



Annual report 2016

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This is a translation of the original Swedish version. In the event of any discrepancies between the two versions, the original Swedish version shall take precedence.

THE LEADER IN LIVE CASINO

Evolution Gaming Group AB (publ) ("Evolution") is a leading B2B provider of Live Casino solutions. The company's core portfolio consists of seven games – Live Roulette, Live Blackjack, Live Baccarat, Live Casino Hold'em, Live Three Card Poker, Live Caribbean Stud Poker and Live Ultimate Texas Hold'em – offering the operators' end users an interactive experience that feels like playing in a real casino. Evolution has over 100 customers including the majority of Europe's largest gaming operators. The Group has about 3,500 employees, most of whom are located in Latvia and Malta. Evolution's vision is to be the leading Live Casino provider in the world.

Product Portfolio



Live ROULETTE



Live BLACKJACK



Live BACCARAT



Live CASINO HOLD'EM



Live THREE CARD POKER



Live CARIBBEAN STUD POKER



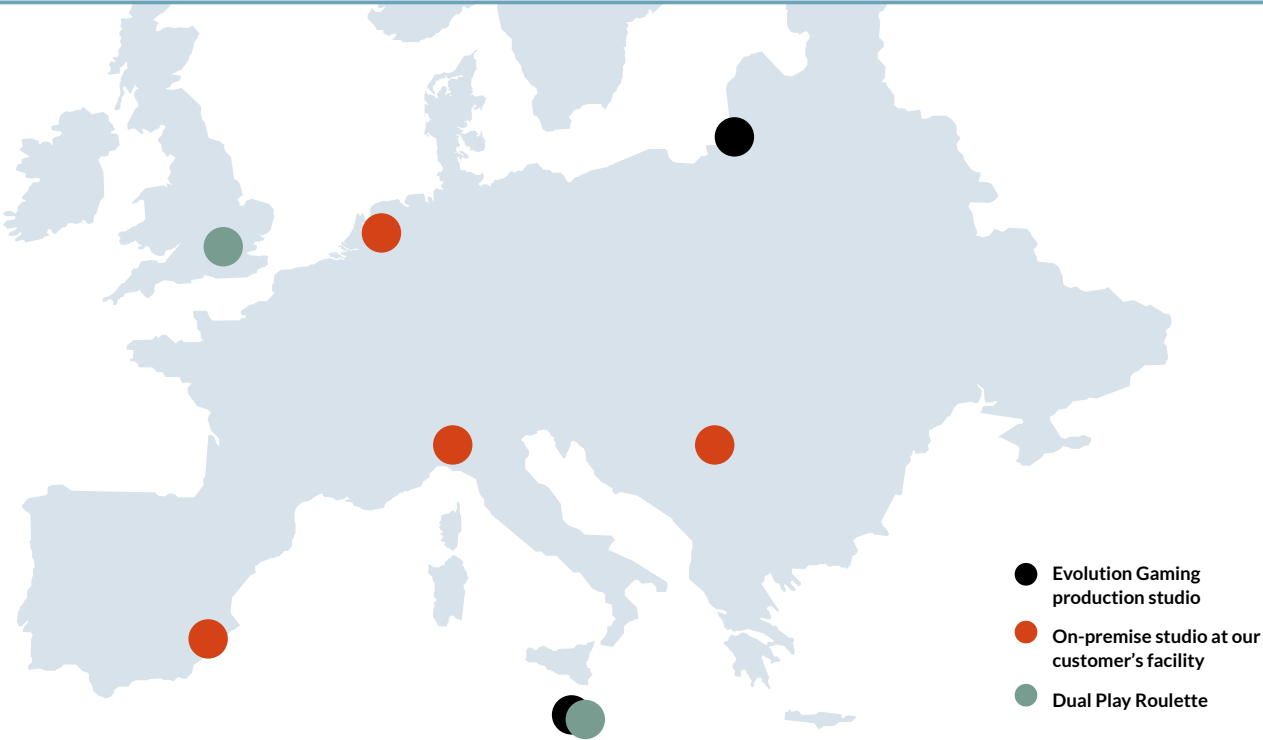
Live ULTIMATE TEXAS HOLD'EM
- New game 2016



Live Casino

In Live Casino, a dealer runs the game from a casino table which is streamed in real time. End users, i.e. the players, make betting decisions on their desktop, tablet or smartphone and are able to communicate with the dealer using a text chat function.

Evolution studios and installations



THE YEAR IN BRIEF

- Revenues amounted to EUR 115.5 million and EBITDA was EUR 44.6 million
- The EBITDA margin was 39 percent
- Earnings per share amounted to EUR 0.88
- The Board proposes a dividend of EUR 0.45 per share

2016 highlights

Extended co-operations with large amount of existing customers

Throughout the year, Evolution worked in close collaboration with a large number of existing customers to expand and refine their Live Casino offerings; from new environments to additional tables and games. At year-end, Evolution had more than 300 tables live in its studios across Europe.

Launch of Ultimate Texas Hold'em

In January, Evolution signed an agreement with Scientific Games to be able to exclusively offer a Live Casino version of Ultimate Texas Hold'em, one of the world's most popular Texas Hold'em games. The game was launched in the autumn and further strengthened Evolution's market-leading range of live poker games.

Dedicated on-premise studio for Napoleon Games in Belgium

In February, Evolution expanded its partnership with Napoleon Games in Belgium through a dedicated live studio in Napoleon's premises in Aalst. Napoleon Games is one of the leading operators in the regulated Belgian gaming industry with both a strong online and land-based presence.

Partnership with The Ritz Club in London

An important milestone in Evolution's offering to land-based casinos was reached in August, when Evolution entered a partnership with The Ritz Club, one of the world's most exclusive casinos and private members' clubs. Through the agreement, Evolution has launched an exclusive Live Casino service for The Ritz Club comprising an on-premise Dual Play Roulette table.

Dual Play Roulette for The Hippodrome Casino

In August, Evolution entered an agreement with The Hippodrome Casino in London including an on-premise Dual Play Roulette table sited within Lola's, The Hippodrome's underground casino.

New studio in Romania

In September, Evolution launched Romania's first certified Live Casino studio at Grand Casino Bucharest in partnership with iSoftBet. The launch was in line with Evolution's strategic focus on new regulated markets and offers the country's operators a world-class Live Casino service.

Agreements with several leading operators

During the year, Evolution entered agreements with several key operators in Europe, such as Olympic Entertainment Group, BetConstruct, Aspire Global and Cherry. In total, Evolution now has more than 100 customers.

Seventh consecutive win in EGR Live Casino Supplier of the Year

At the EGR B2B Awards in June, Evolution was named the Live Casino Supplier of the Year for the seventh year in a row. Evolution has won the award since it was first presented in 2010.

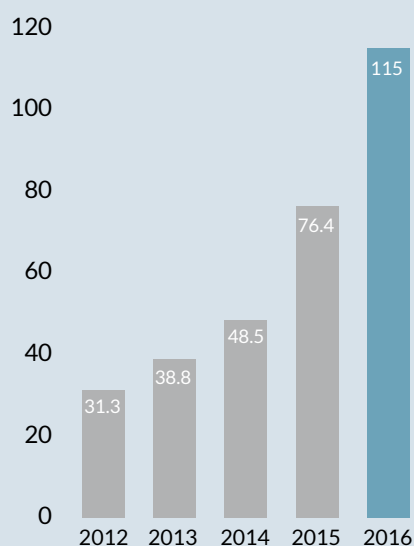
The year in figures

EBITDA

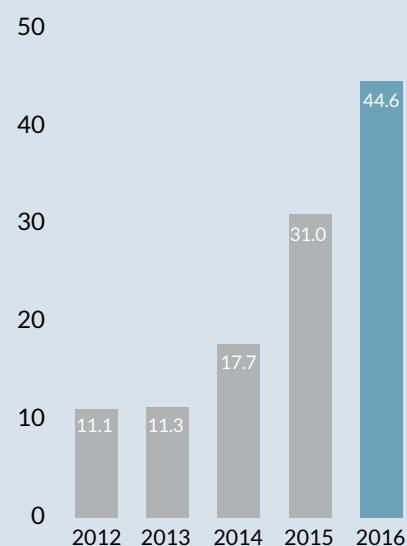
44.6
EUR MILLION

+44%

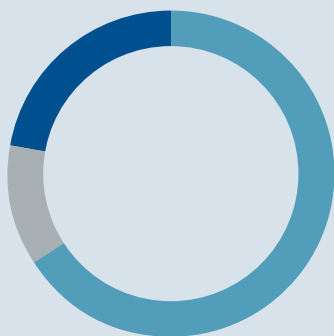
TOTAL OPERATING REVENUES (EUR MILLION)



EBITDA (EUR MILLION)



COST STRUCTURE



- Personnel costs 66%
- Depreciation, amortisation and impairment 12%
- Other operating expenses 22%

KEY RATIOS

Group (EUR thousands)	2016	2015	%
Operating revenues	115,461	76,359	51%
EBITDA	44,624	31,020 ¹	44%
Operating profit	34,864	25,075 ¹	72%
Profit for the year	31,740	20,028 ²	37%
Revenue growth compared with previous year	51%	57%	-
EBITDA margin	39%	41%	-
Operating margin	30%	33%	-
Earnings per share (EUR)	0.88	0.65 ²	35%
Equity per share (EUR)	1.78	1.22	46%
Operating cash flow per share (EUR)	1.15	0.66	74%
Average number of FTEs	1,859	1,156	61%

1) Adjusted for non-recurring IPO expenses of EUR 4.0m

2) Adjusted for non-recurring IPO expenses and taxes associated with these expenses

2016 – INTEREST IN LIVE CASINO AT A RECORD HIGH

Demand for Live Casino beat all records in 2016. Existing and new customers are making major investments in their offering and Evolution has launched more tables and environments than any previous year. 2016 was also the year that we saw a major breakthrough for our offering to land-based operators.

Major operator investments in Live Casino

During the year, we gained many new customers, both well-established and smaller operators, while we also experienced continued strong demand for more tables and products from our existing customers. We also launched two new studios – one in Belgium and one in the newly regulated Romanian market. All in all, this entailed a resource-intensive expansion which in every way proved our operational capacity, and has laid the foundation for continued leadership in the market.

Dual Play leading the way

We have long talked about the possibilities of land-based casinos offering their services online – and Live Casino is the natural bridge between land-based and online play. In 2015, we planned for a more rapid development of this online migration with the launch of Dual Play Roulette – an on-premise Roulette table at a land-based casino where players can also play online – and the major breakthrough for the product came in 2016. We are very proud to have welcomed the world-reputed London-based casinos The Ritz Club and The Hippodrome Casino as customers. We have a strong belief in the long-term potential in the land-based segment, and in 2017, we will continue our focus on a first-class offering including the launch of Dual Play Baccarat.

Cutting-edge product innovation

Dual Play is an excellent example of how Evolution identifies needs in the market and develops world-class products. In 2016, we put great focus on refining and expanding our game portfolio, and one of the foremost activities was the launch of an exclusive live version of Ultimate Texas Hold'em, which we own the exclusive rights to offer globally. I would also like to emphasise the roll-out of our new Live Lobby, which makes it easier for the players to find their favourite table and game.

Mobile offering a must

Evolution's mobile offering continued to demonstrate strong growth throughout the year – the gaming revenues over mobile units accounted for 41 percent of the total gaming revenues generated by Evolution's platform. This is an unparalleled development that clearly shows that a complete mobile offering is a must for today's users, who are becoming more and more mobile and who use several different mobile devices. There is a large difference between games on the desktop and a smartphone – a smaller screen places major demands on user friendliness and quality. Given this growth, I can confirm that we have succeeded well in our ambition to provide a market-leading mobile offering.

An exciting year awaits

The start of 2017 has been positive and it will be another intense and exciting year for Evolution. Among other things, we will launch an entire new game category – Lucky Wheel. The first game to be launched is Dream Catcher, inspired by popular entertainment shows. At the same time, there is a continued regulation trend in the European market, and we will continue working according to our strategy of establishing ourselves in new markets early. Besides a focus on the commercial possibilities, we have also prepared the company to change the listing to Nasdaq Stockholm during the year, partly by strengthening both the Board and management team.

I would like to thank all customers and shareholders for the past year and hope that you will continue to follow us in our future journey.

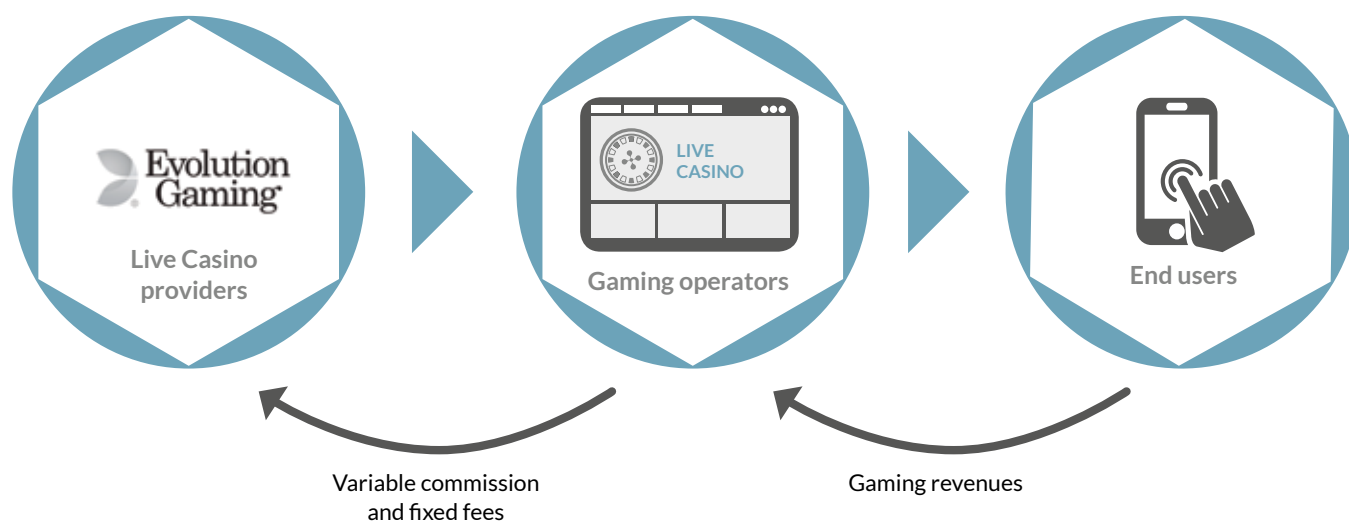
Martin Carlesund
CEO

”

Given this growth, I can confirm that we have succeeded well in our ambition to provide a market-leading mobile offering.

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 Live Casino segment in Europe.



Business model

Evolution develops, produces, markets and licenses fully integrated Live Casino solutions to gaming operators. The gaming operators then market the products to their end users. Evolution’s customers include the majority of the most prominent online gaming operators in Europe, as well as a growing number of land-based casinos that have begun offering games online. The five largest customers accounted for approximately 47 percent (52) of revenues in 2016.

Mission and vision

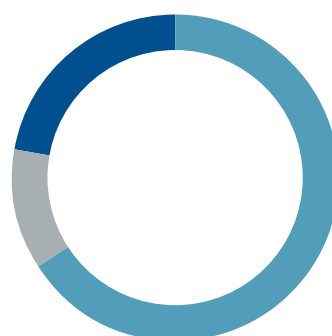
Mission

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

Vision

To be the leading Live Casino provider in the world.

COST STRUCTURE



- Personnel costs 66%
- Depreciation, amortisation and impairment 12%
- Other expenses 23%

Medium to long-term objectives

Revenue growth

To grow faster than the total European Live Casino market

- ✔ Outcome 2016: 51 percent compared with 30 percent for the market

Profitability

Sustainable EBITDA margin of at least 35 percent

- ✔ Outcome 2016: 39 percent

Dividend policy

To distribute a minimum dividend of 50 percent of net profit over time

- ✔ Outcome 2016: Proposal of 51 percent

PROFITABILITY

35%

DIVIDEND POLICY

50%

”

Through commission, Evolution gains beneficial exposure to the general growth of the European Live Casino market.

Revenue model

The agreements between Evolution and its customers are based on a selected service level and number of tables. 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.

The majority of Evolution's revenues consist of commission fees and fixed fees for dedicated tables, which are paid monthly by operators.

Commission is calculated as a percentage of the operators' winnings generated via the company's Live Casino offering. Through commission, Evolution gains beneficial exposure to the general growth of the European Live Casino market.

