTRIBUTIONS

Capital contributions received in addition to the original share capital are interest-free and will only be repaid at the discretion of the Group. They are therefore regarded as capital and classified in equity.

1.12 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 liabilities to credit institutions, 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.

1.13 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.

1.14 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.

1.15 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.

Patent Owner Evolution, EX2002, p. 85
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

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.

1.16 REVENUE RECOGNITION

The Group's revenues derive from fees from gaming operators that use the Group's solutions for online casino and from other associated services. 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 at a point of 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 setup 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 split of revenues by recognition period is disclosed in Note 2(a) and recognised liabilities related to contracts with customers 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.

1.17 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.

Patent Owner Evolution, EX2002, p. 86
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

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.

1.18 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.

1.19 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.

1.20 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.

1.21 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.

1.22 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.

1.23 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.

Patent Owner Evolution, EX2002, p. 87
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

1.24 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.

Post-employment benefits

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

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.

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.

Share-related remuneration

The Group has incentive programmes, see Note 20 for detailed information. Fair value on the work that entitles employees to allocation of warrants is expensed. The total amount expensed is based on fair value on the warrants, excluding the potential impact that the employee remains in the service of the Company during a specified period of time. The total amount expensed is reported evenly distributed over the period where all specified earnings conditions shall be met. 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.

1.25 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.

Patent Owner Evolution, EX2002, p. 88
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

1.26 EXCHANGE RATES

The exchange rates were obtained from www.xe.com.
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 31 Dec 2021	Average Jan-Dec 2021	Ultimo 31 Dec 2020
AMD	0.001832	0.001687	0.001565
AUD	0.638845	0.633315	0.630345
BGN	0.511292	0.511292	0.511292
BYN	0.343717	0.332543	0.313042
CAD	0.694551	0.673785	0.641196
GBP	1.189805	1.161478	1.117354
GEL	0.284640	0.262865	0.248808
ILS	0.282569	0.262044	0.254429
INR	0.011799	0.011459	0.011201
PLN	0.217912	0.219048	0.218927
RON	0.202047	0.203270	0.205477
SEK	0.097261	0.098445	0.099580
TWD	0.031716	0.030323	0.029115
UAH	0.032207	0.030883	0.028853
USD	0.879004	0.845965	0.817788
ZAR	0.055117	0.056864	0.055827

Patent Owner Evolution, EX2002, p. 89
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

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 live casino and from other associated services.

Revenue recognition at a point in time refers to dedicated environment set up fees, capital gains of fixed assets and other operating income.

Revenues recognised over time are mainly commission fees from contracted partners and dedicated table service fees.

2 (a) Disaggregation of revenue from contracts with customers per invoicing jurisdiction

	Sweden		Malta		Latvia		North America		Curacao		Other		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Total revenues	61,122	27,317	1,072,016	548,424	102,157	85,807	82,204	26,191	352,626	225,647	186,584	68,787	1,856,709	982,173
Of which Intercompany	60,511	27,129	472,309	223,637	101,783	85,807	54,542	22,689	2,770	2,013	96,017	59,764	787,932	421,039
Revenue from external customers	**611**	**188**	**599,707**	**324,787**	**374**	**–**	**27,662**	**3,502**	**349,856**	**223,634**	**90,567**	**9,023**	**1,068,777**	**561,134**
Timing of revenue recognition														
At a point in time	26	48	8,632	2,155	374	–	358	28	2,024	1,057	608	424	12,029	3,712
Over time	585	140	591,075	322,632	–	–	27,297	3,474	347,832	222,577	89,959	8,599	1,056,748	557,442
TOTAL	**611**	**188**	**599,707**	**324,787**	**374**	**–**	**27,662**	**3,502**	**349,856**	**223,634**	**90,567**	**9,023**	**1,068,777**	**561,134**

2 (b) Liabilities related to contracts with customers

Group	2021	2020
Opening balance	1,722	3,656
Revenues recognised from opening balance liabilities	-396	-3,375
Liabilities recognised	8,892	4,166
Revenues recognised	-6,617	-2,660
Translation difference	65	-65
Closing balance	**3,666**	**1,722**

2 (c) Revenue per geographical region

Group, EUR millions	2021	2020
Nordics	73.1	29.8
Great Britain	81.4	43.9
Rest of Europe	416.9	268.9
Asia	286.5	125.7
North America	114.5	37.4
Other	96.3	55.7
Total operating revenues	**1,068.7**	**561.1**
Revenues regulated markets	**423.8**	**196.0**
Regulated markets' share	**40%**	**35%**

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 2020) that singlehanded contributed 10 percent or more to the Group's revenue.

NOTE 3. EMPLOYEES

	2021			2020		
Personnel expenses	Senior executives	Other employees	Total	Senior executives	Other employees	Total
Salary and other remunerations	20,002	169,518	189,520	5,092	115,116	120,208
Pension expenses	109	2,272	2,381	83	781	864
Oth. soc. security expenses	4,396	22,563	26,959	1,061	16,106	17,167
Other personnel expenses			14,260			6,629
Own work capitalised			–25,955			–11,116
Total personnel expenses	**24,507**	**194,353**	**207,165**	**6,236**	**132,003**	**133,752**

Patent Owner Evolution, EX2002, p. 90
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

Average number of employees	2021 Average number of employees	2021 of which women	2020 Average number of employees	2020 of which women
Latvia	2,878	1,587	2,959	1,443
Malta	1,080	537	864	411
Georgia	4,773	3,210	2,770	1,830
Romania	611	266	501	211
Canada	386	230	165	84
United States of America	866	528	283	179
Belarus	149	54	100	31
Belgium	18	7	18	6
Estonia	17	3	14	3
Netherlands	25	4	25	4
Australia	19	6	–	–
Great Britain	8	6	10	7
Sweden	196	63	31	11
Other countries	421	186	111	54
Total Group	**11,447**	**6,687**	**7,850**	**4,274**