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 Live Casino offering.

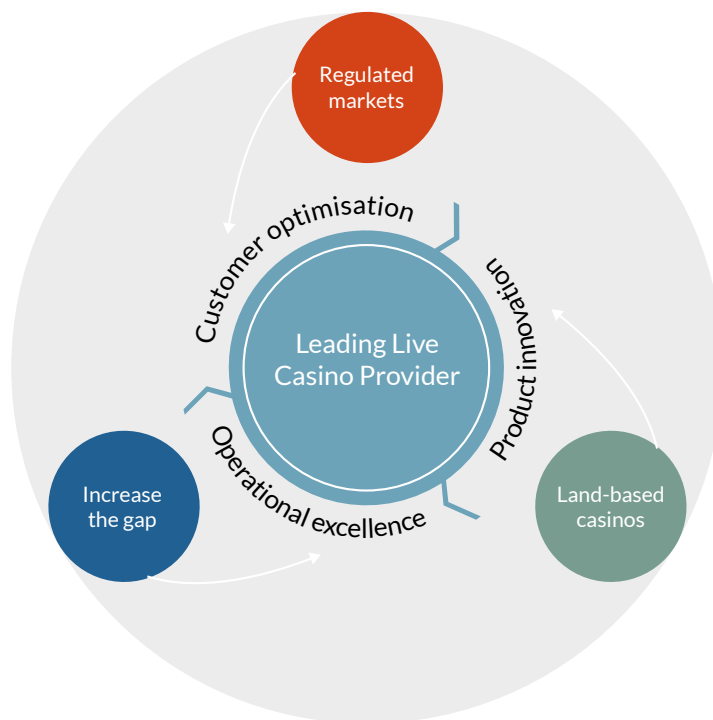
Cost structure

Evolution's largest cost items are personnel costs and costs relating to facilities and production studios. Personnel costs are primarily related to our staff and recruitment within operations, as well as IT and product development.

The cost of adding an additional gaming operator to the company's Live Casino platform or expanding an existing customer's offering varies depending on the extent of the agreement. Normally, Evolution is able to utilise existing studios and tables to keep the levied charge relatively low. Set-up fees cover some of the cost for new studios and environments.

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.

STRATEGY FOR GROWTH



Core areas

Evolution shall continue to strengthen its leading position in the European Live Casino market, and in the long term other geographic markets, with a clear focus on activities that promote the operations and the offering. The company notes that the greatest growth derives from an increased share of the operators' total revenue from casino services that stem from Live Casino, as operators invest increasing resources in their live offering.

The company has three core areas that are considered particularly important to further widening the lead over other players in the market and laying a solid foundation for continued growth.

1

Product innovation

Evolution strives to continuously improve its offering while, at the same time, developing the entire Live Casino market by means of cutting-edge product innovation. Since its inception, the company has successfully launched innovative games and solutions that are attractive both to operators and their end users. An important part of the strategy is mobile development and all of Evolution's games are available on tablets and smartphones. During 2017, particular focus will be put on the introduction of the new game category Live Lucky Wheel, which partly may introduce new types of players to live. The first game launch will be Dream Catcher, inspired by popular entertainment shows.

DEVELOPMENT 2016:

- Launch of Live Ultimate Texas Hold'em
- Launch of Live Baccarat Control Squeeze

2

Customer optimisation

Through its existing portfolio of customers, Evolution enjoys considerable opportunities to further develop, expand and refine each operator's Live Casino solution. Given the strong growth of the Live Casino market, an increasing number of operators are choosing to broaden their offerings and invest in dedicated environments. Using the analysis of game data, Evolution optimises each individual environment to that specific customer's condition and needs with the aim of strengthening the loyalty between the operator and the end user. With its technical expertise, Evolution also develops solutions that strengthen end user engagement through an optimal user experience supported by cross sales between different game segments.

DEVELOPMENT 2016:

- Record in dedicated environments and studios
- New Live Lobby for improved end user experience

3

Operational excellence

Evolution's market-leading position is mainly based on the competitive advantage that derives from the company's operational excellence in offering Live Casino solutions since 2006. Live Casino is a highly complex product and, to function, it requires effective collaboration between people and systems. Over its years in business, Evolution has been able to amass a collective body of experience that is unique among suppliers in Europe. The company has a sophisticated platform that simultaneously handles software, hardware, video, employees and user data. The platform provides scalability and allows Evolution to expand with new studios without having to replicate software locally.

DEVELOPMENT 2016:

- Record high number of newly launched tables
- New studio in Romania
- Largest amount of players and bets during a single year



Focus areas

Both the total online gaming market, as well as the market for Live Casino are constantly evolving. Evolution is continuously exploring new opportunities to grow and fulfil its vision to be the global leader in Live Casino. From a strategic perspective, the company has identified a number of focus areas that are considered particularly important to work with in the short-term.

Increase the gap

As Live Casino has grown in popularity, more providers have launched live products. Evolution has a big lead and aims to keep its growth momentum and continue to expand its leading position in the European Live Casino market. This is done by a clear collaboration between the company's different units, where product development, sales and marketing and the operational departments work closely together to offer the best possible product. According to Evolution's assessment, the company has strengthened its market share in 2016 and sees clear possibilities to continue to increase the gap in the coming years.

Regulated markets

Several countries have regulated or re-regulated their gaming markets in recent years – a trend that is expected to continue. When a market is regulated, new end users explore different casino games and naturally tend to become aware of Live Casino, which is adapted to local markets, with dealers who communicate in users' own languages. Consequently, for gaming operators, Live Casino is an important product in new markets. Evolution's stated strategy is to be the first Live Casino provider in regulated markets and it has successfully entered countries including Italy, Denmark, Spain, Belgium and Romania. The company's strong performance demonstrates the positive impact, in terms of earnings and growth, that establishing operations early entails. Evolution will continue to prioritise new markets in Europe, and in other parts of the world over time.

Land-based casinos

Traditional land-based casinos constitute a large part of the total casino market. These players often have strong brands and loyal customers, many of whom are high rollers. At the same time, growth for land-based casinos is low and an increasing number are seeking to migrate online to be able to grow their business. In cases like these, Live Casino can be seen as the natural bridge connecting land-based and online operations. Evolution aims to be the self-evident partner for land-based casinos seeking to expand online. Currently, the company has land-based casino customers in Italy, Spain, Belgium, UK and Romania. In Evolution's assessment, demand from land-based casinos will increase over the coming years.

MARKET

Live Casino continues its strong performance in the European online gaming market.

Gaming market in Europe

According to market estimates from H2GC, the total European gaming market had an estimated value of EUR 97 billion (93) in 2016, measured in gross gaming revenues. Roughly 80 percent (81) of this figure comprised land-based gaming, primarily via monopolised state-owned lottery operations and land-based casinos.

The market for online gaming has grown significantly faster than the total gaming market in recent years. Between 2009 and 2016, online gaming achieved annual growth of around 13 percent compared with just 2 percent for the market as a whole.

This strong growth has been fuelled by underlying factors, which mainly include various kinds of technical advances. An increasing number of Europeans now have constant access to the internet, both via desktop computers and mobile devices, while there has been a substantial increase in data capacity. This has paved the way for higher-quality gaming experiences, which have attracted

more players. Improved payment solutions and increased regulation have also boosted confidence and led to more players feeling secure about playing online.

Online casino has been one of the fastest growing segments in the market for online gaming, with annual growth of 15 percent between 2009 and 2016. Evolution operates within Live Casino, which in turn is the fastest growing segment within online casino, with an annual growth rate of 34 percent in the same period.

In 2016, the online gaming market grew by 13 percent (8) and the total gaming market by 5 percent (2).

Live Casino

According to H2GC, the European Live Casino market had an estimated value of EUR 1,261 million (972) at the end of the year, representing growth of 30 percent (19) compared with 2014.

As for the overall online gaming market, technical progress and new distribution channels,

Regulation

The gaming industry in Europe and within the EU is regulated at national level, and there is as yet no common European or international gaming legislation. This situation is not expected to change over the next few years. 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 EU country offer games in other member states. An increasing number of

European countries have therefore introduced national regulations. This means that gaming operators, and in some cases even providers, must apply for country-specific licences, pay local taxes and be subject to national monitoring. Regulation is an important growth factor for the Live 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 to affect the company indirectly. The Dutch and Swedish markets are assessed to be closest in time to new regulation.

but above all, strong demand from the gaming operators and their end users were behind this growth. Live Casino has traditionally been an add-on product in operators' online casino interfaces, but it has now become an integrated and strategically highly important product. Since online gaming can be perceived as relatively generic between different operators, Live Casino offers considerable opportunities to completely customise both the backdrop and content, providing a unique experience for both operators and end users.

The growth of Live Casino is also underpinned by new regulated markets. Live Casino has proven to be a product that is well suited to recently regulated markets, where interaction with people who speak your own language builds trust among end users.

The development among land-based casinos to expand their offering online also contributed to the strong growth for Live Casino.

Evolution estimates its market share in Europe to be between 50 and 60 percent in 2016.

Competition

The Live Casino market in Europe is fragmented, but its strong trend has encouraged more systems providers to develop Live Casino solutions. The barriers to entry are relatively low, while the barriers to success are much 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. Evolution's market positions and industry-leading platform therefore means that the company primarily encounters competitors offering operators an entire portfolio of casino products, of which Live Casino is only part of the offering. To date, Evolution has not lost any customers to another niche provider of Live Casino.



TEN YEARS OF INNOVATION AND LIVE EXPERIENCES

In 2016, Evolution Gaming celebrated 10 years as a pioneer in Live Casino. 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, more than 300 tables in studios and environments in seven countries and with game experiences for all types of end users – from high rollers to mass market.

SOME HIGHLIGHTS IN THE HISTORY OF EVOLUTION:

2006

Evolution is founded and launches Live Roulette, Live Blackjack and Live Baccarat from a production studio in Riga.

2007

First licence agreement is signed with Gala Coral, followed by Rank, Expekt, Victor Chandler and William Hill.

2009

An operator moves its Live Casino offering to its website's top navigation and the popularity among end users increase fast. A larger production studio is built in Riga to meet the growing demand and to make it possible to launch additional games.

2010

Evolution wins Live Casino Supplier of the Year for the first time and is named Rising Star Software Provider at the EGR B2B Awards in London.

2011

Evolution becomes the first Live Casino provider to be certified in the newly regulated Italian market. The company moves to a larger studio in Riga and starts streaming in HD quality.

2012

Evolution becomes the first Live Casino provider to be certified in the newly regulated Danish market. The company's fourth core game Live Casino Hold'em is launched.

2013

Live Casino games for smartphones and tablets are launched. Evolution becomes certified and starts to offer games from a land-based casino in the Spanish market.

2014

The new core game Live Three Card Poker is launched and a new production studio is opened on Malta for the company's international dealer teams. Immersive Roulette is named EGR Game of the Year.

2015

The new core game Live Caribbean Stud Poker is launched, as well as Dual Play Roulette which becomes a key product in the marketing to land-based casinos. A satellite studio is opened in Belgium to serve the newly regulated Belgian market. The company's shares are listed on Nasdaq First North.

2016

Evolution wins EGR Live Casino Supplier of the Year for the seventh consecutive year. The new core game Live Ultimate Texas Hold'em is launched. A new satellite studio is opened in Romania and Dual Play Roulette tables are launched at two casinos in London. In total, Evolution now has more than 100 customers and 300 live tables.



Evolution's expansion to regulated markets

- 2011 Italy
- 2012 Denmark
- 2013 Spain
- 2015 Belgium
- 2016 Romania

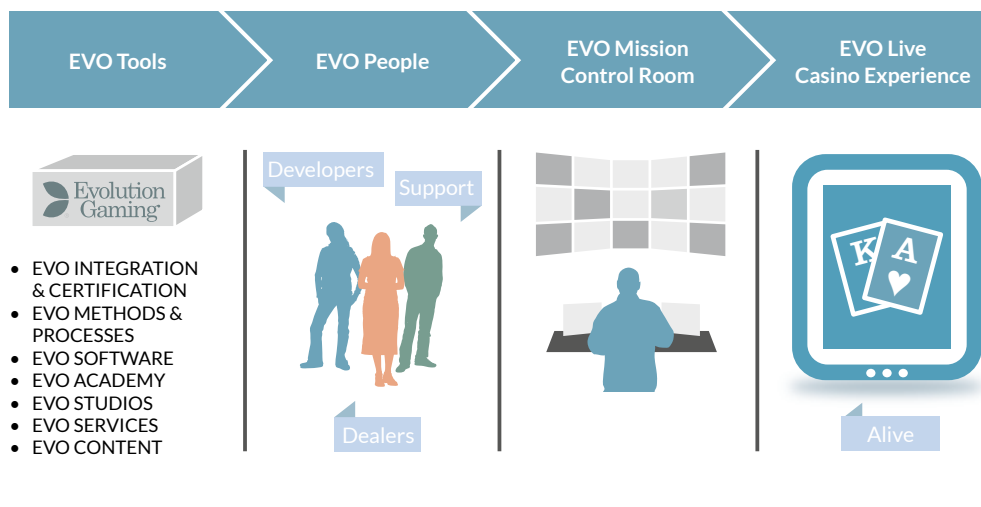
Evolution's game launches

- 2006 Live Roulette, Live Blackjack, Live Baccarat
- 2012 Live Casino Hold'em
- 2014 Live Three Card Poker
- 2015 Live Caribbean Stud Poker
- 2016 Live Ultimate Texas Hold'em

OPERATIONS

Evolution offers a market-leading Live Casino platform that simultaneously handles hardware, software, video, employees and user data, giving the end user a unique gaming experience.

Evolution's platform – The EVO system



From live to alive

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 dealers and other staff to content, streaming, production, supervision, customer services and follow-up.

All operational activities, including the company's on-premise studios throughout Europe, are monitored by the company's Mission Control Room, which is based at the production studios in Latvia and Malta. For end users, a Live Casino game from Evolution's platform should feel like more than just a game on a computer or mobile phone – it should be the most realistic gaming experience available online.

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 2016, system availability was 99.83 percent, excluding scheduled maintenance.

Studios

Production studios Evolution has two production studios – one in Riga, Latvia, and one in Luqa, Malta. Most of the operations are conducted in Riga, with primarily English-speaking dealers serving both generic and dedicated tables. In Malta, there are mainly international dealer teams serving regulated markets such as Denmark and Italy. Together they provide over 300 tables for Evolution's customers.

The studios have a modular design to enable a high level of flexibility and allow tables to be quickly rearranged and used according to demand. This is particularly useful when operators upgrade from a generic to a dedicated environment, as Evolution can isolate the new environment from the generic one.

Since demand for dedicated tables has increased sharply, in 2015, Evolution decided to acquire the company that owns the studio property in Riga. The property has some 10,800 square meters of floor space and the acquisition thus ensures continued expansion and faster delivery.

Satellite studios Besides the production studios, Evolution also operates three satellite studios in Belgium, Romania and Spain. They have been built to meet the national gaming regulations requiring a land-based presence in each market. In Belgium, the studio is located at Casino de Spa and serves most of the country's operators with online casino licences. The dealers speak French and Flemish. In Spain, the studio has been built at Grand Casino Murcia with one generic Roulette table. Roulette is the only live game permitted in Spain. The studio in Romania was built at the Grand Casino in Bucharest in 2016 and offers Evolution's games to the newly regulated market.

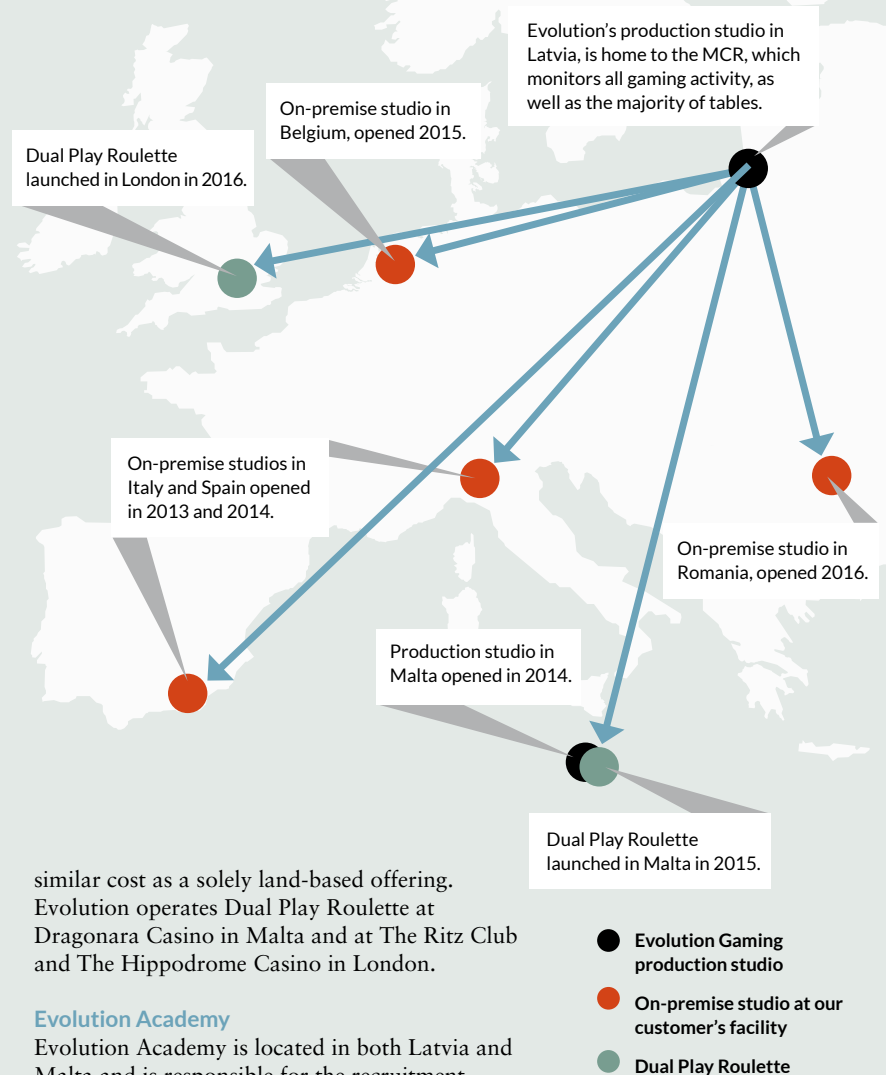
On-premise studios at customers The company also operates on-premise dedicated studios for customers in Italy and Belgium.

The studio in Italy has been built for the Casinó Campione d'Italia as a strategic tool for expanding the casino's offering to also include online activities. The studio has been built inside the casino itself and can be seen by all visitors, but games take place via the casino's website, which has been integrated with Evolution's platform.

In 2016, Evolution built a studio for Napoleon Games on their premises in Aalst, Belgium. Napoleon Games is one of the leading operators in the regulated Belgian gaming industry with both a strong online and land-based presence. With this studio, Napoleon can offer its players a tailor-made offering in line with its strong brand.

Dual Play Roulette at customers' facilities

Since 2015, Evolution has offered Dual Play Roulette to land-based casinos that want to expand their online offering. At a Dual Play table, players online and at the casino can participate in the same game, providing the casino advantageous online exposure at a



similar cost as a solely land-based offering. Evolution operates Dual Play Roulette at Dragonara Casino in Malta and at The Ritz Club and The Hippodrome Casino in London.

Evolution Academy

Evolution Academy is located in both Latvia and Malta and is responsible for the recruitment, initial and ongoing training of all gaming personnel – from dealers to card shufflers and customer service personnel. The Academy is set up just like a real Live Casino studio, to provide camera training that is as realistic as possible.

Mission Control Room

Mission Control Room (MCR) is the heart of Evolution's operations. MCR is responsible for ensuring operational excellence, system availability, security and regulatory compliance. All active games at all studios run by the company are monitored and controlled 24 hours a day, in real time – often with thousands of simultaneous gamers. Key areas that are monitored include equipment, dealers and gaming patterns – all with the aim of optimising security and providing protection against fraud. MCR's central hub is based at the production studio in Latvia. A secondary MCR has been built in Malta as part of the company's continuity planning. MCR ensures the scalability of Evolution's business, as all studios can be monitored from one place.

16 Operations

Customised services

The Live Casino product is a strategically important tool for operators that 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. Even smaller operators, who have historically used generic shared tables, have begun to seek more customised content to a greater extent. 2016 was a record year in terms of growth of the dedicated offering.

Distribution channels

Evolution offers end users simple access to Live Casino games via all major platforms. Most end users still play via their desktop, but mobile devices such as smartphones and tablets are gaining popularity and are expected to become the largest platform. In 2016, about 41 percent (27) of gaming revenues were generated via Evolution's platform through mobile devices. All mobile games are built in HTML5 to ensure smooth integration with the operator's mobile websites and apps.

Continued success on smartphone

In 2016, about 41 percent of gaming revenues were generated via Evolution's platform through mobile devices. For many of the customers, penetration was over 50 percent. This growth clearly shows how a first-class mobile Live Casino product gets the end users to play regardless of where they are and when they have an opportunity to play.

Evolution has the market's largest selection of Live Casino tables available over tablets and smartphones, with the games optimised for each unit's screen size, connection and operating system. In 2016, a new user interface was launched that was developed with mobile use in focus, for example with mobile direct deposits during the course of the game so that the player does not lose his or her place at the table. Another improvement is the Deal Now button, which confirms that the player is done betting, and therefore increasing the pace of the game.



Product Portfolio



Live ROULETTE

A classic that has been part of Evolution's offering since inception. A dealer throws a ball against the rotational direction of the wheel and the end user bets on a number, colour or combination of both. In addition to the original game, Evolution offers several derivatives, that is, variations on the core game, such as Immersive Roulette and Double Ball Roulette, which was launched in 2016. Roulette is Evolution's biggest game in terms of revenues generated.



Live BLACKJACK

Another classic in which the end user tries to get a hand of cards that adds up closer to 21 than the dealer's hand. Blackjack is the only game in Evolution's selection that is not fully scalable in its original form, with a maximum of seven end users per table. Consequently, Evolution has launched Bet Behind, where additional end users can participate by betting on those sitting at the table. Blackjack is Evolution's second largest game in terms of revenues generated and is available in several derivative formats, including Blackjack Party.



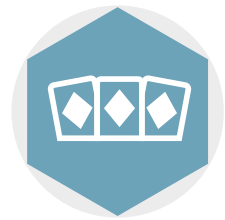
Live BACCARAT

Baccarat is the most popular card game at land-based casinos in Asia and is rapidly gaining popularity in Europe as well. End users bet on whether their own hand or the dealer's comes closest to 9, or if the outcome is a tie. Evolution offers the market's most casino realistic Baccarat experience with bean-shaped tables, dark cards, roads and the squeeze.



Live CASINO HOLD'EM

A fully scalable variant of the highly popular poker game Texas Hold'em, in which the end user plays against the dealer. The aim is to achieve the best possible five-card hand based on two of your own cards and five community cards.



Live THREE CARD POKER

A variation on poker, where the end users play against the dealer with just three cards each. The game suits both novices and experts, owing to simple rules and an exciting pace. There are a number of side bets to the game, including Six Card Bonus Bet, which gives end users the opportunity to win up to 1,000 to 1.



Live CARIBBEAN STUD POKER

Caribbean Stud Poker is a specialty table game that is very popular at land-based casinos worldwide and, among major providers, Evolution is alone in being able to offer the live version in Europe. End users play against the dealer and the highest five-card hand wins.



Live ULTIMATE TEXAS HOLD'EM – New game 2016

Launched as Evolution's seventh core game during the year, this is the only available Live Casino version of the world's most popular Texas Hold'em game where players play against the house. The goal is to get the best five-card hand based on two of your own cards and three of five community cards.

LAND-BASED CASINOS GO ONLINE

2016 was the year that the casino market seriously began to converge, with several land-based casinos having launched new offerings online to their customers. For Evolution, cross-border services have been in focus for many years.



Previously, mobile gaming was considered to be an activity usually performed on the go, but today gaming sessions on smartphones and tablets look almost the same as on a desktop.

Clear strategy crucial to succeed online

At the beginning of Evolution's history, the customer list only consisted of online operators. However, for the past few years, several high-profile land-based casinos have joined – and they are not only looking for an extra income stream. Instead, they take a strategic view of the opportunities of maximising customer value and loyalty both physically and online.

Land-based casinos are usually said to have two crucial assets: their brand and their VIP players.

Enticing their players to also play online demands a clear strategy. It is above all based on not treating land-based and online play as two separate phenomena – either by letting them complement each other in various ways, or even better, by simply seeing it as two aspects of one complete and seamless service. There are many signs that the latter is happening, such as by payments of winnings at the land-based casino being able to be made to the player's online account. In terms of the brand, it is absolutely crucial that the online offering forms an extension of the land-based experience.

Dual Play Roulette and dedicated environments

Evolution's Dual Play Roulette has been developed with this in mind. At a Dual Play Roulette table, the online players are given the opportunity, regardless of where they are, to play at the same table as the players at the actual casino. At the same time, the visitors to the land-based casino can play online with the same dealer as they are accustomed to meet at the table.

Live Casino is the natural bridge between land-based and online, and with Dual Play, Evolution has developed a product that lets the land-based casino explore its online potential at the lowest possible cost. The maths are simple: Dual Play provides higher revenue at the same cost and a possibility to build even stronger loyalty to the most important customers.

Dual Play is a solution that suits many land-based casinos – but Evolution can offer much more for the segment. One example is the dedicated environments in Riga for Genting Casino and Crockfords, which in cooperation with their design team were built to capture the unique setting of these casinos down to the smallest detail. Another example is Grosvenor, which introduced brand ambassadors to keep their online team in Malta updated on what is happening in the land-based facilities in the UK.

On-premise studios

Convergence was a main theme in 2016, but Evolution has offered its services to land-based casinos for a longer period of time. The company's first land-based installation was Ruleta En Vivo at Gran Casino Murcia, which was built in 2013 to meet new demands of physical presence in the Spanish gaming market. The following year, a studio was built at Casinó Campione d'Italia – an initiative entirely driven by a strategic decision to strengthen its digital presence and at the same time to market its land-based offering. In July 2015, it was time for another milestone when Evolution opened a studio at Casino de Spa in Belgium, with the majority of the country's A licensed online casino operators as customers.

Road ahead

Evolution's experience of offering customised services to the land-based gaming sector, including the great interest that Dual Play Roulette has encountered on the market, means that convergence will continue to be a central theme for Evolution moving ahead. Land-based casinos are still facing many challenges, mainly to get more online players to visit the land-based facilities. Cross-border services, especially with a focus on Live Casino products, will play a key role in their continued development and future growth.



CUSTOMERS

Evolution's customer portfolio includes the majority of Europe's largest online operators 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 as more countries become regulated. New customers in 2016 included The Ritz Club, The Hippodrome Casino, Cherry and Olympic Entertainment Group as well as new platform cooperation with Aspire Global and BetConstruct.

A selection of customers





Customer portfolio

Evolution’s customer portfolio comprises online operators and land-based casinos. The online operators can be divided into sportsbook operators and online gaming operators. Sportsbook operators focus primarily on games and betting on various sports, but they also offer casino products, where the conversion between Live Casino and live odds is high. Sportsbook operators often run successful campaigns and specific activities within the framework of their live offerings in connection with major sports events.

To differentiate the offering, online gaming operators often provide a broad portfolio of RNG games, such as slots and casino games, with Live Casino comprising a significant share.

The land-based casinos have begun to a greater extent to expand online and Evolution strives to be the natural partner in this movement. At the end of 2016, Evolution’s customer portfolio included six (four) land-based casinos.

In addition to customers for whom Evolution provides direct integration, there are also several platform partnerships in which the company’s Live Casino product forms part of a total solution with several product verticals. Evolution is included among platforms at Microgaming, EveryMatrix, BetConstruct and SBTech.

New customers in 2016

Evolution announces all new customers classified as Tier 1, i.e. customers of strategic, financial or other particular significance. In 2016, agreements were signed with The Ritz Club, The Hippodrome Casino, Cherry, Spilnu, CasinoClub and Olympic Entertainment Group to name a few.

Growth among existing customers

A key aspect of the company’s strategy is to increase its ‘share of live’ among existing customers via new product launches, services

CUSTOMER DEPENDENCY (% OF REVENUES)

	2014	2015	2016
Top 1-5	53%	52%	47%

and adaptations. Evolution also follows existing customers to new regulated markets. 2016 was a record-breaking year in terms of the number of dedicated tables and environments, and many customers chose to expand with more environments with different content and themes.

Customer dependency

Most of Evolution’s largest customers have strengthened their focus on Live Casino in recent years, although the company has managed to retain roughly the same dependency towards its five largest customers through add-on sales to other existing customers and new sales. Evolution’s largest customer accounted for approximately 10 (14) percent of revenues in 2016, and the five largest customers accounted for roughly 47 (52) percent of revenues.

Risk assessment for new customers

As a B2B provider, Evolution’s revenues are generated via gaming operators. 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. Evolution therefore has a limited risk exposure to fraud and money laundering. To satisfy licence requirements and further minimise the risks, the company has established due diligence processes for when new agreements are signed and to continually evaluate existing customers. Evolution is always able to discontinue its services to operators that fail to comply with the relevant regulations, or that in some other way jeopardise Evolution’s market position.



A key aspect of the company’s strategy is to increase its ‘share of live’ among existing customers via new product launches, services and adaptations. Evolution also follows existing customers to new regulated markets.



CCTV 1

CCTV 2

CCTV 3



CCTV 5

CCTV 6



LICENSING, SECURITY AND GAMING RESPONSIBILITY

Evolution endeavours to be the most reliable and transparent Live Casino provider in the market and therefore holds all the licences and certifications Evolution considers to be necessary to maintain the highest international standards in terms of regulatory compliance and security. Evolution also plays an active role in helping to prevent gambling-related problems.

Licences

Evolution holds a Class 4 Licence for B2B operations from the Malta Gaming Authority, as well as a Category 2 Certificate from Alderney Gambling Control Commission. The company also holds a Remote Operating Licence and a Remote Gambling Software Licence issued by the UK Gambling Commission. Evolution is also certified in Belgium, Denmark, Italy, Romania and Spain, and has undergone the first stage for approval (“transactional waiver”) for a licence in New Jersey, USA. The licensors perform regular reviews to ensure that Evolution complies with the licensing requirements.

In addition to licences and certifications with a direct impact on the company’s capacity to offer its services, Evolution has, since 2015, also been part of the Latvian government’s *In-Depth Cooperation Programme*. The programme is an initiative aimed at increasing cooperation between government and industry. To be included in the programme, a company must meet certain criteria on matters relating to financial position, number of employees, wage levels and tax payment history.

Security

Gaming security is of the utmost importance for Evolution to maintain confidence on the market. Evolution holds an ISO 27001:2013 certification, the latest ISO standard for IT security. The certification process was carried out in Latvia, since most of the company’s operations and its platform are based there, and is confirmation that Evolution has successfully organised its processes in a way that safeguards confidentiality, integrity and availability of information and data.

Mission Control Room

All games, transactions, volumes and behaviour patterns are monitored in real time, 24 hours a day, all year round, via Evolution’s Mission Control Room. This proactive approach allows the company to identify potential problems immediately and inform operators. This in turn allows operators to take immediate steps to prevent their service from being used for fraud or money laundering purposes, for example.

Gaming responsibility

As a B2B provider, Evolution does not have a direct business relationship with the end user, but works with its operators to help combat gambling-related problems. The company wants Live Casino games to be associated with fun and entertainment, which is why detecting unhealthy gaming behaviours is important. Relevant categories of employees are trained in how to detect high-risk behaviour and other issues with the aim of raising awareness of gambling-related problems. Evolution can also provide technical support to help the operator offer gaming limits, in which end users can restrict how much money they play with, or introduce a limit as to how much they can lose. Evolution donates funds every year to the Responsible Gambling Trust in the UK, a support organisation to tackle gambling dependency. The company also wants to promote the responsible marketing of Live Casino games and supports the Code of Advertising Gaming and Gambling developed by the UK sector organisation CAP (*Committee of Advertising Practice*).

A THRIVING CORPORATE CULTURE

Evolution's successes are largely dependent on the company's employees and the values that form the basis of operations. A strong corporate culture, with the customer and end user at the core, guarantees a unique Live Casino experience.

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Evolution's employees are based at the company's studios and offices in Latvia, Malta, Belgium, the UK, Estonia, Romania and Sweden. Evolution's employees join an international environment with a wealth of career paths. The vast majority work within the operative gaming side of the business, with dealers comprising the largest group. Many employees are part-time students, but when they have completed their studies they can opt to seek challenges as full-time employees within the company.