Remuneration and other benefits 2021	Base salary/ Board fee	Bonus	Other benefits	Pension costs	Other soc. security	Total
Chairman of the Board:						
Jens von Bahr*	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***	13	–	–	–	4	17
Sandra Urie****	8	–	–	–	2	10
CEO:						
Martin Carlesund	1,941	5,759	15	–	2,424	10,139
Other senior executives (total of 6)*****	2,051	5,281	4,396	109	1,799	13,636
Total	**4,551**	**11,040**	**4,411**	**109**	**4,396**	**24,507**

Remuneration and other benefits 2020	Base salary/ Board fee	Bonus	Other benefits	Pension costs	Other soc. security	Total
Chairman of the Board:						
Jens von Bahr*	406	–	–	–	128	534
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
Cecilia Lager**	30	–	–	–	9	39
CEO:						
Martin Carlesund	1,362	–	22	–	435	1,819
Other senior exe–cutives (total of 7)	2,070	1,063	19	83	453	3,688
Total	**3,988**	**1,063**	**41**	**83**	**1,061**	**6,236**

*Jens von Bahr is employed by the Company.

**Cecilia Lager resigned 31 December 2020.

***Mimi Drake was elected 20 August 2021.

****Sandra Urie was elected 6 October 2021.

*****Johan Nordström resigned 30 April 2021.

Terms for the Group CEO[1)]

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 executives[1)]

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 1.24 Employee benefits.

Number and proportion of women in management positions at year-end	2021 Number of men	2021 Number of women	2021 Proportion of women	2020 Number of men	2020 Number of women	2020 Proportion of women
Board	5	2	29%	5	1	17%
Other senior executives	5	2	29%	6	2	25%

Senior executives 31 December 2021	
Martin Carlesund	Group CEO Evolution AB (publ)
Jacob Kaplan	Chief Financial Officer
David Craelius	Chief Technology Officer
Todd Haushalter	Chief Product Officer and Games Operations
Sebastian Johannisson	Chief Strategy Officer
Louise Wiwen-Nilsson	Chief Human Resources Officer
Olesya Ivanova	Chief Operations Officer Latvia & Romania

[1)]All senior executives are members of Group management.

NOTE 4. FINANCIAL INCOME

	GROUP 2021	GROUP 2020	PARENT COMPANY 2021	PARENT COMPANY 2020
Interest income	230	47	141	141
Currency exchange gains	1,087	–	784	–
Dividends from subsidiaries	–	–	250,000	200,000
Total	**1,317**	**47**	**250,941**	**200,141**

NOTE 5. FINANCIAL EXPENSES

	GROUP 2021	GROUP 2020	PARENT COMPANY 2021	PARENT COMPANY 2020
Interest expenses	-699	-258	–	–
Interest expenses on lease liabilities	-2,101	-807	–	–
Currency exchange losses	-4,640	–	–	–
Other financial expenses	-390	–	–	–
Total	**-7,830**	**-1,065**	**–**	**–**

Patent Owner Evolution, EX2002, p. 91
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

NOTE 6. INCOME TAX AND DEFERRED TAX

	GROUP		PARENT COMPANY	
Income tax	**2021**	**2020**	**2021**	**2020**
Current tax				
Sweden	-1,997	-914	-323	-88
Outside Sweden	-42,196	-15,322	–	–
Total current tax	**-44,193**	**-16,236**	**-323**	**-88**
Deferred tax				
Sweden	1,533	1,242	–	–
Outside Sweden	604	934	–	–
Total deferred tax	**2,137**	**2,176**	**–**	**–**
Total tax expense	**-42,056**	**-14,060**	**-323**	**-88**

	GROUP		PARENT COMPANY	
Tax reconciliation	**2021**	**2020**	**2021**	**2020**
The difference between the actual tax expense and tax expense based on current tax rate				
Profit before tax	**647,491**	**298,682**	**251,205**	**200,326**
Income tax calculated according to domestic tax rates on profits in each country	-235,603	-138,739	-51,748	-42,869
Tax effect of:				
Income not subject to tax	183,603	124,591	51,500	42,800
Expenses not deductible for tax purposes	-8,698	-1,975	-64	-19
Tax-loss carry-forwards on accumulated losses	-49	-38	–	–
Change in deferred tax	2,737	-37	–	–
Other	15,954	2,138	-11	–
Total tax expense	**-42,056**	**-14,060**	**-323**	**-88**

The effective tax rate for the Group amounted to 6.5 percent (4.7).

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		PARENT COMPANY	
	2021	**2020**	**2021**	**2020**
Deferred tax assets				
Loss carry-forwards	138	358	–	–
Other deferred tax assets	2,222	2,358	–	–
Total deferred tax assets	**2,360**	**2,696**	**–**	**–**
Deferred tax liability				
Intangible assets	-58,816	-34,496	–	–
Other deferred tax liability	–	-2,170	–	–
Total deferred tax liability	**-58,816**	**-36,666**	**–**	**–**
Deferred tax assets and deferred tax liability, net	**-56,456**	**-33,970**	**–**	**–**

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

	GROUP		PARENT COMPANY	
	2021	**2020**	**2021**	**2020**
Opening balance	-33,970	87	–	–
Through acquisition of subsidiary	-25,377	-34,628	–	–
Recognised in total comprehensive income	2,137	2,176		
Translation difference	754	-1,605	–	–
Closing balance	**-56,456**	**-33,970**	**–**	**–**

The amounts reported in the balance sheet include the following:

	GROUP		PARENT COMPANY	
	2021	**2020**	**2021**	**2020**
Deferred tax assets used after 12 months	1,721	156	–	–
Deferred tax liability used after 12 months	54,738	34,949	–	–