The company's IT units attract highly qualified experts who are keen to work in an innovative environment with advanced and modern technology. Since product innovation is a key element of Evolution's strategy, creativity and fresh approaches are highly prized, while expertise within areas such as development, infrastructure and quality assurance are of the greatest importance. In 2016, a new game

development centre was opened in Tallinn, Estonia with special focus on developing the offering in poker games.

Evolution strives to be an attractive employer offering competitive salaries, a challenging and social working environment and considerable development opportunities. In 2016, a record in the number of new recruits was reached at the same time that personnel turnover was the lowest ever. The Group cooperates with the largest universities in Latvia to strengthen its brand among potential employees. Digital campaigns are also carried out in every market to reach out broadly to the target group.

The company aims to achieve a dynamic and equal working environment, in which all employees feel they have equal opportunities and are contributing towards the company's success. Leadership is a central aspect of the company's employer strategy and managers are given support and tools to enable them to fulfil their roles successfully. In 2016, a major effort was carried out on succession planning and recruitment with the aim of establishing earlier processes for identification of employees with potential to take on greater challenges in the Group.

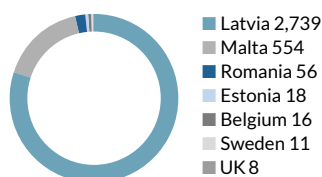
NUMBER OF EMPLOYEES

3,402

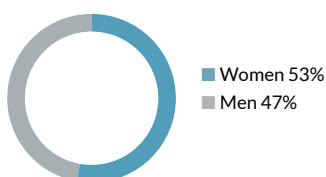
NUMBER OF FULL-TIME POSITIONS

2,411

COUNTRY BREAKDOWN



GENDER DISTRIBUTION



DIVISION OF ROLES (FULL-TIME POSITIONS)



Our values



Shared values

It is Evolution’s employees who control the end user’s gaming experience and the operator’s perception of the company’s services. The company therefore has a strong corporate culture and shared set of values that encourages everyone to go the extra mile for the customer and end user, to make Evolution’s services as realistic as possible.

Evolution Academy

Evolution Academy is located in the production studios in Latvia and Malta and is responsible for the recruitment and initial and ongoing training of all gaming personnel – from dealers 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 dealer 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, legislation, money laundering and other areas of control form a key part of the training activities.



GAME INTEGRITY IN FOCUS

The majority of Evolution's employees work within the operational gaming units, with dealers or game presenters comprising the largest professional category. However, behind the scenes, there is a constantly active unit whose mission is to deliver the most secure game environment in the Live Casino market. For the operators, risk minimisation is one of the most important aspects when they choose their Live Casino provider.

In 2016, there were around 400 employees in the department of game integrity and risk. One of the most important strategic objectives for the work is to offer a safe game environment without compromising on the gaming experience.

The work method is mainly based on proactively identifying and preventing attempt to conduct advantage play. Constantly developing and improving the tools for monitoring is of utmost importance since the methods for using online games are continuously becoming more sophisticated.

Evolution's risk analysts work in proprietary red-flag systems with data-based reports that analyse gaming patterns and predict fraudulent activities. To help them, they have statistics and automated solutions that discover suspicious gaming patterns. All tables and games and all gaming equipment is monitored 24/7 throughout the year. With tens of thousands of players and several million bets every day, the requirements on the internal processes and systems are very high.

Within the unit for game integrity, there are also shufflers. Evolution's team of shufflers are continuously trained in risk awareness and techniques. In the market, there are currently advanced tracking systems that aim to identify weaknesses in shuffling methods and implementation, which is why high standards are set on the work of shufflers. By having dedicated shufflers, Evolution can maximise the number of game rounds per hour since the dealer never has to stop dealing cards.

In the beginning of 2016, Evolution was invited as a speaker at the World Game Protection Conference in Las Vegas, to talk about its systems for automated game monitoring. A land-based casino and a Live Casino online are faced with roughly the same kinds of attempted fraud, but the conditions differ drastically since an online casino must handle a much larger number of players – who are also often anonymous and spread out over different markets. Evolution has market leading systems for monitoring and risk minimisation, which has been a strongly contributing factor of the company's strong growth.





THE EVOLUTION SHARE

Public offering

Evolution's shares commenced trading on the Nasdaq First North Premier exchange on 20 March 2015. The company intends to apply for listing on the main Nasdaq Stockholm list during 2017.

Share capital

On 31 December 2016, the share capital amounted to EUR 539,555.655, divided between a total 35,970,377 shares, each with a nominal value of EUR 0.015. 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

The closing price on the last trading day of the year, 30 December 2016, was SEK 259.50, corresponding to a market capitalisation of about SEK 9.3 billion. A total 20,495,321 shares were traded during the year, corresponding to a value of SEK 5.5 billion. The average number of shares traded per trading day was 81,009. At the close of trading on the final trading day of the year, the share price had fallen by SEK 47 since year-end, corresponding to a decrease of 15.3 percent. Total return amounted to -14.3 percent based on EUR exchange rate of SEK 9.50.

Analyst coverage

At year-end 2016, analysts from Carnegie, Danske Bank, DnB, Handelsbanken, Nordea and SEB had an active coverage of the Evolution share.

Shareholders

On 31 December 2015, Evolution had 9,189 shareholders, compared with 7,822 at the end of 2015. The company's ten largest shareholders accounted for 63 percent of the share capital and votes. Shareholders based in Sweden accounted for 58 percent of the capital. Shareholders based in the UK accounted for 19 percent.

Dividend

The company's Board of Directors proposes that the 2017 Annual General Meeting approve a dividend of EUR 0.45 (0.32) per share for the 2016 financial year, representing a payout ratio of 51 percent (57). The company's dividend policy is to distribute at least 50 percent of the annual net profit over time.

Investor relations

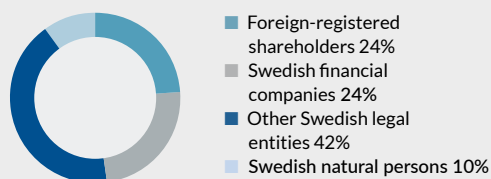
Evolution's financial communication shall be characterised by correct, clear and relevant information that facilitates the understanding of the company's business model, strategy and financial development. Evolution provides its shareholders and other stakeholders with identical information simultaneously in matters that may affect the valuation of the company's shares.

The company publishes interim reports, annual reports and press releases that are available on www.evolutiongaming.com/investors. It is also possible to subscribe to news via the website.

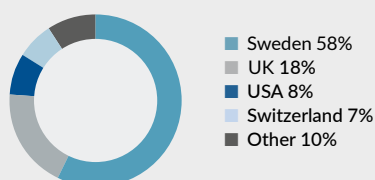
FINANCIAL CALENDAR 2017

Annual General Meeting 2016	21 April 2017
Interim reports	
January–March	20 April 2017
January–June	20 July 2017
January–September	25 October 2017
Year-end report 2017	February 2018

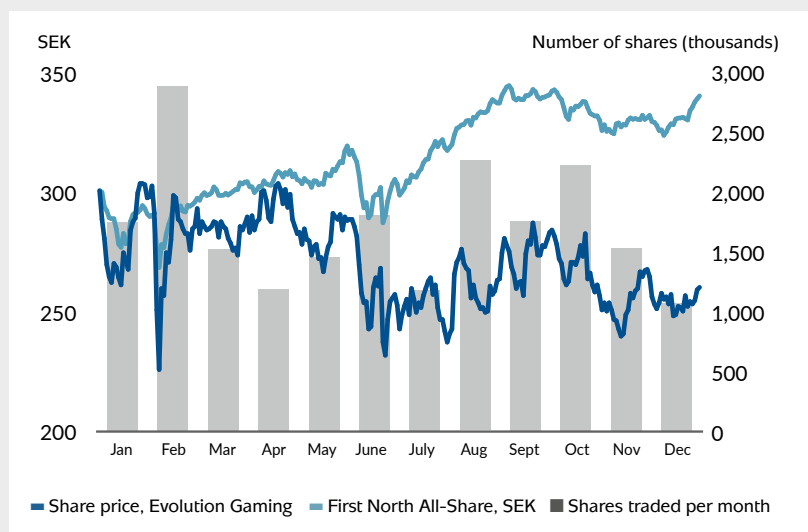
SHAREHOLDER CATEGORIES, PROPORTION OF CAPITAL AND VOTES



OWNERSHIP COUNTRIES, SHARE OF CAPITAL AND VOTES



SHARE PRICE TREND



TEN LARGEST SHAREHOLDERS, 31 DECEMBER 2016 (GROUPED BY OWNER)

Shareholders	Holding	Capital/votes
Livingstone, Richard	5,950,032	16.5%
Swedbank Robur fonder	3,636,900	10.1%
JOVB Investment AB	3,629,906	10.1%
FROS Ventures AB	3,619,906	10.1%
UBS Switzerland AG /Clients Account	2,107,227	5.9%
SSB Client Omnibus	2,017,208	5.6%
Handelsbanken fonder	1,571,591	4.3%
Avanza Pension	679,707	1.9%
Danica Pension	557,135	1.5%
Nordea Bank AB (publ) - Securities Finance	500,000	1.4%
Total, ten largest shareholders	24,269,612	67.5%
Other shareholders	11,700,765	32.5%
Total	35,970,377	100%

Share data

	2016
Earnings per share (EUR)	0.88
Dividend (EUR/share) ¹⁾	0.45
Payout ratio (%)	51%
Shares outstanding at the end of the year	35,970,377
Average number of shares outstanding	36,152,919
Share price on the closing date (SEK)	259.5
Dividend Yield ²⁾	1.60%
Total return, Evolution shares	-14.30%
Number of shares traded	20,495,321
Turnover rate	57%
Market capitalisation at year-end (SEKm)	9,334
Number of shareholders	9,189

1) Board proposal

2) Assuming an exchange rate of EUR/SEK 9.50

SHAREHOLDER CATEGORIES

Holding	Number of shareholders	Number of shares	Capital/votes
1-500	7,824	821,825	2.3%
501-1,000	588	479,764	1.3%
1,001-5,000	570	1,196,148	3.3%
5,001-10,000	72	541,557	1.5%
10,001-15,000	30	364,874	1.0%
15,001-20,000	15	264,608	0.7%
20,001-	83	32,301,601	89.8%
Total	9,182	35,970,377	100%

Source: Euroclear

DIRECTORS' REPORT

The Board of Directors and the CEO of Evolution Gaming Group AB (publ) 556994-5792 ("Evolution") hereby present the annual accounts for the group and the parent company for the 2016 financial year.

Operations

Evolution develops, produces, markets and licenses fully integrated Live Casino solutions to gaming operators. In Live Casino, a dealer runs the game from a casino gaming table that is followed in real time via a video streaming. End users, i.e. the players, make betting decisions on their devices (computers, smartphones, tablets, etc.) and are able to communicate with the dealer using a text chat function.

Evolution is a B2B provider and, at the end of 2016, had more than 100 customers, including a majority of the tier-1 online casino operators in Europe 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 dealers and other staff to streaming, production, monitoring, customer service and evaluation. 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's core games consist of Live Roulette, Live Blackjack, Live Baccarat, Live Casino Hold'em, Live Three Card Poker, Live Caribbean Stud Poker and Live Ultimate Texas Hold'em. In addition, 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, and Luqa, Malta, where a majority of the operations are conducted. The company also runs on-premise studios and tables at land-based casinos in Belgium, Italy, Romania, United Kingdom and Spain. The Parent Company of the group is located in Stockholm, Sweden. There are also offices located in London, UK and Tallinn, Estonia.

Evolution's revenues consist of fixed and variable fees from the company's customers. A majority of the revenue derives from commission, which is calculated as a percentage of the customer's winnings generated by the Company's Live Casino platform. Through commission, Evolution gains beneficial exposure to the general growth of the European Live Casino market. In addition to commission, a considerable 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. Evolution is a pure operating and development company; consequently, it does not conduct any gaming operations of its own.

Business concept and objectives

Evolution's business concept is to offer gaming operators on regulated markets an unparalleled, locally adapted Live Casino service for all digital platforms. The company's mid to long-term objectives are to grow faster than the total European Live Casino market, with a sustainable EBITDA margin of at least 35 percent.

Significant events in 2016

- Extended co-operations with a large amount of existing customers, focused on expanding and refining their Live Casino offerings
- Launch of an exclusive Live Casino version of Ultimate Texas Hold'em, one of the most popular Texas Hold'em games in the world
- Agreements with British The Ritz Club and The Hippodrome Casino to provide on-premise Dual Play Roulette tables at their casinos in London
- New agreements with Olympic Entertainment Group, BetConstruct and Aspire Global, among others
- Launch of the first certified Live Casino studio in Romania at the Grand Casino Bucharest in partnership with iSoftBet
- The Board of Directors proposes a dividend of EUR 0.45 (0.32) per share

Market

The European Live Casino market developed strongly in 2016 and, according to independent institute H2 Gambling Capital, it had an estimated value of approximately EUR 1,261 million at year-end. Just like the total online gaming market, this development is underpinned by technological progress and new distribution channels – as well as strong demand from gaming operators and their end users. 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.

The growth of Live Casino is also underpinned by new regulated markets. As players in such markets are less used to online gaming, there is generally less confidence in games based on random number generators. Human dealers who speak the local language improve confidence. Live Casino has therefore turned out to be a favourable entry product when gaming operators launch their brands in new markets.

The tendency among land-based casinos to expand their offering online has also contributed to the strong growth of Live Casino.

Evolution estimates that its market share among Live Casino operators in Europe is between 50 and 60 percent. 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 company notes that the greatest growth derives from an increased share of the operators' total revenue from casino services.

The company has three strategic core areas, Product Innovation, Customer Optimisation and Operational Excellence, that are considered particularly important to further widening the lead over other providers in the market and laying a solid foundation for continued growth.

New agreements and customers

Evolution announces all new agreements that are considered to be of strategic, financial or other material importance. During 2016, agreements were signed with Aspire Global, BetConstruct, CasinoClub, Spilnu, The Ritz Club, The Hippodrome, Olympic Entertainment Group and Cherry, among others. Agreements were also concluded with a number of smaller operators and platforms, while existing agreements were expanded to cover additional services and tables.

Revenues and profit

REVENUES

Evolution's total operating revenues amounted to EUR 115.5 million (76.4) in the financial year ending on 31 December 2016. The positive revenue development mainly derives from increased commission income from both new and existing customers. Revenues from fees for dedicated tables also contributed to the increase as a result of additional customers demanding customised environments. In this connection, revenues from the start-up fees also increased in comparison with the previous year.

EXPENSES AND EARNINGS

Total operating expenses amounted to EUR 80.6 million (55.3). The company's personnel expenses rose to EUR 53.2 million (33.5), mainly driven by higher costs for personnel in connection with the launch of new tables, as well as recruitments in IT and product development. Depreciation and amortisation amounted to EUR 9.8 million (5.9), where the increase was mainly explained by expansion and reconstruction of the company's existing studios. Other operating expenses rose to EUR 17.6 million (15.8), driven by expenses for premises, consumables and communications.

Operating profit for the year amounted to EUR 34.9 million (21.1) with an operating margin of 30.2 percent (27.6). Financial items only had marginal impact on the profit and amounted to EUR -0.2 million (-0.04).

The effective tax rate is chiefly affected by the countries in which Evolution conducts operations and generates profit, which may vary between reporting periods. In the comparison period, a greater share of the profit was taxed in Malta, which has a lower corporate tax rate than other jurisdictions.

Profit for the year amounted to EUR 31.7 million (20.0).

INVESTMENTS

The Group's investments in intangible assets amounted to EUR 10.2 million (7.2) in 2016. Investments in intangible assets refer to the development of new games for smartphones, tablets and computers and technical improvements of the platform, such as new functionality. Development projects during the year included mobile games, continued development of the company's Live Baccarat offering and the new games Live Ultimate Texas Hold'em and Dream Catcher (to be launched in 2017).

Investments in property, plant and equipment amounted to EUR 8.3 million (4.8). Investments in property, plant and equipment primarily comprised new studio space, 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 studios.

Investment in buildings amounted to EUR 12.6 million (-) and is entirely attributable to the acquisition of the company's studio property in Riga.

CASH AND CASH EQUIVALENTS, FINANCING AND FINANCIAL POSITION

Cash flow from operating activities amounted to EUR 40.7 million (23.9) over the year. The increase is primarily due to an improved profit. Cash flow from investing activities was negative in the amount of EUR 31.2 million (negative: 11.9). 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 3.8 million (negative: 0.3) and primarily consisted of a transfer to the shareholders.

Cash and cash equivalents amounted to EUR 26.2 million (19.9) at year-end.