NOTE 7. EARNINGS PER SHARE

	GROUP	
	2021	**2020**
Profit after tax attributable to owners of the Parent	605,435	284,622
Average number of shares basic	213,714,575	183,927,915
Earnings per share basic, EUR	**2.83**	**1.55**
Average number of shares diluted	221,818,828	189,021,346
Earnings per share diluted, EUR	**2.73**	**1.51**
Opening number of outstanding shares	183,927,715	180,737,305
Additional weighted average number of shares converted	29,786,660	3,190,610
Total weighted average number of outstanding shares basic	**213,714,575**	**183,927,915**
Opening number of outstanding shares	189,021,346	183,387,341
Additional weighted average number of shares converted	29,786,660	3,190,610
Additional weighted average number of shares in the case of full conversion	3,010,822	2,443,395
Total weighted average number of outstanding shares diluted	**221,818,828**	**189,021,346**

Patent Owner Evolution, EX2002, p. 92
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

Evolution holds 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 regarding subscription premiums 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 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	-	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 acquisitions 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**

Group 2020	Gaming programme	Licenses and patents	Goodwill	Customer relationships	Brand	Platform	Work in progress	Total
Opening cost	**55,678**	**8,985**	**12,485**	**2,868**	**261**	**–**	**–**	**80,277**
Capitalised expenditure for the year	6,179	7,454	–	–	–	–	2	**13,635**
Through acquisition of subsidiaries	161,056	-	1,793,537	188,179	329,971	4,508	6,996	**2,484,247**
Reclassifications	–	1,402	–	–	–	–	-1,402	0
Disposals/retirements	–	-104	–	–	–	–	–	**-104**
Translation differences	2,312	-23	28,311	2,766	5,302	73	–	**38,741**
Closing accumulated cost	**225,225**	**17,714**	**1,834,333**	**193,813**	**335,534**	**4,581**	**5,596**	**2,616,796**
Opening amortisation	**-41,670**	**-1,854**	**–**	**-525**	**–**	**–**	**–**	**-44,049**
Amortisation for the year	-11,047	-2,180	–	-2,043	–	-37	–	**-15,307**
Through acquisition of subsidiaries	–	–	–	–	–	–	–	–
Reclassifications	–	–	–	–	–	–	–	–
Disposals/retirements	–	238	–	–	–	–	–	**238**
Translation differences	-42	-127	–	12	–	-1	–	**-158**
Closing accumulated amortisation	**-52,759**	**-3,923**	**–**	**-2,556**	**–**	**-38**	**–**	**-59,276**
Closing residual value	**172,466**	**13,791**	**1,834,333**	**191,257**	**335,534**	**4,543**	**5,596**	**2,557,520**

	PARENT COMPANY	
Licenses and patents	**2021**	**2020**
Opening cost	**1,057**	**932**
Acquisition for the year	137	125
Disposals/retirements	*-64*	–
Closing accumulated cost	**1,130**	**1,057**
Opening amortisation	**-294**	**-104**
Amortisation during the year	-219	-190
Disposals/retirements	*64*	–
Closing accumulated amortisation	**-449**	**-294**
Closing residual value	**681**	**763**

Patent Owner Evolution, EX2002, p. 93
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

NOTE 9. PROPERTY, PLANT AND EQUIPMENT

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**

	Land	Property	Right of use assets	Leasehold improvements	Computers, office & technical equipment	Work in progress	Total
Opening cost	**1,664**	**11,219**	**22,927**	**22,810**	**33,286**	**4,755**	**96,661**
Acquisitions for the year	–	–	19,472	9,689	10,570	2,992	42,723
Through acquisition of subsidiaries	–	–	16,656	10,906	36,145	–	63,707
Reclassifications	–	–	–	2,923	1,045	-3,888	80
Disposals/retirements	–	–	-5,152	-1,035	-1,916	–	-8,103
Translation difference	–	–	-465	-975	-1,181	-549	-3,170
Closing accumulated cost	**1,664**	**11,219**	**53,438**	**44,318**	**77,949**	**3,310**	**191,898**
Opening depreciation	**–**	**-892**	**-3,508**	**-6,904**	**-17,868**	**–**	**-29,172**
Depreciation during the year	–	-362	-5,003	-4,145	-7,696	–	-17,206
Through acquisition of subsidiaries	–	–	-999	-6,952	-33,642	–	-41,593
Reclassifications	–	–	–	18	-98	–	-80
Disposals/retirements	–	–	–	695	1,302	–	1,997
Translation difference	–	–	176	77	268	–	521
Closing accumulated depreciation	**–**	**-1,254**	**-9,334**	**-17,211**	**-57,734**	**–**	**-85,533**
Closing residual value	**1,664**	**9,965**	**44,104**	**27,107**	**20,215**	**3,310**	**106,365**

Right of use assets mostly consist of offices and premises.

	PARENT COMPANY	
Computers, office & technical equipment	**2021**	**2020**
Opening cost	**185**	**171**
Acquisition for the year	16	14
Disposals/retirements	-140	–
Closing accumulated cost	**61**	**185**
Opening depreciation	**-135**	**-106**
Depreciation during the year	-43	-29
Disposals/retirements	140	–
Closing accumulated depreciation	**-38**	**-135**
Closing residual value	**23**	**50**

NOTE 10. PARTICIPATIONS IN GROUP COMPANIES

	2021	2020
Opening acquisition cost	**2,495,279**	**206,000**
Shareholder contribution	**140,030**	–
Acquisition of subsidiary	447	2,289,279
Closing book value	**2,635,756**	**2,495,279**