EMPLOYEES

As of 31 December 2016, Evolution employed 3,402 (1,922) people, corresponding to 2,411 (1,338) full-time equivalents. The average number of full-time equivalents for the full-year was 1,860 (1,156).

PARENT COMPANY

The parent company is a holding company that was formed in December 2014. Operating revenues for the 2016 full-year amounted to EUR 4.4 million (1.9) and expenses to EUR 4.2 million (5.1). Operating profit amounted to EUR 0.3 million (loss 3.3). Profit for the period amounted to EUR 3.4 million (7.4). The Parent Company's cash and cash equivalents amounted to EUR 0.4 million (5.2) at the end of the period and equity amounted to EUR 198.6 million (213.5). No significant investments were made in intangible or tangible assets.

Risk factors

Evolution's operations are exposed to certain risks that may have varying impact on earnings or financial position. These can be divided into industry, operational and financial risks. When assessing the Group'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 executive 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 23 Financial risk management.

POLITICAL DECISIONS AND OTHER LEGAL ASPECTS

Evolution generates a majority of its income through the licensing and supply of its software and technology to online 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.

Further, 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, data protection and privacy laws, and is required to share bet and other transactional data with local regulators in certain markets. Compliance with all such laws and regulations is complex and expensive. The company's non-compliance or deemed non-compliance with any of these other laws and regulatory requirements could result in sanctions. Any failure by Evolution to comply with these other laws and regulatory requirements could have a material adverse effect on the Group's business, financial position and profit.

OPERATIONS SUBJECT TO OFFICIAL APPROVAL

Evolution has obtained and is obliged, given the nature of the software, services and technology it supplies, to maintain its licences and certifications in a number of jurisdictions, and may in the future be required to obtain licences and/or certifications in other jurisdictions. If any of these are withdrawn or are not renewed on equivalent terms (e.g. where there is 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

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-certified and the ability to monitor and ensure the quality and integrity of Evolution's products and services is continuously reviewed and evaluated.

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 of a developer and facilitator of games. While such claims against Evolution are likely to be dismissed, they could give rise to costs 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 80 percent of the Group's full-time employees working on tables as hosts and dealers. These employees possess language, dealer and other trade skills that are essential to 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 costs 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, some of whom founded the company. These key individuals have established good relationships with market participants and have a thorough understanding of the complex environment in which the Group operates. Accordingly, these key individuals are central to the successful development of Evolution's business.

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

DEPENDENCE ON MAJOR CUSTOMERS

In 2016, the five largest customers (in terms of revenue generated) contributed 47 percent of the revenue of Evolution. 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 costs 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.

RISK MANAGEMENT

Evolution is exposed to the risk of money laundering and fraudulent activities by its customers, end users and third parties, as well as the potential collusion by operators and end users. The Group has implemented internal control systems and established a primary mission control centre in Latvia that monitors transactions, volumes and patterns, but these systems may not always succeed in protecting the Group from money laundering and fraud. To the extent that the systems are not successful in protecting the Group from money laundering or fraud, or if Evolution fails to comply with applicable regulations, the Group and its directors could be subject to criminal sanctions or administrative and civil fines and could directly suffer loss, the revocation of concessions and licences, operational bans, or lose the confidence of the customer base, all of which could have a material adverse effect on the Group's business, financial position and profit.

In addition, effective internal controls are necessary for Evolution to provide reliable financial information and effectively prevent fraud. While the Group applies procedures and a system of internal control whereby internal risks are assessed, and the Group's Risk Committee meets on a quarterly basis to discuss and address potential risks, it is possible that the Group will not successfully manage internal risks or identify areas requiring improvement in the internal controls.

TAX SITUATION

Evolution primarily conducts its business through subsidiaries that are active in the geographic markets in which it operates. The business, including intra-Group transactions, is conducted in accordance with the company's interpretation of applicable laws, tax treaties and other regulations concerning taxes and the practice of tax authorities in the relevant countries. Evolution has obtained advice from independent tax advisors in this respect, but there is a risk that tax authorities in relevant countries may make decisions that deviate from the Group's interpretations and the advice received from independent tax advisors. In addition, the Group's interpretation of applicable laws, tax treaties, regulations and administrative practice may be incorrect and such rules may change, possibly with retroactive effect (in particular with regard to Maltese VAT legislation and the right of companies to deduct VAT). Furthermore, the company has been advised that, to the extent that an individual ordinarily resident and domiciled in Malta acquires 5 percent or more of the company, although the tax refunds in Malta should not be limited, certain Maltese withholding tax obligations may be imposed in respect of dividends attributable to such individuals. Regulatory or legislative changes, or decisions by tax authorities, may impair the

present, future or previous tax position of Evolution, which could have a material adverse effect on the Group's business, financial position and profit.

Events after the balance sheet day

There have been no significant events after the balance sheet day.

Proposed appropriation of profits

The Board of Directors proposes that the 2017 Annual General Meeting resolves to transfer EUR 16,186,670 (11,510,521) to the shareholders, corresponding to EUR 0.45 (0,32) per share.

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

Retained earnings	201,403,231
Net profit for the year	-3,355,940
Total	198,047,291

The Board of Directors proposes the following appropriation

Dividend to shareholders	
EUR 0.45 per share (35,970,377 x 0.45), totalling	16,186,670
To be retained	181,860,621
Total	198,047,291

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

The group's and the parent company's positions as at 31 December 2016 and the profit of the operations for the 2016 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.

CORPORATE GOVERNANCE

Evolution Gaming Group AB (publ) ("Evolution") is a Swedish public company formed in December 2014 and listed on Nasdaq First North Premier ("First North Premier") since March 2015. Evolution applies the Swedish Companies Act and the rules that apply to companies listed on First North Premier. Effective from 1 January 2016, it is recommended that companies listed on First North Premier apply the Swedish Code of Corporate Governance (the "Code"). The current Code is available on the website of The Swedish Corporate Governance Board www.corporategovernanceboard.se. During the past year, Evolution has continuously introduced processes with the ambition to apply the Code in full. However, the Board members Jens von Bahr and Fredrik Österberg, elected by the general meeting, were previously active in the company's management team which deviates from the Code rule 4.3. Neither of them are active in the company or group management anymore, but they are both still employed by the company; Jens von Bahr as Executive Chairman and Fredrik Österberg as Group Chief Strategy Officer. Jens von Bahr shall in his employment, i.e. in addition to and separately from his assignment as chairman of the Board, focus on strategic issues and to retain and execute the group's future growth in collaboration with the group management team, customers and shareholders. Fredrik Österberg shall in his employment, i.e. in addition to and separately from his assignment as Board member, support the group management team in developing, conducting and retaining strategic initiatives. As founders of the group, Jens von Bahr and Fredrik Österberg have significant knowledge of the business and valuable relations with partners and customers. Hence, to be able to access this experience on both Board and management level is to the benefit of the company and its shareholders.

Ownership and voting rights

At the end of 2016, the share capital in Evolution amounted to EUR 539,555.655, divided between a total 35,970,377 shares with a nominal value of EUR 0.015 each. All shares belong to the same class of shares, with equal voting rights and shares of the company's capital and profit. On 30 December 2016, there were 9,189 shareholders. On the same date, the company's largest shareholders were Richard Livingstone with 16.5 percent of the share capital and votes, Jens von Bahr (through JOVB Investment AB) with 10.09 percent of the share capital and votes and Fredrik Österberg (through FROS Ventures AB) with 10.06% of the share capital and votes. The ten largest shareholders represented 63 percent of the share capital and votes.

General meetings

The Annual General Meeting (AGM) 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 their shares. The company's Annual General Meeting is held

in the spring. The date and venue are announced in connection with third interim report at the latest. Information on how shareholders can have a matter considered at the meeting, 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 CEO
- Election of the Board of Directors and auditors
- Determination of fees for the Board members and the auditors
- Nomination Committee

At the meeting, decisions are normally made by a simple majority of the votes cast. On certain decision matters, however, the Companies Act requires a proposal to be approved by a larger proportion of the votes cast. Extraordinary General Meetings may be held when necessary.

2016 ANNUAL GENERAL MEETING

The 2016 AGM was held on 28 April 2016 at Strandvägen 7A in Stockholm, Sweden. At the meeting, 58.7 percent of all shares and votes were represented. A majority of the members of the Board, the auditor and the CEO attended the meeting. During the meeting, decisions were made on customary matters as well as to adopt an incentive program and issue warrants. The minutes of the meeting, as well as other documentation from the meeting, are available on the company's website.

EXTRAORDINARY GENERAL MEETING

On 24 January 2017, an Extraordinary General Meeting (EGM) was held at Strandvägen 7A in Stockholm, Sweden. At the meeting, 38.1 percent of all shares and votes were represented. The meeting resolved to extend the number of board members to six members and to elect Cecilia Lager as new board member. The minutes of the meeting, as well as other documentation from the meeting, are available on the company's website.

2017 ANNUAL GENERAL MEETING

The 2017 AGM will take place on 21 April 2017, at 2 p.m. at Strandvägen 7A in Stockholm. Notice of the meeting is issued on the company's website, where requisite documents, such as information providing the basis for decisions, also will be available prior to the meeting.

Nomination Committee

The AGM determines how the Nomination Committee should be appointed. At the 2016 AGM, it was decided that the Nomination Committee should consist of four members, including one representative for each of the three largest shareholders as per the last trading day in August wishing to participate in the Nomination Committee, and the Chairman of the Board of the company. The Nomination Committee ahead of the 2017 AGM has been appointed based on the ownership structure as per 31 August 2016 and was presented in a press release in October. The members of the Nomination Committee have resolved that Peter Ihrfelt (appointed by FROS Ventures AB) is Chairman of the Nomination Committee. The remaining owner representatives are Ian Livingstone (appointed by Richard Livingstone) and Johan Menckel (appointed by JOVB Investment AB). Joel Citron, who was the Chairman of the Board at the time of the appointment of the Nomination Committee is also a member of the Nomination Committee.

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

- A Chairman for the meeting
- Number of Board members
- Board members and Chairman of the Board
- Board fees
- 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 AGM 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 2017 AGM.

Board of Directors

THE RESPONSIBILITIES AND TASKS 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 duties of the Board of Directors include determining the company's overall targets and strategies, evaluating the 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.

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 General Meeting determines the precise number of members.

At the 2016 AGM, Joel Citron (Chairman), Jens von Bahr, Jonas Engwall, Ian Livingstone and Fredrik Österberg were

elected as Board members.

On 1 November 2016, a number of changes was made in the Board and management in order to meet the group's strong growth and secure continued successful development. Joel Citron decided to resign as Chairman but remained as member of the Board. The Board appointed Jens von Bahr as new Chairman up until the next General Meeting, which was established by the company's EGM on 24 January 2017.

At year-end 2016, the Board consisted of Jens von Bahr (Chairman), Joel Citron, Jonas Engwall, Ian Livingstone and Fredrik Österberg.

On 24 January 2017, an EGM was held in the company. The meeting decided to extend the number of Board member to six members without deputies and to elect Cecilia Lager as new Board member up until the 2017 AGM. Jens von Bahr was elected Chairman of the Board.

INDEPENDENCE

The number of Board members who are independent in relation to the company is four (67 percent) and the number of Board members who are independent in relation to major shareholders is three (50 percent). Ian Livingstone is not independent in relation to major shareholders as he is closely related to the company's largest shareholder. Jens von Bahr and Fredrik Österberg are not independent in relation to major shareholders or the company since they are among the company's major shareholders and are employed by the company. 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 and include instruction on topics such as Board meetings and their contents, responsibilities within the Board and disclosure to the Board.

CHAIRMAN OF THE BOARD

The Chairman of the Board is appointed by the AGM. Joel Citron was appointed as Chairman by the 2016 AGM until the end of the proceeding AGM but resigned on 1 November 2016. However, he remains as Board member. The Board appointed Jens von Bahr as new Chairman as of 1 November 2016, which was established by the company's EGM on 24 January 2017. Jens von Bahr is Executive Chairman, meaning that he is employed by the company. 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 2016

During 2016, the Board held six meetings, of which one was statutory, four included the adoption of interim reports and one included the adoption of the year-end report. All meetings

followed an agenda that at the relevant points dealt with documentation provided by members prior to the meetings. The meetings are also attended by the company's Chief Legal Officer as secretary and the company's Chief Financial Officer. Jonas Engwall did not attend the Board meeting on 15 February 2016. Apart from this, all Board members have attended all Board meetings during 2016.

At each meeting, the CEO updates the other Board members on the operational and financial development of the company. In addition, various senior executives and the auditor participate if necessary, to present various factual matters. Principal points addressed by meetings in 2016 included matters regarding governance and structure as part of the work to prepare the company ahead of a change to the main list of Nasdaq Stockholm during 2017, the creation of an incentive programme, strategy and financial objectives, and approval of the business plan and budget, significant policies, the annual report, year-end report and interim reports.

Principal points at Board meetings in 2016:

- 15 February:
 - Approval of the 2015 year-end report
- 26 April:
 - Approval of interim report January-March 2016
- 28 April:
 - AGM and statutory meeting
 - Decision on signatories
 - Adoption of instructions to the Board of Directors
- 16 August:
 - Approval of interim report January-June 2016
- 24 October:
 - Approval of interim report January-September 2016
 - Appointment of Jens von Bahr as new Chairman following the decision of Joel Citron to resign from his assignment as Chairman as of 1 November 2016
 - Decision to appoint Martin Carlesund as Chief Executive Officer of the company as of 1 November 2016
 - Decision to establish an Audit and Remuneration committee
- 15 December:
 - Adoption of budget for 2017

ENSURING 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 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 also reviews, mainly through its Audit Committee which was established in October 2016, the most significant accounting policies applied by the group in financial reporting, as well as significant changes in the principles of reporting.

Minutes are kept at all meetings in the Audit and the minutes are available to all Board members and the auditors.

EVALUATION OF THE BOARD'S WORK

The Board shall annually through a systematic and structured process evaluate its work and the distribution of tasks between

individual members. The Chairman of the Board informs the Nomination Committee about the results of the evaluation. The Board continuously evaluates the work of the CEO and the group management. The evaluation is discussed at least annually during a Board meeting without the presence of the CEO or any other member of group management.

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. The 2016 Annual General Meeting resolved that the remuneration to the Chairman should amount to EUR 15,000, and that the remuneration to each of the other Board members who are not employees of the company should amount to EUR 10,000.

The EGM on 24 January 2017 resolved that the remuneration to each of the Board members who are not employees of the company should amount to EUR 10,000., equivalent to a total remuneration of EUR 40,000. In addition, it was resolved that the remuneration to the chairman of the audit committee shall be EUR 20,000, equivalent to a total remuneration for committee work of EUR 20,000. The EGM also approved the remunerations to Jens von Bahr and Fredrik Österberg who are employed by the company and thus do not receive any remuneration as members of the Board. Jens von Bahr receives an annual salary of SEK 4,200,000 from the company and Fredrik Österberg receives an annual salary of SEK 3,600,000 from the company (in both cases including applicable payments for pensions and without any right to variable remuneration).

Board committees

In October 2016, the Board established a Remuneration Committee and an Audit Committee.

REMUNERATION COMMITTEE

The Remuneration Committee consists of Joel Citron (Chairman), Ian Livingstone and Jonas Engwall.

Among its duties, the Committee shall prepare the following items for decision by the Board:

- Salary, other compensation and also pension benefits of the CEO;
- Salary, other compensation and pension benefits of the Executive Chairman;
- the Company's policy on remuneration and other terms of employment for senior management; and
- Stock option plans and similar arrangements as well as other reward or compensation forms intended to be directed to a wider circle of persons employed within the group.

The Committee shall also monitor and evaluate programmes for variable remuneration, both ongoing and those that have ended during the year, for senior management. Further, the Committee shall monitor and evaluate the application of the guidelines for remuneration, as well as the current remuneration structures and levels in the company. No meetings were held in the Remuneration Committee during 2016.

AUDIT COMMITTEE

The Audit Committee consists of Cecilia Lager (Chairman), Joel Citron and Jonas Engwall.