			% of equity and votes		Carrying value in Parent	
Name	**Corporate ID**	**Registered office**	**31 Dec 2021**	**31 Dec 2020**	**31 Dec 2021**	**31 Dec 2020**
Direct ownership						
Evolution Malta Holding Ltd	C48665	Sliema, Malta	100	100	346,030	206,000
NetEnt AB (publ)	556532-6443	Stockholm, Sweden	100*	100*	2,289,726	2,289,279
Indirect ownership						
Evolution Malta Ltd	C48666	Malta	100	100	–	–
Evolution Gaming Malta Ltd	C44213	Malta	100	100	–	–
Evolution Malta Ops Ltd	C50583	Malta	–	100	–	–
SIA Evolution Latvia	40003815611	Latvia	100	100	–	–

Patent Owner Evolution, EX2002, p. 94
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

SIA Evolution Latvia Properties	50103931761	Latvia	100	100	–	–
Evolution Gaming Ltd	05944946	Great Britain	100	100	–	–
Evolution Belgium BVBA	0638.824.479	Belgium	100	100	–	–
Evo Gaming Studios RO SRL	36034853	Romania	100	100	–	–
Evolution US LLC	5362945	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	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	–	–	–
Darwin's Theory Pty Ltd	648162903	Australia	100	–	–	–
Bigtime Gaming Pty Ltd	648162903	Australia	100	–	–	–
Evolution Madrid S.L.	B 06959365	Spain	100	–	–	–
Transigo Ltd	543403	Ireland	100	–	–	–
Evolution Development Co Ltd	82919295	Taiwan	100	100	–	–
Evolution Services SA PTY Limited	2019/311298/07	South Africa	100	100	–	–
Evolution Pennsylvania LLC	773291-7	USA	100	100	–	–
Evolution Studio AM LLC	286.110.1116835	Armenia	100	100	–	–
Evolution Michigan LLC	7857957	USA	–	100	–	–
Evolution Lithuania UAB	305561054	Lithuania	100	100	–	–
Evolution Canada Studio Limited	BC1253510	Canada	100	100	–	–
Evolution Gibraltar Limited	120192	Gibraltar	100	100	–	–
NetEnt Alderney Ltd	1790	Alderney	100	100	–	–
NetEnt Technology AB	556185-1758	Sweden	–	100	–	–
NetEnt Americas Holding Inc.	5627584	USA	100	100	–	–
NetEnt Americas LLC	400697458	USA	100	100	–	–
Evolution NetEnt Malta Holding Ltd	C37769	Malta	100	100	–	–
Evolution NetEnt Malta Ltd	C34838	Malta	100	100	–	–
Evolution NetEnt (Gibraltar) Limited	97195	Gibraltar	100	100	–	–
NetEnt UK Ltd	12038243	Great Britain	–	100	–	–
NetEnt Emerging Markets IOM Ltd	O16618V	Isle of Man	100	100	–	–
NetEnt International Ltd	O17601V	Isle of Man	100	100	–	–
NetEnt Gaming Solutions PLC	C47277	Malta	100	100	–	–
NetEnt Software Ltd	C73758	Malta	100	100	–	–
Evolution NetEnt Product Services Ltd	C38803	Malta	100	100	–	–
NetEnt Poland Sp. Z o.o	363625687	Poland	100	100	–	–
NetEnt Ukraine LLC	38090640	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	100	–	–
Evolution Red Tiger International Ltd	C91142	Malta	100	100	–	–
Red Tiger Gaming (Gibraltar) Ltd	118413	Gibraltar	100	100	–	–
Red Tiger Gaming (Alderney) Ltd	132513C	Isle of Man	100	100	–	–
Wholesale Limited	C91137	Malta	100	100	–	–
Dopamine EOOD	203270608	Bulgaria	100	100	–	–
Evo Products Development Poland Sp. Z o.o	937260	Poland	100	–	–	–
Evo LATAM Corp SRL	3-102-838941	Costa Rica	100	–	–	–
Carrying amount in the parent company					**2,635,756**	**2,495,279**

*3.2 percent through compulsory redemption of outstanding shares.

Patent Owner Evolution, EX2002, p. 95
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

NOTE 11. ACCOUNTS RECEIVABLE

	GROUP	
	2021	2020
Accounts receivable	204,058	123,189
Credit loss reserve	–3,358	–2,708
Total accounts receivable	**200,700**	**120,481**

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	
	2021	2020	2021	2020
Inventory	3,524	1,475	–	–
Prepayments to suppliers	2,401	1,061	–	–
VAT	6,983	6,142	–	219
Other	267	77	958	532
Total	**13,175**	**8,755**	**958**	**751**

NOTE 13. PREPAID EXPENSES AND ACCRUED INCOME

	GROUP		PARENT COMPANY	
	2021	2020	2021	2020
Prepaid license fees, software and IT services	6,889	6,471	239	156
Other prepaid expenses	15,029	1,746	11,087	42
Accrued revenues	7,379	131	–	–
Prepaid rent	1,726	993	–	44
Prepaid marketing	229	107	–	–
Prepaid insurance	495	1,060	198	126
Prepaid maintenance expenses	38	75	–	–
Total	**31,785**	**10,583**	**11,524**	**368**

NOTE 14. CASH AND CASH EQUIVALENTS

	GROUP		PARENT COMPANY	
	2021	2020	2021	2020
Cash and cash balances	421,432	221,675	79,952	34,388
Total	**421,432**	**221,675**	**79,952**	**34,388**

Cash and cash equivalents consist of cash and current accounts in banks. EUR 16,838 thousands refer to jackpot liabilities, see Note 15. The Group has no short-term investments on the closing day, or on the previous year's closing day.

NOTE 15. OTHER CURRENT LIABILITIES

	GROUP		PARENT COMPANY	
	2021	2020	2021	2020
Employee-related liabilities	16,744	12,380	335	383
Jackpot liabilities	16,838	14,606	–	–
Other liabilities	77,545	101,516	72,010	73,336
Total	**111,127**	**128,502**	**72,345**	**73,719**

Jackpot liabilities consist of several jackpots where the operators' players 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 is included in other liabilities and amounts to EUR 71,618 thousand (73,219).

NOTE 16. ACCRUED EXPENSES AND DEFERRED INCOME

	GROUP		PARENT COMPANY	
	2021	2020	2021	2020
Employee related expenses	18,353	18,349	693	702
Contract liabilities	4,343	6,332	–	–
Accrued audit and consulting fees	3,258	2,787	91	70
Accrued utilities	195	160	–	–
Deferred royalties	5,937	3,702	–	–
Other	12,394	5,680	38	28
Total	**44,480**	**37,010**	**822**	**800**

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.

The right of use assets relates to lease of premises, offices, and equipment.

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 following assumptions have been made to calculate the value of the right of use assets and lease liabilities;

- If the agreement term is longer than 5 years, the assumed end term is as agreement
- If the agreement term is shorter than 5 years but it is ongoing and with no intention to terminate, it is assumed that it will be prolonged to 5 years
- If there is 1 year or no term mentioned in the agreement, it is assumed to be 5 years, but if it is certain it will go on, it is assumed it will be 5 years
- Other short-term agreements, like apartment rent agreed for studio build, it is not assumed that it will be prolonged
- Discount rates taken into account to some extent different local conditions, depending on country.

5 years is a management decision assuming that 5 years is a reliable period of operations and no huge changes are expected within. A longer period though would involve too much uncertainty about group operations and each agreement.

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.

Patent Owner Evolution, EX2002, p. 96
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

Lease liabilities	31 December 2021	31 December 2020
Current	14,639	11,891
Non-current	53,171	38,078
Total	**67,810**	**49,969**

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

	Minimum lease payments due						
31 December 2021	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	TOTAL
Lease payments	16,858	14,628	9,816	8,942	7,447	19,352	**77,044**
Finance charges	2,219	1,840	1,479	1,177	900	1,619	**9,234**
Net present values	**14,639**	**12,788**	**8,337**	**7,765**	**6,547**	**17,733**	**67,810**

	Minimum lease payments due						
31 December 2020	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	**TOTAL**
Lease payments	13,496	12,111	7,437	5,334	4,739	12,960	**56,277**
Finance charges	1,605	1,349	1,033	794	601	926	**6,308**
Net present values	**11,891**	**10,762**	**6,404**	**4,740**	**4,138**	**12,034**	**49,969**

Operating expenses	2021	2020
Depreciation, right of use assets[1)]	-9,010	-5,059
Other costs	11,027	5,866
Interest expenses on lease liabilities[2)]	-2,101	-807
Profit for the period	**-84**	**0**

[1)] Costs attributable to lease agreements moved from other costs to depreciations
[2)] Interest expenses included in Financial expenses

Lease payments not recognised as lease liability	2021	2020
Short-term leases	-71	-40
Leases of low-value assets	-178	-73
Total	**-249**	**-113**

Amounts recognised in the consolidated cash flow	2021	2020
Cash flow from operating activities		
Cost of short-term leases	-71	-40
Cost of low-value leases	-178	-73
Interest expenses, lease liabilities	-2,101	-807
Cash flow from financing activities		
Repayment of lease liabilities	-12,834	-5,059
Total cash outflow	**-15,184**	**-5,979**

Patent Owner Evolution, EX2002, p. 97
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

NOTE 18. AUDITOR REMUNERATION

	GROUP		PARENT COMPANY	
	2021	2020	2021	2020
PwC				
Auditing assignments	-755	-546	-355	-291
Audit-related services, in addition to auditing	-26	-69	-14	-68
Tax advisory services	-54	-65	-12	–
Other services	-65	-84	-63	-68
Total	**-900**	**-765**	**-444**	**-428**

Of the Group's remuneration to auditors, EUR 492 thousand (458) pertains to Öhrlings PricewaterhouseCoopers AB. Fees to other audit firms amounts to EUR 173 thousand (96).

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 about 42 percent (43) of Total revenues. The Parent Company's revenue of EUR 19,175 thousands (9,405) 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 2021, 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 31 March 2023 (however not earlier than the day after the publication of the company's year-end report for the period January–December 2022, the "First Exercise Date") up to and including the date that falls 30 calendar days thereafter.

In total 4,000,000 warrants were subscribed, of which 71,350 were bought back during 2020-2021. If all 3,928,650 warrants are exercised for subscription of 3,928,650 shares, the dilution effect will be approximately 1.8 percent.

The recipients 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 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 49,770 were terminated or bought back in 2021. If all 3,899,105 warrants are exercised for subscription of 3,899,105 shares, the dilution effect will be approximately 1.8 percent.

The recipients 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.

	2020/2023	2021/2024
Exercise price, SEK	373.90	1,113.80
Grant date	27/02/2020	20/03/2021
Expiry date	30/04/2023	19/04/2024
Number of recipients	108	248
Total number of warrants subscribed	**3,928,650**	**3,899,105**

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

Patent Owner Evolution, EX2002, p. 98
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

(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 local currencies.

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

	REVENUES		EXPENSES	
	2021	2020	2021	2020
CAD	1.4%	1.9%	2.4%	3.5%
GBP	2.2%	2.5%	0.1%	0.4%
GEL	–	–	7.5%	9.2%
RON	–	–	4.1%	4.5%
SEK	–	–	6.5%	7.3%
USD	5.3%	2.5%	9.6%	11.1%

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 2021, the Group reported a loss in the income statement for exchange rate differences of EUR 3,553 thousand (-4,454).