The Committee's duties include:

- Be responsible for the preparation of the Board's work with regard to the quality of financial reporting and the appropriateness of processes for the management of business risk of the company and the group;
- Monitor the company's financial reporting and assist the Board in ensuring the effectiveness of the company's internal control, internal audit and risk management;
- On a current basis meet with the auditors of the company and inform itself about the statutory audit and the focus and scope of the audit and discuss the coordination between the external and the internal audit as well as the view on the risks in the company;
- Establish guidelines for which services other than audit services that the Company may purchase from the auditors and review and monitor the impartiality and independence of the auditors of the company and in conjunction therewith pay special attention to whether the auditor provides the company with services other than auditing services; and
- Evaluate the audit work and inform the Nomination Committee of the company, of the result of the evaluation;

The Audit Committee shall also organise a selection procedure for the preparation of recommendations of auditors to the Nomination Committee when such selection procedure is required under, and in such event in accordance with, applicable rules, and otherwise assist the Nomination Committee in its preparation of proposal of auditors and remuneration for the audit work.

The Audit Committee held one meeting during 2016, where all committee members participated.

Distribution of work between the Chairman and the CEO

Since 1 November 2016, the company has an Executive Chairman who primarily works in the following areas: Preparation of long-term strategy issues that are beyond the scope of the strategic work of the CEO applied within current business plans, ongoing evaluation of strategic partnerships and company acquisitions, and as support to the group management in strategic projects and in connection with recruitment of key competence. In the instructions for the CEO, it is clarified that the duties of the Executive Chairman shall not impinge on the duties of the CEO and that the Executive Chairman shall not carry out the day-to-day management of the company's affairs.

In the Board's rules of procedure, it is stated that the Chairman's work carried out as part of the employment shall be in addition to and separate from the duties following from the position as Chairman of the Board. Apart from the duties that expressly follows the employment agreement and the CEO instruction, the Chairman may not perform any tasks for the company which are not a natural part of the duties as Chairman of the Board unless the Board has resolved on such matter.

Auditors

Auditors are elected by the AGM and examine the company's accounts and administration on behalf of the Meeting. In

accordance with the Articles of Association, Evolution shall have one or two auditors. The Auditors' term of office shall expire at the end of the AGM held during the fourth financial year after the auditor was appointed. PwC was appointed as the company's Auditor at the Extraordinary General Meeting in January 2015 for the period until the 2019 AGM. The auditor in charge is Niklas Renström, who was born in 1974 and is an authorised accountant.

CEO and group management

Evolution's group Management has extensive experience and work to achieve long-term profitable growth in line with the company's strategy and vision. The CEO is appointed by, and receives instructions from, the Board of Directors. In turn, the 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 CEO reports to the Board of Directors and shall ensure that Board members are provided with the information necessary to make well-founded decisions. Furthermore, the CEO shall ensure that the Board is presented to the matters that are necessary for the Board to consider in accordance with applicable law, the articles of association, internal policies and guidelines.

The CEO is present and reports at all Board meetings, except on those occasions when the CEO is evaluated by the Board and when the Board meets with the company's auditor without the presence of group management.

Group management includes skills covering all key areas of the company's operations and strategy. Group Management also includes the CEO of Evolution's operating subsidiary Evolution Malta Limited. The management team within Evolution Malta handles matters involving the operating activities.

WORKING INSTRUCTIONS FOR THE CEO

The Board of Directors has developed and adopted instructions covering the 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 CEO's instructions and other instructions issued by the Board, the CEO is responsible for overseeing the company's day-to-day operations.

The CEO is also responsible for ensuring that the Board receive information regularly to be able to monitor the company's financial position, financial planning and development.

Prior to each regular Board meeting, the 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.

Risk management and internal control

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. To ensure a well-functioning control environment, the Board has established a number of policies of importance to the corporate governance and the financial reporting. These include the rules of procedure of

the Board, the CEO instructions and an instruction for financial reporting. The CEO has the primary responsibility to maintain the control environment on a day-to-day basis. The CEO continuously reports to the company's Board.

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. Furthermore, the Group has established routines and internal control systems for risk management, including but not limited to a yearly risk analysis for all business areas within the group, with the purpose of identify, assess and manage risks that threaten the group's objectives and strategies. The risk analysis is divided in strategic, operational, compliance, legal and financial risks. With the purpose to ensure a relevant level of control, each business area must establish a number of control activities that prevent the most significant risks that have been identified in the analysis. A self-assessment of these control activities shall be conducted on a yearly basis and be reported to the Risk Management Committee, which compiles and reports the outcome to the Audit Committee and the Board.

The group has also established a Mission Control Room (MCR) in Riga and Malta. The MCR monitors transactions, volumes and patterns in real time to help discovering attempted money laundering and fraud by customers, end users, third parties and dealers as well as illicit collusion between operators and end users.

As certain jurisdictions have laws that explicitly consider the offering of and participation in gaming services a criminal offence, the group carries out regular precautionary measures, including requiring in its agreements that operators comply with the laws and regulations applicable to gaming services. These provisions in the agreements constitute a form of legal protection and prevent certain end users from accessing the group's products and services, as the group's customers screen and limit the end users' access to their online gaming platforms at the local level and in accordance with local laws and regulations. Also, the group has established technical systems and controls that prevent certain jurisdictions access to its Live Casino offering.

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 CEO are determined, in which responsibilities and powers are further defined.

The Board or one Board member together with Jens von Bahr may sign on behalf of the company. In addition, the company's CFO and CLO together has authority to sign on behalf of the company. In accordance with the Companies Act, the CEO may sign alone on behalf of the company with regard to matters of ongoing administration.

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.

BOARD

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.

Experience: Jens is co-founder of Evolution Gaming. Before founding the company, Jens was CEO of Oriflame Sri Lanka. He has also started several entrepreneurial companies. Jens holds a BSc in business from Stockholm University and an MBA from University of Western College.

Shareholding: 3,629,906 shares.

Jens is employed by the company and not independent in relation to the company, the company's management or major shareholders of the company.

Joel Citron

Board member.

Born 1962. Elected 2015, Chairman until 1 November 2016.

Other assignments: Joel is CEO of Tenth Avenue Holdings LLC and Chairman of Tenth Avenue Commerce LLC. Among other assignments, he is Chairman of a number of companies in Avenue Capital Group.

Experience: Joel has vast experience from various management positions in investment and operating companies in Europe and the US. He holds a B.Sc Business Administration and M.A. Economics from University of Southern California.

Shareholding: 375,471 shares.

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

Jonas Engwall

Board member.

Born 1971. Elected 2015.

Other assignments: Jonas is CEO of Knoxville AB.

Among other assignments, he is Chairman of ExOpen Systems AB, Occasion AB, Takkei Trainingsystems AB and Telefonshoppen Norden AB, and Board member in E. Svenssons i Lamnhult AB and Loccasion Property Development AB.

Experience: Jonas was previously Chairman of Risenta 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: 61,926 shares.

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

Cecilia Lager

Board member.

Born 1963. Elected at the Extraordinary General Meeting on 24 January 2017.

Other assignments: Cecilia is Chairman of Navigera AB and Board member in Elanders AB, Cinnober Financial Technology AB, Altor Fund Manager AB, Intellecta AB, Collector AB, Capacent Holding AB and NC Lahega AB.

Experience: Cecilia has vast experience from various senior executive positions in the financial sector. Among previous positions she has been Marketing Director of Alecta and CEO of SEB Fonder. She has studied Business Administration at Lund University.

Shareholding: –

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

Ian Livingstone

Board member.

Born 1962. Elected 2015.

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

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

Shareholding: 100,000 shares.

Ian is a close relative to the largest shareholder in the company and not independent in relation to the major shareholders of the company, but independent in relation to the company and the company's management.

Fredrik Österberg

Board member.

Born 1970. Elected 2015.

Other assignments: Fredrik is a Board member in FROS Ventures AB.

Experience: Fredrik is co-founder of Evolution Gaming. Before founding the company, Jens was CEO of Sportal. He holds a BSc in Business Administration and Economics from Stockholm University.

Shareholding: 3,619,906 shares.

Fredrik is employed by the company and not independent in relation to the company, the company's management or major shareholders of the company.

The company's auditors

ÖHRLINGS PRICEWATERHOUSECOOPERS AB

Niklas Renström

Authorised Public Accountant

GROUP MANAGEMENT

Martin Carlesund

CEO.

Born 1970. Employed by the group since 2015.

Other assignments: Martin is Chairman of Relevant Traffic Sweden AB.

Experience: Martin has been CEO of Highlight Media Group, Eniro Sverige, Eniro Finland and 3L System AB. He holds an MSc in International Finance from Gothenburg School of Economics.

Shareholding: 30,000 shares.

Warrants: 35,000

Jesper von Bahr

Chief Legal and Risk Officer.

Born 1970. Employed by the group since 2011.

Experience: Jesper has been a lawyer at Advokatfirman Cederquist KB, lawyer/partner at Lofalk Advokatbyrå AB, General Counsel at Rebtel Networks and a management consultant at McKinsey & Co. He holds a LLB from Stockholm University and has studied at University of California, David.

Shareholding: 128,105 shares.

Warrants: 30,000

David Craelius

Chief Technology Officer.

Born 1974. Employed by the group since 2016.

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

Shareholding: 1,128 shares.

Warrants: 19,000

Todd Haushalter

Chief Product Officer and Games Operations.

Born 1978. Employed by the group since 2015.

Experience: Todd has been Vice President of Gaming Operations at MGM Resorts International, Global Director of Product Development at Shuffle Master and Vice President of Business Strategy at Bally Technologies. He holds a MBS from University of Nevada, Las Vegas.

Shareholding: -

Warrants: 30,000

Sebastian Johannisson

Chief Commercial Officer.

Born 1978. Employed by the group since 2008.

Experience: Sebastian has been Head of Account Management at Evolution Gaming. He holds a Master of Business Administration from Uppsala University.

Shareholding: 271,490 shares.

Warrants: 45,000

Jacob Kaplan

Chief Financial Officer.

Born 1973. Employed by the group since 2016.

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.

Shareholding: 4,000 shares.

Warrants: 30,000

Johan Nordström

CEO Evolution Malta.

Born 1970. Employed by the group since 2016.

Experience: Johan has held various leading positions in the EF group, including President Asia and European Director. He holds a BSc in Business Administration from Stockholm University.

Shareholding: 6,600

Warrants: 30,000

Louise Wivén-Nilsson

Chief Human Resources Officer.

Born 1972. Employed by the group since 2016.

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.

Shareholding: -

Warrants: -

CO-OPTED MEMBERS

Olesya Ivanova

Head of Operations Riga.

Born 1983. Employed by the group since 2006.

Experience: Olesya joined Evolution Gaming as Game Presenter, and has held various positions within Operations.

Shareholding: 3,923 shares

Warrants: 5,000

Andres Rengifo

Head of International Operations.

Born 1982. Employed by the group since 2012.

Experience: Andres has previously held various positions with land based casino operators, and has been employed by Barclays Investment Bank.

Shareholding: -

Warrants: 12,500

Shareholding and warrants as per 28 February 2017.

CONSOLIDATED INCOME STATEMENT

(EUR thousands)	NOT	2016	2015
Revenues		115,046	76,359
Other revenues		415	0
Total operating revenues		115,461	76,359
Personnel expenses	3	-53,218	-33,527
Depreciation, amortisation and impairment	8, 9	-9,760	-5,945
Other operating expenses	17, 18	-17,619	-15,807
Total expenses		-80,597	-55,279
Operating profit		34,864	21,080
Financial income	4	10	6
Financial expenses	5	-244	-10
Profit before tax		34,630	21,076
Tax on profit for the period	6	-2,890	-1,047
Profit for the period		31,740	20,028
<i>Of which attributable to:</i>			
Shareholders of the Parent Company		31,740	20,028
Average number of shares before dilution	7	35,970,377	35,904,614
Earnings per share before dilution (EUR)		0.88	0.56
Average number of shares after dilution		36,152,919	35,904,614
Earnings per share after dilution (EUR)		0.88	0.56

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(EUR thousands)	2016	2015
Profit for the period	31,740	20,028
<i>Other comprehensive income</i>		
<i>Items that may be reclassified to profit</i>		
Exchange differences arising from the translation of foreign operations	-177	55
Other comprehensive income, net after tax	-177	55
Total comprehensive income for the period	31,563	20,083
<i>Of which attributable to:</i>		
Shareholders of the Parent Company	31,563	20,083

CONSOLIDATED BALANCE SHEET

(EUR thousands)	NOTE	2016	2015
Assets			
Intangible assets	8	14,453	10,034
Buildings	9, 19	12,397	-
Property, plant and equipment	9	11,943	7,343
Other long-term receivables		522	320
Deferred tax asset	6	550	617
Total non-current assets		39,865	18,314
Accounts receivable	11	19,039	12,087
Current tax receivables	6	15,760	6,150
Other receivables	13	1,103	1,666
Prepaid expenses and accrued income	12	1,363	1,465
Cash and cash equivalents	14	26,188	19,930
Total current assets		63,454	41,299
TOTAL ASSETS		103,318	59,613
Equity and liabilities			
Share capital		540	540
Other capital contributed		4,698	4,698
Reserves		-9	169
Retained earnings including profit for the period		58,667	38,405
Total equity		63,896	43,812
Deferred tax liability	6	729	324
Long-term debt to credit institutions	20	7,441	-
Total long-term liabilities		8,170	324
Accounts payable		2,169	2,293
Short-term debt to credit institutions	20	1,130	-
Current tax liabilities	6	18,695	7,227
Other current liabilities	15	5,709	3,249
Accrued expenses and prepaid income	16	3,549	2,708
Total current liabilities		31,251	15,477
TOTAL EQUITY AND LIABILITIES		103,318	59,613

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2016 (EUR thousands)	Share Capital	Other capital contributed	Reserves	Retained earnings incl Profit of the Year	Total equity
Opening equity 01/01/2016	540	4,698	169	38,406	43,812
Comprehensive income					
Profit of the year	-	-	-	31,740	31,740
Other comprehensive income					
Movement in translation reserve	-	-	-177	-	-177
Total comprehensive income	-	-	-177	31,740	31,562
Transactions with shareholders					
Dividend	-	-	-	-11,510	-11,510
Incentive program, warrants	-	-	-	32	32
Closing equity 31/12/2016	540	4,698	-9	58,667	63,896

2015 (EUR thousands)	Share Capital	Other capital contributed	Reserves	Retained earnings incl Profit of the Year	Total equity
Opening equity 01/01/2015	526	4,698	114	18,377	23,715
Comprehensive income					
Profit of the year	-	-	-	20,028	20,028
Other comprehensive income					
Movement in translation reserve	-	-	55	-	55
Total comprehensive income	-	-	55	20,028	20,083
Transactions with shareholders					
Non-cash transfer 05/01/2015	1	-	-	-	1
New share issue 27/01/15	13	-	-	-	13
Closing equity 31/12/2015	540	4,698	169	38,406	43,812

CONSOLIDATED CASH FLOW STATEMENT

(EUR thousands)	NOTE	2016-12-31	2015-12-31
Operating profit		34,864	21,080
<i>Adjustment for items not included in cash flows:</i>			
Depreciation, amortisation and impairment	8, 9	9,760	5,945
Other		32	-
Interest received	4	10	6
Interest paid	5	-244	-10
Tax paid	6	-560	-1,051
Cash flows from operating activities before changes in working capital		43,862	25,970
Increase in accounts receivables	11	-6,952	-4,083
Increase / Decrease in accounts payables		-124	1,685
Increase in other working capital		3,241	317
Cash flows from operating activities		40,027	23,889
Acquisition of intangible assets	8	-10,209	-7,156
Acquisition of plant and equipment	9	-8,353	-4,780
Acquisition of property	9	-12,620	-
Increase of other Financial assets		-202	-276
Cash flows from investing activities		-31,384	-12,211
Issuance of debt due to credit institutions	20	9,300	-
Repayment of debt to credit institution	20	-729	-
New share issue		-	13
Issuing of warrants		376	-
Dividend paid		-11,510	-
Cash flows from financing activities		-2,563	13
Cash flow for the period		6,080	11,690
Cash and cash equivalents at start of period		19,930	8,295
Cash flow for the period		6,080	11,690
Exchange rate differences		177	-55
Cash and cash equivalents at end of period		26,188	19,930

INCOME STATEMENT – PARENT COMPANY

(EUR thousands)	NOTE	2016	2015
Operating revenues		4,443	1,853
Other operating expenses	17, 18	-1,590	-3,988
Personnel expenses	3	-2,518	-1,125
Depreciation, amortisation and impairment	8, 9	-57	-4
Operating profit		278	-3,264
Other comprehensive income	4	61	211,387
Interest expense and similar expenses	5	-3,628	-201,300
Profit before tax		-3,288	6,823
Deferred tax	6	-67	617
Profit for the period		-3,356	7,440

The profit for the period equals the total comprehensive income for the period.

BALANCE SHEET

– PARENT COMPANY

(EUR thousands)	NOTE	2016	2015
Assets			
Non-current assets			
Intangible assets	8	43	64
Total Intangible assets		43	64
Property, plant and equipment	9	124	122
Total Property, plant and equipment		124	122
Participating interest in Group companies	10	206,000	210,701
Deferred tax assets	6	550	617
Deposits		36	-
Total Financial assets		206,550	211,318
Total non-current assets		206,753	211,504
Current assets			
Receivables from Group companies		9,290	10,567
Other current receivables	13	149	119
Prepaid expenses and accrued income	12	92	81
Total current assets		9,531	10,767
Cash and cash equivalents	14	381	5,186
TOTAL ASSETS		216,665	227,457
<i>Equity and liabilities</i>			
Equity			
Restricted shareholders capital			
Share capital		540	540
Unrestricted equity			
Accumulated profits and profit of the year		198,047	212,914
Total equity		198,587	213,453
Current liabilities			
Accounts payable		118	42
Liabilities to Group companies		17,303	13,719
Other current liabilities	15	154	73
Accrued expenses and prepaid revenues	16	502	170
Total current liabilities		18,078	14,004
TOTAL EQUITY AND LIABILITIES		216,665	227,457

STATEMENT OF CHANGES IN EQUITY

– PARENT COMPANY

2016 (EUR thousands)	Restricted capital	Unrestricted equity	Total equity
	Shareholders capital	Accumulated profits and profit for the year	
Opening equity 01/01/2016	540	212,913	213,453
Comprehensive income			
Profit of the year	-	-3,356	-3,356
Total comprehensive income	-	-3,356	-3,356
Transactions with the owners			
Dividend	-	-11,510	-11,510
Total transactions with the owners	0	-11,510	-11,510
Closing equity 30/12/2016	540	198,047	198,587

2015 (EUR thousands)	Restricted capital	Unrestricted equity	Total equity
	Shareholders capital	Accumulated profits and profit for the year	
Opening equity 01/01/2015	526	205,147	205,673
Comprehensive income			
Profit of the year	-	7,440	7,440
Total comprehensive income	-	7,440	7,440
Transactions with the owners			
Non-cash transaction 05/01/2015	1	326	327
New share issue 27/01/2015	13	-	13
Total transactions with the owners	14	326	340
Closing equity 30/12/2015	540	212,913	213,453

CASH FLOW STATEMENT

– PARENT COMPANY

(EUR thousands)	NOTE	2016	2015
Operating profit		278	6 823
<i>Adjustment for items not included in cash flows:</i>			
Depreciation, amortization and impairments	8, 9	57	4
Interest received	4	61	-
Other	5	-3,628	-
Tax paid		-	-
Cash flows from operating activities before changes in working capital		-3,232	6,827
Increase in accounts payable		76	42
Increase in intra-group receivables and liabilities, net		9,304	3,152
Increase in other working capital		594	-4,658
Cash flows from operating activities		6,743	5,363
Acquisition of intangible assets	8	-	-64
Acquisition of property, plant and equipment	9	-38	-126
Cash flows from investing activities		-38	-190
New share issue		-	13
Dividend		-11,510	-
Cash flows from financing activities		-11,510	13
Cash flow for the period		-4,805	5,186
Cash and cash equivalents at start of period		5,186	-
Cash flow for the period		-4,805	5,186
Cash and cash equivalents at end of period		381	5,186

NOTES

Note 1. Accounting and valuation principles

GENERAL INFORMATION

Evolution Gaming Group AB (publ) (the "Parent Company", 556994-5792) and its Subsidiaries (collectively, the "Group" or the "Company") is a leading B2B provider of Live Casino systems. The company develops, produces, markets and licenses fully integrated Live Casino solutions to gaming operators. At the end of 2016, the Group had approximately 110 customers, including the 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 purely an operating and development company; it does not conduct any gaming operations of its own.

The Parent Company is a Swedish public limited company with registered office in Stockholm, Sweden with its head office at Hamngatan 11 in Stockholm. The Parent Company has been listed on Nasdaq First North Premier since 20 March 2015 using the ticker EVO.

On 24 March 2017, this Annual Report was approved for publication by the Board of Directors. The income statements and balance sheets are to be adopted in the Annual General Meeting on 21 April 2017.

1.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with the Annual Accounts Act, International Financial Reporting Standards (IFRS) and interpretations by the Financial Reporting Interpretations Committee (IFRIC) applicable to companies reporting under IFRS. The consolidated financial statements are based on the cost method. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the executive 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.

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. Amounts are expressed in thousands of Euro (EUR) unless otherwise indicated.

Amounts or figures in parentheses are comparisons for the year-earlier period. Assets and liabilities are reported at historical cost. 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 "Parent Company's accounting principles" below.

New or amended accounting standards applicable in 2016

No new or amended standards were applicable for Evolution Gaming Group in 2016.

New or amended accounting standards applicable after 2016

New or revised standards that have been issued and that are applicable for Evolution Gaming Group after 2016 are presented below.

IFRS 9 Financial instruments

This standard addresses the classification, valuation and recognition of financial assets and liabilities. It replaces those parts of IAS 39 relating to the presentation and measurement of financial instruments. IFRS 9 retains a mixed-measurement model, although it has been simplified in some respects. There are three measurement categories for financial assets, amortized cost, fair value recognized in Other Comprehensive Income and fair value recognized in the Income Statement. The presentation of an instrument depends on the company's business model and the characteristics of the instrument. Investments in equity instruments are recognized at fair value in the Income Statement but there is also an option to recognize the instrument at fair value in Other Comprehensive Income on first-time recognition. In such cases, no reclassification to the Income Statement will occur when the instrument is sold. For financial liabilities presentation and measurement do not change except in those cases a liability is reported at fair value in the income statement based on the fair value option. The standard is effective for financial years beginning on or after January 1, 2018. Earlier application is permitted. The Group will present the impact during the first half of 2017.

IFRS 15 Revenue from contracts with customers

The standard regulates revenue recognition. The principles IFRS 15 is based on are intended to give users of financial reports more useful information about the company's revenue. The expanded disclosure requirements mean that information relating to revenue class, date of settlement, uncertainty associated with revenue recognition and cash flow attributable to the company's customer contracts must be presented. IFRS 15 replaces IAS 18 "Revenue" and IAS 11 "Construction Contracts" and associated SIC and IFRIC. IFRS 15 becomes effective on January 1, 2017. Early adoption is permitted. The Group will present the impact during the first half of 2017.

IFRS 16 Leases

In January 2016, IASB published a new leasing standard that will replace IAS 17 Leases and the associated interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires that assets and liabilities attributable to all leases, with some exceptions, be recognised in the balance sheet. This recognition is based on the view that the lessee has a right to use an asset during a specific period of time and also has an obligation to pay for this right. The recognition for the lessor will be essentially unchanged. The standard is applicable for a financial year beginning January 1, 2019 or later. Early adoption is permitted. The EU has not yet adopted the standard. The Group will assess the impact during the first half of 2017.

New interpretations of accounting standards

The International Financial Reporting Standards Committee (IFRIC) has not issued any new interpretations applicable to Evolution Gaming Group.

1.2 CONSOLIDATION

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally due to a shareholding that confers a majority of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Group companies cease to be consolidated on the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is

measured as the fair value of the assets taken over, liabilities incurred to 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 and 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 for acquisition, the Group decides if minority interest in the acquired company is recognised as fair value or to the proportional share of the holding in the reported value of the acquired company's identified net assets.

Costs directly attributable to the acquisition are recognised directly in the income statement.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the purchase price is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised 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 are translated into the Group's presentation currency as follows:

- Assets and liabilities for all statements of financial position are translated at the rate at the balance sheet date.
- 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).

- 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 licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs 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 executive 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 are available.

Directly attributable costs that are capitalised as part of the software product primarily include software development employee costs.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over an estimated useful life of three years. The cost of developing Core Gaming Platform is amortised over an estimated useful life of five years. Licences 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).

1.5 PROPERTY, PLANT AND EQUIPMENT

All other property, plant and equipment are initially measured at the acquisition cost and thereafter at the acquisition cost after deductions for depreciation and write-downs. The acquisition value includes costs that are directly related to the acquisition of the assets.

Subsequent costs 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 costs are charged to the income statement during the financial period in which they are incurred.

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

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

Note 1. Accounting and valuation principles (cont.)

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 costs 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 date.

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. As at 31 December, intangible assets that were not yet available for use amounted to EUR 0 thousand (2015: 0).

1.7 FINANCIAL ASSETS**1.7.1 Classification**

The Group classifies its financial assets as loans or receivables. The classification depends on the purpose for which the financial assets were acquired. The executive management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money or services directly to a debtor without the intention of selling an asset. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. In that case, they are classified as non-current assets. The Group's loans and accounts receivables comprise "Accounts receivables and other receivables" and "Cash and cash equivalents" in the balance sheet (see Notes 1.8 and 1.9).

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

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

1.7.3 Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or Group of financial assets is

impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. First, the Group determines whether there is objective evidence of an impairment loss. The following criteria are applied in the assessment:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The probability that the borrower will enter bankruptcy or other financial reorganisation.

For financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the income statement. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

1.8 ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES

Accounts receivables 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 receivables and other receivables are initially recognised at fair value and subsequently measured at amortised cost, with a deduction for doubtful receivables (Note 1.7.3). The recognised value of the asset is reduced by the use of an account for doubtful receivables, and the loss is recognised in the income statement. If a bad debt loss has been established, it is written off in the account for doubtful receivables. If a previously impaired receivable is collected, it will be credited in the income statement.

1.9 CASH AND CASH EQUIVALENTS

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

1.10 Share capital

Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of new shares or options 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 are classified as "other financial liabilities".

Financial liabilities are initially measured at fair value, which is the fair

value of the amount received less transaction costs directly related to the acquisition of 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 providers. 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 case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or announced at the reporting date in the countries where the Group operates and generates taxable income. The executive management regularly evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation. Where appropriate, it establishes provisions based on amounts expected to be paid to the tax authorities.

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

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or announced at the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is

probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income 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 Live 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.

(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 Live 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 OPERATING LEASES

When the company is the lessee

Leasing of assets in which a significant part of the risks and benefits of ownership in practice reside with the lessor is classified as operational leasing. Payments made in the period of the lease are charged to the income statement on a straight-line basis over the period of the lease.

1.18 DIVIDENDS

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's financial statements in the period when there is an obligation to pay dividends.

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 CEO of the Group, who makes strategic decisions. The CEO of the Group considers the Group to consist of a single segment, i.e. the provision of solutions for Live 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.

Note 1. Accounting and valuation principles (cont.)**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 costs.

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 EMPLOYEE BENEFITS**Pension costs 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 a warrant program which was decided upon at the 2016 AGM. Fair value on the warrant that entitles employees to allocation of warrants is recognised as cost. The total amount reported as cost 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 time period. The total amount recognised as cost 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 initiates is reported in the income statement and the corresponding adjustments are made in equity.

1.24 THE PARENT COMPANY'S ACCOUNTING PRINCIPLES

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

Formats

The income statements and balance sheets follow the formats specified in the Annual Accounts Act. The statement of changes in equity also 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 acquisition value after deduction for possible write-downs. In the acquisition value, costs related to the acquisition and possible earn-out considerations are included.

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, an impairment is made. Impairments are reported in "Result from participating interests in Group companies".

Financial instruments

IAS 39 is not applied in the parent company and financial instruments are valued at acquisition value. Within the subsequent periods, financial assets acquired with the purpose to be retained on a short-term basis will be reported according to the lowest value principle at the lowest of acquisition value and market value.

1.25 CRITICAL ESTIMATES AND ASSESSMENTS

Estimates and assumptions 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. Except for the impairment testing of intangible assets described below, the executive 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 programme are recognised as intangible assets in the balance sheet and Note 8 and amounted to EUR 14,127 thousand (2015: 9,915). 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 determined that there is no objective evidence of impairment losses for other projects that involve gaming software.

Note 2. Segment reporting

The Group's revenues derive primarily from commissions on Live Casino solutions. These operations represent the Group's only operating segment. Revenues from transactions with one customer (2015: two

customers) amounted to EUR 12,008,000 (19,034,000), which is more than 10 percent of the Group's total revenue.

Geographical breakdown (EUR thousands)	Sweden		Malta		Latvia		Other		Eliminations		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Revenues	4,443	1,853	125,298	82,836	60,161	37,947	19,103	13,303	-93,544	-59,581	115,461	76,359
Operating profit	753	803	17,182	12,174	20,783	4,837	1,147	500	0	0	39,865	18,314

Non current assets exclude participating interests in Group companies

Note 3. Employees

Average number of employees	2016		2015	
	Average number of employees	of which, women	Average number of employees	of which, women
Latvia	1,433	759	900	596
Malta	382	202	240	160
Romania	12	8	-	-
Belgium	11	1	5	1
Estonia	8	1	-	-
United Kingdom	7	4	8	3
Sweden	7	3	4	1
Total Group	1,860	1,224	1,156	761

Remuneration and other benefits

2016 (EUR thousands)	Basic salary/ Board fee	Other benefits	Pension costs	Total
Chairman of the Board: Jens von Bahr *	78	1	-	78
CEO: Jens von Bahr *	372	1	-	373
CEO: Martin Carlesund	72	-	-	72
Chairman of the Board / Board Member: Joel Citron	15	-	-	15
Board Member: Fredrik Österberg *	339	-	48	388
Board Member: Ian Livingstone	10	-	-	10
Board Member: Jonas Engwall	10	-	-	10
Other senior executives (6 persons in total during the year)	2,283	69	57	2,410
Total	3,180	70	105	3,355

Remuneration and other benefits

2015 (EUR thousands)	Basic salary/ Board fee	Other benefits	Pension costs	Total
Chairman of the Board: Joel Citron	10	-	-	10
Board Member and CEO: Jens von Bahr *	344	4	-	348
Board Member: Fredrik Österberg *	290	4	25	319
Board Member: Ian Livingstone	7	-	-	7
Board Member: Jonas Engwall	7	-	-	7
Other senior executives (5 persons in total during the year)	1,032	28	50	1,109
Total	1,689	36	75	1,800

* Jens von Bahr and Fredrik Österberg have operational roles in the company.

Salaries and social security costs (EUR thousands)	2016		2015	
	Salaries	Social security costs (of which, pension costs)	Salaries	Social security costs (of which, pension costs)
Board of Directors, CEO and other senior managers	1,579	475	658	129
		(-105)		(-25)
Other employees Latvia	30,692	7,388	19,189	4,352
		(-)		(-)
Other employees Malta	13,382	828	7,912	490
		(-)		(-)
Other employees Sverige	586	218	421	215
		(-31)		(-91)
Other employees, rest of markets	1,555	317	1,076	164
		(-)		(-)
Total Group	47,794	9,227	29,256	5,350
		(-136)		(-116)

On October 25, Jens von Bahr left the position of CEO to become Chairman of the Board, taking over the assignment from Joel Citron who remained as Board member. Martin Carlesund was appointed CEO of Evolution Gaming Group AB.

Conditions for CEO

In his employment agreement, Martin Carlesund has a term of notice of 6 months and severance pay of another 6 months, following the notice from the company if not a contract breach has occurred.

Number and proportion of women in management positions at year-end	2016			2015		
	Number of men	Number of women	Proportion of women	Number of men	Number of women	Proportion of women
Board of Directors	6	0	0%	5	0	0%
Other senior managers	7	1	12%	5	0	0%

In connection with the CEO change in October, the composition of senior executives was changed.

Senior executives as of 31 December 2016.

Martin Carlesund	CEO Evolution Gaming Group AB
Johan Nordström	CEO Evolution Malta Limited
Jacob Kaplan	Chief Financial Officer
David Craelius	Chief Technology Officer
Todd Haushalter	Chief Product Officer
Sebastian Johansson	Chief Commercial Officer
Jesper von Bahr	Chief Legal and Risk Officer
Louise Wiwen-Nilsson	Chief Human Resources Officer

Note 4. Financial income

(EUR thousands)	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Interest income	10	6	61	-
Dividends from subsidiaries	-	-	-	211,387
Total	10	6	61	211,387

Note 5. Financial expenses

(EUR thousands)	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Interest expenses	227	1	-	-
Impairment of shares in subsidiaries	-	-	3,567	201,299
Other	17	9	61	1
Total	244	10	3,628	201,300

Note 6. Income tax and deferred tax

(EUR thousands)	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Income tax				
<i>Current tax</i>				
Sweden	-	-	-	-
Outside Sweden	2,362	1,564	-	-
Total current tax	2,362	1,564	0	0
<i>Deferred tax</i>				
Sweden	67	-617	67	-617
Outside Sweden	461	100	-	-
Total deferred tax	528	-517	67	-617
Total tax expense	2,890	1,047	67	-617

(EUR thousands)	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
<i>The difference between the actual tax expense and tax expense based on current tax rate</i>				
Profit before tax	34,630	21,076	-3,288	6,823
Tax calculated at domestic tax rates to profits in the respective countries	9,952	6,840	-723	1,501
Tax effect of:				
Income not subject to tax	-11,173	-6,242	-	-46,505
Expenses not deductible for tax purposes	3,585	1,850	790	44,286
Income subject to reduced rates of tax	-67	617	-67	-
Tax-loss carryforwards on accumulated losses	448	-	-	-
Other	146	-2,018	-	101
Total tax expense	2,890	1,047	0	-617

The Group's effective tax rate for the year was 8.3% (2015: 5%).