(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	2021	2020
Non-current receivables	11,096	3,302
Accounts receivable	200,700	120,481
Tax receivables	142,320	137,735
Other current receivables	13,175	8,755
Accrued revenues	7,379	131
Cash and cash equivalents	421,432	221,675
Total	**796,102**	**492,079**

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

31 December 2020	Not due	1-30 days due	31-90 days due	91-180 days due	More than 181 days due	Total
Accounts receivable	88,903	20,060	7,921	801	2,796	120,481
Credit loss reserve	–	–6	–98	76	–2,680	–2,708

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 2021, there were past-due accounts receivable for which provisions had not been made of EUR 69,977 thousand (28,870). The Group has past-due accounts receivable for which provisions have been made of EUR 3,358 thousand (2,708). 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. The Group classifies past due receivables according to the applicable terms of credit and the credit arrangements that are de facto applied to manage the exposure to customers.

Patent Owner Evolution, EX2002, p. 99
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

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 796.1 million (492.1). 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.

Maturity structure financial liabilities

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**

31 December 2020	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 Ezugi	2,453	–	–	–	–
Debt compulsory redemption shares NetEnt	–	73,219	–	–	–
Lease liabilities	3,164	10,332	12,111	17,710	12,960
Jackpot liabilities	14,606	–	–	–	–
Accounts payable	15,335	–	–	–	–
Total	**35,558**	**83,551**	**12,111**	**17,710**	**12,960**

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.

Patent Owner Evolution, EX2002, p. 100
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

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.

Reconciliation of liabilities attributable to financing activities

			Non-cash items			Cash flow	
2021	Opening balance	Through acquisition of subsidiary	New 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**

		Non-cash items		
2020	**Opening balance**	**Acquisition**	**Cash flow**	**Closing balance**
Bank loan	5,619	184,732	-190,351	0
Lease liabilities	19,419	35,609	-5,059	49,969
Total	**25,038**	**220,341**	**-195,410**	**49,969**

Patent Owner Evolution, EX2002, p. 101
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

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 239.4 million (172.5).

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 2,188.5 million (1,834.3). 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 7.6 percent (10), 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 impaiment 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 BTG and DigiWheel are recorded as business combinations, meaning that Evolution has taken over personnel for management and operation of the acquired assets and liabilities.
Preliminary acquisition analysis have been prepared based on available information, review and assessment to ensure that Evolution's accounting principles are applied.

NOTE 23. ACQUISITIONS

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 have 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 realationships and game portfolio is estimated to be ten years.

DigiWheel
Evolution have 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, 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 attibutable 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**

Patent Owner Evolution, EX2002, p. 102
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

Purchase consideration	BTG	DigiWheel
Consideration paid, cash	79,970	1,000
Consideration paid, 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.

2020

On 24 June 2020, Evolution Gaming Group AB (publ) announced a recommended public offer to the shareholders of NetEnt AB (publ) to sell all their shares in NetEnt to Evolution in exchange for 0.1306 Evolution shares for each share in NetEnt. Following the closing of the offer on 30 November, Evolution holds a total of 237,689,754 shares in NetEnt, corresponding to approximately 96.8 percent of the total number of shares and 98.6 percent of the total number of votes in NetEnt. Evolution has initiated a compulsory buy-out procedure in accordance with the Swedish Companies Act (Sw: Aktiebolagslagen (2005:551)), for the purpose of acquiring the remaining shares not submitted in the offer. NetEnt is included in the consolidated financial statements from 1 December. Based on the share price in Evolution on 1 December, the purchase price amounted to EUR 2,280,204 thousand, of which EUR 73,219 thousand is debt for the compulsory redemption of the remaining shares. In addition to the non-cash issue, outstanding warrants in NetEnt's existing warrant program have been redeemed for EUR 8,271 thousand. According to the preliminary acquisition analysis, a non-tax deductible goodwill of EUR 1,793,537 thousand arose that is primarily attributable to the skills that NetEnt employees contribute and strengthened presence in important markets. The useful life for customer relationships, game portfolio and proprietary software is estimated to be ten years. The underlying currency of goodwill and excess values is SEK.

Fair value acquired net assets NetEnt	
Customer relationships	188,179
Brand	329,971
Game portfolio	161,056
Proprietary software	4,508
Other intangible assets	6,996
Right of use assets	15,657
Property, plant and equipment	6,457
Long-term financial assets	357
Accounts receivable	25,198
Other short-term assets	20,534
Accrued income and prepaid expenses	9,043
Cash and cash equivalents	56,540
Deferred tax liability	-35,931
Provisions	-1,218
Leasing liability	-14,676
Accounts payable	-10,311
Short-term liabilities, interest bearing	-184,732
Other short-term liabilities	-82,690
Total acquired net assets	**494,938**

Purchase consideration NetEnt	
Non-cash issue	2,206,985
Redemption outstanding warrants NetEnt	8,271
Debt compulsory redemption shares NetEnt	73,219
Total purchase consideration	**2,288,475**
Fair value acquired net assets	-494,938
Goodwill	**1,793,537**

Investing activities	
Additional purchase consideration Ezugi	-1,381
Redemption warrants NetEnt	-8,271
Expenses directly linked to the acquisition of NetEnt	-803
Cash and cash equivalents in acquired NetEnt entities	56,540
Effect on consolidated cash and cash equivalents	**46,085**

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

NetEnt's contribution 2020	
Operating revenue	17,819
Profit after tax for the year	-10,891

Profit for the year include acquisition and restructuring costs of EUR 19,386 thousand and amortisation of excess values of EUR 2,730 thousand.

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

Group 2020	NetEnt	Evolution	Group
Operating revenue	202,153	543,315	**745,468**
Profit after tax for the year	36,841	295,513	**332,354**

Profit for the year include acquisition and restructuring costs of EUR 19,386 thousand and amortisation of excess values of EUR 32,902 thousand.