Deferred tax

Deferred tax assets and deferred tax liabilities refer to temporary differences and tax-loss carryforwards. Temporary differences occur in cases where the reported and fiscal tax-loss carryforwards for assets of liabilities, or other tax deductions are recognised only to the extent that it is probable that the deduction can be offset against future taxable profits.

Deferred tax assets and deferred tax liabilities refer to temporary differences and loss carry-forwards as follows:

(EUR thousands)	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
<i>Deferred tax receivables</i>				
Tax-loss carryforwards	550	617	550	617
Total deferred tax receivables	550	617	550	617
<i>Deferred tax</i>				
Property, plant and equipment	729	324	-	-
Total deferred tax	729	324	0	0
Deferred tax receivables and deferred tax liabilities, net	-179	293	550	617

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

(EUR thousands)	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Opening balance	324	-192	617	-
Recognised in the income statement	-528	517	-67	617
Closing balance	-204	324	550	617

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

(EUR thousands)	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Deferred tax receivable that can be used early after 12 months	550	514	550	514
Deferred tax liability receivable that can be used early after 12 months	-729	-192	-	-

Note 7. Earnings per share

(EUR thousands)	GROUP	
	2016	2015
Profit after tax attributable to Parent Company shareholders (EUR thousands)	31,740	20,028
Average number of shares before dilution	35,970	35,905
Average number of shares after dilution	36,153	35,905
Earnings per share before dilution (EUR)	0,88	0,56
Earnings per share after dilution (EUR)	0,88	0,56

The Group has dilution effects regarding warrants, see note 22.

Note 10. Participating interests in Group companies

	Corporate ID number	Main office	Ownership %	Number of shares	Carrying value 2016 (EUR thousands)	Carrying value 2015 (EUR thousands)
Direct ownership						
Evolution Malta Holding Ltd	C 48665	Portomaso, Malta	100	2,752,353	206,000	206,000
Evolution Core Holding Ltd	HE 177496	Nicosia, Cyprus	-	-	-	4,701
Indirect ownership						
Evolution Malta Ltd	C 48666	Portomaso, Malta	100	1,200	1	1
Evolution Gaming Malta Ltd	C 44213	Portomaso, Malta	100	40,000	3	3
Evolution Malta Ops Ltd	C 50583	Portomaso, Malta	100	100,000	100	100
SIA Evolution Latvia	40003815611	Riga, Latvia	100	100	3,977	3,977
Evolution Gaming Ltd	05944946	London, UK	100	100	863	863
Blue Chameleon Enterprises Ltd	1643054	British Virgin Islands	100	1	411	411
Evolution New Jersey LLC	5362945	Delaware, USA	100	0	-	-
SIA Evolution Latvia Properties	50103931761	Riga, Latvia	100	1	3	3
Evolution Belgium SPRL	0638.824.479	Brussels, Belgium	100	18,550	19	19
EvoGame Estonia OU	14035717	Tallinn, Estonia	100	1	3	-
Evolution Netherlands BV	66682452	Hilversum, Holland	100	1	0	-
Evo Gaming Studios RO S.R.L.	36034853	Bukarest, Romania	100	1,000	1	-
EG Overseas Services B.V.	135218	Curacao	100	3,000	-	-

Note 11. Accounts receivable

(EUR thousands)	GROUP	
	2016	2015
Maturity analysis of past due but not impaired accounts receivable		
1-30 days	4,142	3,254
31-90 days	1,569	1,076
91-180 days	350	25
More than 181 days	36	93
Total	6,097	4,448
Provision for uncertain receivables		
As at 1 January	130	-
Provision for bad debt	215	130
Reversal of bad debt	-129	-
Customer losses in the income statement	-	-
Closing reserves	215	130

Historically, the Group has had low customer losses. The Group's customers are active in a growth market with strong balance sheets.

The bad debt of EUR 215 thousand is due over 181 days.

Note 12. Prepaid expenses and accrued income

(EUR thousands)	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Accrued revenues	2	28	-	-
Prepaid licence fees, software and IT services	746	666	-	6
Prepaid rent	69	110	34	35
Prepaid marketing	64	271	-	-
Prepaid insurance	44	20	41	18
Prepaid maintenance	117	63	-	-
Other prepaid expenses	321	307	16	23
Total	1,363	1,464	92	81

Note 13. Other receivables

(EUR thousands)	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
VAT	326	695	102	78
Prepayments to providers	722	901	-	-
Tax receivables	15,760	6,150	46	41
Other	55	70	1	1
Total	16,864	7,816	149	119

Note 14. Cash and cash equivalents

(EUR thousands)	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Cash and cash balances	26,188	19,930	381	5,186
Total	26,188	19,930	381	5,186

Note 15. Accounts payable and other liabilities

(EUR thousands)	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Accounts payable	5,331	3,248	154	73
Employee-related liabilities	378	0	-	-
Other liabilities	5,709	3,249	154	73
Total		12,769		115

Note 16. Accrued expenses and deferred income

(EUR thousands)	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Employee related expenses	2,229	1,368	184	98
Deferred income	453	711	-	-
Accrued Audit and consulting fees	288	145	230	44
Accrued Utilities	72	83	-	-
Other	508	401	89	28
Total	3,549	2,708	502	170

Note 20. Non-current liabilities

(EUR thousands)	GROUP					
	2016			2015		
	Current	Non-current	Total	Current	Non-current	Total
Secured						
Loan from credit institution	1,130	7,441	8,571	-	-	-
Total	1,130	7,441	8,571	-	-	-

The Group took the loan to finance the acquisition of the property in Riga, Latvia. The maturity date of the loan is 12 November 2020, with amortisation payments of EUR 1,130 thousand per annum before the maturity date. The loan has a variable rate. The loan agreement includes covenants like Equity/Total assets, Debt/EBITDA over last 12 months and Debt/Property

Note 17. Leasing

(EUR thousands)	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Expenses lease payments and rental charges	1,506	1,322	140	60
Total	1,506	1,322	140	60

Future minimum lease payments under non-cancellable operating leases and rental agreements are estimated to fall due as follows:

(EUR thousands)	GROUP	PARENT COMPANY
Within 1 year	786	140
2-5 years	1,183	116
After 5 years	-	-
Total	1,969	256

The Group has only operational lease agreements for premises and technical equipment.

Note 18. Auditor remuneration

(EUR thousands)	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
PWC				
Auditing assignments	81	47	21	12
Audit-related services, in addition to auditing	286	149	286	134
Tax advice	77	81	51	74
Other services	13	1	13	1
Total	458	278	371	221

Note 19. Pledged assets

(EUR thousands)	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Pledged assets	12,397	-	12,397	-
Total	12,397	0	12,397	0

The Group's and Parent Company's pledged assets refer to security in the Group's property in Riga, Latvia, for liabilities to credit institutions.

value. During the year, the Group has not exceeded the covenants.

The calculations are based on consolidated values of the two Latvian companies in the Group. The fair value of the liability is not assessed to diverge from the carrying value and is included in level 2 of the fair value hierarchy.

Note 21. Related party transactions

All intra-Group transactions take place on general and commercial terms and at market price. No Board Member, senior officer 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.

The Group has no other related party transactions apart from those described in Note 3.

Note 22. Warrants

The assessed fair value at grant date of options granted during the year ended 31 December 2016, was EUR 1.82 per option. The fair value at grant date is independently determined using the Black Scholes Model that considers the exercise price, the term of the option, the impact of dilution (where material), the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk free interest rate for the term of the option and the correlations and volatilities of the peer group companies.

The model inputs for options granted during the year ended 31 December 2016 included:

- (a) options are granted for no consideration and vest based on a peer group of 20 selected companies over a three year period. Vested options are exercisable after the Q2 report release until September 30, 2019.
- (b) exercise price: SEK 354,20
- (c) grant date: July 1 2016
- (d) expiry date: September 30 2019
- (e) share price at grant date: SEK 245
- (f) expected price volatility of the company's shares: 30%
- (g) expected dividend yield: 2.3%
- (h) risk-free interest rate: -0,5%

The recipients of the offer were 23 key employees throughout the Group, for a total of 365,084 warrants. Employees in Sweden paid the market value for the warrants in June 2016. Employees outside Sweden paid the market value for 1 warrant, while receiving 1 without payment for each that had been paid for. The value for the payment is included in the cash flow statement.

Note 23. 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, cash flow interest risk), credit risk and liquidity risk. The risk management is coordinated at group level for all companies that have Evolution Gaming Group AB (publ) as the ultimate parent company. The Group has not used derivative instruments to hedge any risk exposure in present or previous periods.

(a) Market risk

(i) Currency risk

The currency risk is related to future commercial transactions and recognised assets and liabilities reported in a different currency from each entity's functional currency. A large part of the Group's revenues arise in Pounds Sterling (GBP) and US dollars (USD). During 2015, the Group was also exposed to the Swedish krona (SEK).

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 GBP and USD. Certain expenses are also denominated in local currencies. In 2016, 16.9 percent (15.1) of Evolution's total revenue was generated in GBP and 16.7 percent (12.4) in USD. Of the total expenses, 6.5 percent (8.1) were in GBP, 3.5 percent (2.1) in USD. 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 executive 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 reasonably possible exchange rate fluctuations at the end of the reporting period. During the 2016 the Group recorded a profit in the income statement concerning in exchange rate differences of kEUR 8 (2015: -78).

(ii) Cash flow interest rate risk

The Group has apart from cash and cash equivalent not any material interest-bearing assets and liabilities. In the acquisition, of the premises where the operations in Riga, Latvia, it was partly financed by a Euro denominated loan from a credit institution. The interest rate for the loan is 6-month Euribor (but not less than 0) + 2,2 % margin. During 2016, the Euribor interest rate have been negative during the majority of the year, therefore the interest rate has been 2,2%. A change of the interest rate +1% respectively +2% would give the additional interest expense of kEUR 73 respectively kEUR 145, calculated after tax.

The executive management therefore does not consider that profit/loss would have been materially affected by the occurrence of reasonable interest rate fluctuations at the end of the reporting period.

(b) Credit risk

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

(EUR thousands)	2016	2015
Assets		
Non-current receivables	522	320
Accounts receivables and other receivables	37,266	21,369
Cash and cash equivalents	26,188	19,930
Total	63,976	41,299

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 risks. 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 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 executive management considers the accounts receivables to be secure; the group often conducts business with these

counterparties, which are considered by the executive management to have good credit rating, as they have hitherto managed their payments without remarks.

As at 31 December 2016, accounts receivable past due but not impaired amounted to kEUR 1,740 (2015: 1,193) (see Note 11). The Group has past due receivables which we have made provision for amounting to kEUR 215. These past due receivables include bad debts 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 executive 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.

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 executive 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.

Consolidated financial assets amount to kEUR 522 (2015: 320). Current receivables with a maturity of less than 12 months, consist primarily of trade receivables.

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 the meeting of future obligations regarding its financial liabilities, which mostly comprise accounts payable, other liabilities and borrowings (Note 15 and 20). Prudent risk management means having sufficient liquidity and credit facilities to ensure that the group has sufficient funding to meet its obligations.

The executive management monitors liquidity risk by reviewing expected cash flows and ensuring that no additional financing will be needed in the upcoming year.

Non-discounted liabilities, are displayed in the table below showing the age analysis for the Groups liabilities.

Liquidity risk

As of 31 December 2016	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Non-current liabilities from credit institutions	289	866	1,155	6,450	-
Trade payables	2,169	-	-	-	-
Other current liabilities	5,709	-	-	-	-
Total	8,167	866	1,155	6,450	0

As of 31 December 2015	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Trade payables	2,293	-	-	-	-
Other current liabilities	3,248	-	-	-	-
Total	5,541	0	0	0	0

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.

23.2 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 executive 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.

Please refer to note 20, concerning the loan from credit institutions.

23.3 FAIR VALUE OF FINANCIAL INSTRUMENTS

The amounts recognised as current financial assets and liabilities in the financial statements as at 31 December 2016 and 2015 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.

Fair value	Assets and receivables	Total
31 December 2016		
Assets in the balance sheet		
Other non-current assets	522	522
Trade receivables	19,039	19,039
Other current assets	1,103	1,103
Cash and cash equivalents	26,188	26,188
Total	46,853	46,853
31 December 2016	Other financial liabilities	Total
Liabilities in the balance sheet		
Non-current liabilities to credit institutions	7,441	7,441
Trade payables	2,169	2,293
Other current liabilities	6,838	3,249
Total	16,449	12,983
31 December 2015	Assets and receivables	Total
Assets in the balance sheet		
Other non-current assets	320	320
Trade receivables	12,087	12,087
Other current assets	1,666	1,666
Cash and cash equivalents	19,930	19,930
Total	34,004	34,004
31 December 2015	Other financial liabilities	Total
Liabilities in the balance sheet		
Trade payables	2,293	2,293
Other current liabilities	3,249	3,249
Total	5,542	5,542

DECLARATION BY THE BOARD OF DIRECTORS

The Board of Directors and the CEO certify that the annual accounts 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 President hereby certify that the consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and provide a true and fair view of the Group’s position and performance and that the Directors’ Report for the Group provides a true and fair overview of the development of the Group’s operations, position and performance and describes significant risks and uncertainty factors that the companies included in the Group are facing.

Stockholm, 24 March 2017

Jens von Bahr
Chairman of the Board

Joel Citron
Board Member

Jonas Engwall
Board Member

Cecilia Lager
Board Member

Ian Livingstone
Board Member

Fredrik Österberg
Board Member

Martin Carlesund
CEO

As stated above, the annual and consolidated accounts were approved for publication by the Board of Directors on 24 March 2017.

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 21 April 2017.

Our audit report was issued on 24 March 2017

Öhrlings PricewaterhouseCoopers AB

Niklas Renström
Authorised Public Accountant

AUDIT REPORT

To the general meeting of shareholders in Evolution Gaming Group AB, corporate identity number 556994-5792

REPORT ON THE ANNUAL AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Evolution Gaming Group AB for the year 2016. The annual accounts and consolidated accounts of the company are included on pages 30-62 in this document with the exception of the Corporate Governance Report on the pages 35-41.

In our opinion, the annual accounts and consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2016 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 2016 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 statement does not include the Corporate Governance Report on the pages 35-41. 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 group.

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.

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 Directors and the Managing Director

The Board of Directors and the Managing Director 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 Managing Director 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 Managing Director 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 Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified

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 Directors and the Managing Director of Evolution Gaming Group AB for 2016 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 Directors and the Managing Director 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 Directors and the Managing Director

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 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 Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil 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 Managing Director 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.

As part of an audit in accordance with generally accepted auditing standards in Sweden we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgement with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined The Board of Director's Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

Stockholm on 24 March 2017

PricewaterhouseCoopers AB

Niklas Renström
Authorised Public Accountant

GLOSSARY

FINANCIAL KEY RATIOS, ITEMS AND TERMS

Return on shareholders' equity	The period's earnings in relation to average equity in the past twelve months.
EBITDA	Operating profit before depreciation, amortisation and impairments.
EBITDA margin	EBITDA in relation to operating revenues.
EUR, EURm, EUR 000	EUR, EUR million, EUR thousands
Average number of full-time employees	The average number of full-time employees during the period. Full-time equivalents include part-time positions.
Average number of shares outstanding	The average number of shares outstanding during the period.
Operating profit	Total operating revenues reduced by total operating expenses.
Operating margin	Operating profit in relation to operating revenues.
Equity/assets ratio	Equity at the end of period in relation to total assets at the end of period.

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 Evolutions 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 Gaming'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 with all new Tier 1 customers via press releases and/or interim statements.



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