Patent Owner Evolution, EX2002, p. 103
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

5-YEAR SUMMARY

Condensed consolidated income statements	2021	2020	2019	2018	2017
Total operating revenues	1,068,777	561,134	365,752	245,418	178,385
Total operating expenses	–414,773	–261,434	–208,280	–155,934	–111,504
Operating profit	**654,004**	**299,700**	**157,472**	**89,484**	**66,882**
Financial items	**–5,513**	**–1,018**	**–200**	**–158**	**–217**
Profit before tax	**647,491**	**298,682**	**157,272**	**89,326**	**66,664**
Profit for the year	**605,435**	**284,622**	**149,726**	**83,460**	**62,129**

Condensed consolidated balance sheets	2021	2020	2019	2018	2017
Assets					
Total non-current assets	**3,093,655**	**2,669,883**	**104,991**	**62,095**	**48,540**
Current receivables	387,980	277,554	146,649	93,611	69,526
Cash and cash equivalents	421,432	221,675	182,520	84,951	49,272
Total current assets	**809,412**	**499,229**	**329,169**	**178,562**	**118,798**
TOTAL ASSETS	**3,903,067**	**3,169,112**	**434,160**	**240,657**	**167,337**
Equity and liabilities					
Total equity	**3,190,950**	**2,726,171**	**280,897**	**162,270**	**109,881**
Non-current liabilities	341,987	74,744	15,552	5,619	7,259
Current liabilities	370,130	368,197	137,711	72,768	50,198
Total liabilities	**712,117**	**442,941**	**153,263**	**78,387**	**57,456**
TOTAL EQUITY AND LIABILITIES	**3,903,067**	**3,169,112**	**434,160**	**240,657**	**167,337**

Condensed consolidated cash flow statements	2021	2020	2019	2018	2017
Cash flow from operating activities	598,895	316,051	175,786	100,036	62,484
Cash flow from investing activities	–154,952	6,821	–42,524	–31,650	–22,387
Cash flow from financing activities	–248,516	–279,910	–36,054	–32,644	–16,935
Cash flow for the year	**195,427**	**42,962**	**97,208**	**35,742**	**23,163**
Cash and cash equivalents at year-end	421,432	221,675	182,520	84,951	49,472

Key ratios	2021	2020	2019	2018	2017
EBITDA margin	68.7%	59.2%	50.0%	43.9%	45.2%
Operating margin	61.2%	53.4%	43.1%	36.5%	37.5%
Profit margin	56.6%	50.7%	40.9%	34.0%	34.8%
Equity/assets ratio	81.8%	86.0%	64.7%	67.4%	65.7%
Average number of full-time employees	7,917	5,118	4,894	3,529	2,639
Full-time employees at year-end	8,987	6,825	5,554	4,319	3,085
Earnings per share basic, EUR	2.83	1.55	0.83	0.46	0.34
Equity per share, EUR	14.91	12.84	1.55	0.90	0.60
Operating cash flow per share basic, EUR	2.80	1.72	0.97	0.56	0.35
Quota value per share, EUR	0.003	0.003	0.003	0.003	0.003
Average number of outstanding shares, basic	213,714,575	183,927,915	180,737,305	179,851,885	179,851,855
Average number of outstanding shares, diluted	221,818,828	189,021,346	183,387,341	182,625,245	181,685,230
Number of outstanding shares	213,952,250	212,327,008	181,622,725	179,851,885	179,851,855

Patent Owner Evolution, EX2002, p. 104
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

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	
	2021	**2020**
Operating margin		
Profit before tax	647,491	298,682
Excluding net financial items	6,513	1,018
Operating profit (EBIT)	**654,004**	**299,700**
Divided by Total operating revenues	1,068,777	561,134
Operating (EBIT) margin	**61.2%**	**53.4%**
EBITDA and EBITDA margin		
Profit before tax	647,491	298,682
Net financial items	6,513	1,018
Depreciation/amortisation	80,646	32,513
EBITDA	**734,650**	**332,213**
Divided by Total operating revenues	1,068,777	561,134
EBITDA margin	**68.7%**	**59.2%**
Profit margin		
Profit for the year	605,435	284,622
Divided by Total operating revenues	1,068,777	561,134
Profit margin	**56.6%**	**50.7%**
Equity/Assets ratio		
Total equity	3,190,950	2,726,171
Divided by Total assets	3,903,067	3,169,112
Equity/Assets ratio	**81.8%**	**86.0%**

Patent Owner Evolution, EX2002, p. 105
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

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 face.

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 18 March 2022.

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 8 April 2022.

Our audit report was issued on 18 March 2022.
Öhrlings PricewaterhouseCoopers AB

Johan Engstam
Authorised Public Accountant

Patent Owner Evolution, EX2002, p. 106
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

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 2021 except for the corporate governance statement on pages 56-65. The annual accounts and consolidated accounts of the company are included on pages 50-106 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 2021 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 2021 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 56-65. 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

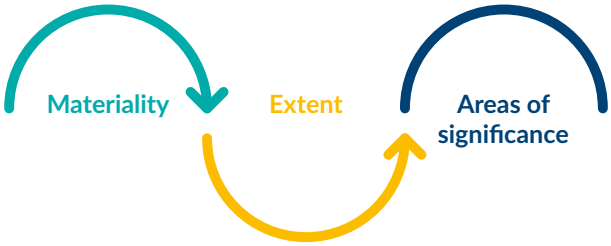
We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in 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: €30 million, which corresponds to about 5% of profit before tax
- Existence and accuracy of revenues
- Valuations in connection with the acquisition of Bigtime Gaming Pty 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.

Patent Owner Evolution, EX2002, p. 107
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

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.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €2 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Group materiality	**€30 million (2020 - €13 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.

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.

Patent Owner Evolution, EX2002, p. 108
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

Key audit matter	How the key audit matter was addressed in our audit
Revenue Revenues total € 1,068 million and refer primarily to revenues from the provision of internally developed online live casino gaming. 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 are not captured and that transactions are priced incorrectly. Accounting principles are found in Note 1.16. Further description of the revenues is found in Note 2.	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 correctness of the reported revenues. The audit activities performed have implied that we have, amongst other things: • 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 are reported in the correct period. • 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.
Acquisition of Bigtime Gaming Pty Ltd The acquisition of Bigtime Gaming Pty Ltd was finalised 30 June 2021. 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.	We have, during our audit, performed procedures on the companies purchase price allocation. The procedures include, amongst other things: • 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.

Patent Owner Evolution, EX2002, p. 109
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

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 1-49, 56-65, 104-105 and 114-115. The information in Evolution AB (publ)'s Remuneration Report 2021, 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 have 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

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 Gaming Group AB (publ) for the year 2021 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 organization and the administration of the company's affairs. This includes among other things continuous assessment of the

Patent Owner Evolution, EX2002, p. 110
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

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 Securitites Market Act (2007:528) for Evolution AB (publ) for the financial year 2021.

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 decribed 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, wheteher 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 Securitites 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 exptected 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 reasonable assurance engagement 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.

Patent Owner Evolution, EX2002, p. 111
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

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 carrrying 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 reasonable assurance engagement 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 technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 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 Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated income statement, statement of financial position, statement of changes in equity and the statement of cash flows.

THE AUDITOR'S EXAMINATION OF THE CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for that the corporate governance statement on pages 56-65 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 16 April 2021 and has been the company's auditor since 2014.

Stockholm 18 March 2022

Öhrlings PricewaterhouseCoopers AB

Johan Engstam

Authorized Public Accountant

Patent Owner Evolution, EX2002, p. 112
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

Patent Owner Evolution, EX2002, p. 113
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

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

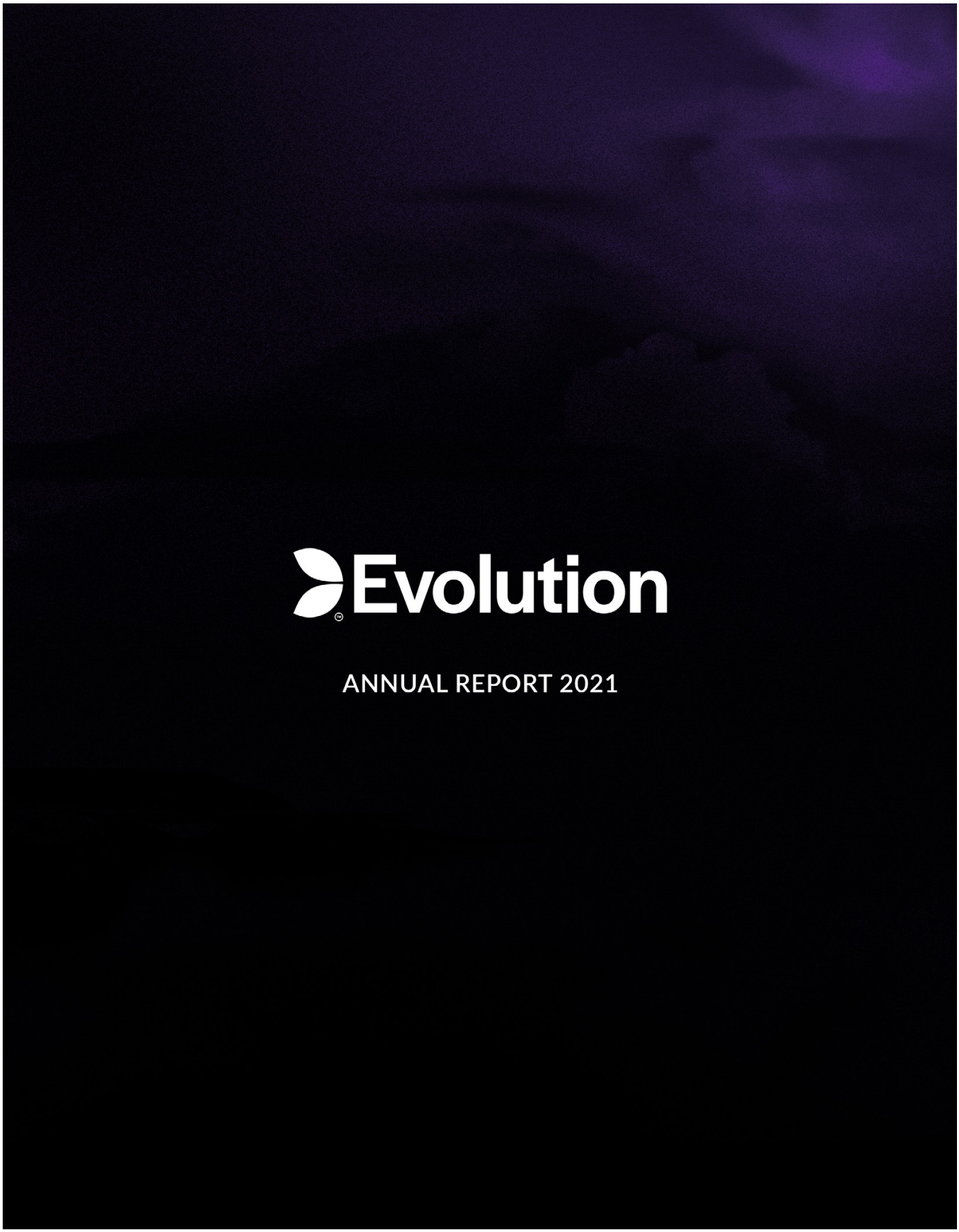
B2B	Refers to "Business-to-Business," i.e. business conducted between two companies with no private individuals involved.
B2G	Refers to "Business-to-Government," i.e. business conducted between a company and a government body with no private individuals involved.
Gross Gaming Revenue	Consists of the 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.

Patent Owner Evolution, EX2002, p. 114
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078

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, 2022 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 © 2022 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.

Patent Owner Evolution, EX2002, p. 115
Light & Wonder, Inc. v. Evolution Malta Ltd.
IPR2025-01078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