Net Gaming Europe AB (publ) - Year-end report 2018

14% organic growth and improved profitability

Fourth quarter 2018

- Revenue increased to SEK 48.7 (45.6) million. Revenue from affiliate operations increased to SEK 48.6 (44.1) million.
- EBITDA increased to SEK 33.9 (30.0) million.
- Profit after tax declined to SEK 15.7 (21.9) million.
- Earnings per share after dilution fell to SEK 0.21 (0.31)
- Total NDC growth was 13%; largest vertical Casino increased NDCs by 18%.
- Cash flow from operating activities was SEK 33.6 (32.8) million

Full year 2018

- Revenue increased to SEK 192.2 (169.5) million. Revenue from affiliate operations increased to SEK 190.3 (160.3) million.
- EBITDA increased to SEK 127.1 (106.6) million.
- Profit after tax was SEK 78.3 (6.0) million.
- Earnings per share after dilution increased to SEK 1.08 (0.09)
- Total NDC growth was 23%; Casino vertical increased NDCs by 35%.
- Cash flow from operating activities was SEK 115.5 (108.5) million
- Net Gaming Europe's Board of Directors will recommend to the Annual General Meeting that no dividend be paid for the 2018 financial year, as was the case in 2017.

Significant events in the quarter

- iGaming operations have been discontinued and reshaped into affiliate operations. Net Gaming is now a focused affiliate company.
- The EGM on 19 December 2018 decided to change the presentation currency from SEK to EUR with effect from 1 January 2019.
- A provision of SEK 6.8 million relating to a potential credit loss was charged to earnings and had a negative impact on net financial items.

Significant events after the quarter

- Christian Käfling has been appointed new Head of M&A, strengthening the management team. Christian comes most recently from PwC and brings extensive experience from strategy and commercial due diligence in the iGaming sector.

Key figures	**Oct-Dec**			**Jan-Dec**		
SEK million	**2018**	**2017**	**Y/Y%**	**2018**	**2017**	**Y/Y%**
Revenue, affiliate operations	48.6	44.1	10%	190.3	160.3	19%
Organic growth, %	14%	12%	+2 p.p	12%	14%	-2 p.p
EBITDA	33.9	30.0	13%	127.1	106.6	19%
EBITDA margin, %	70%	66%	+4 p.p	66%	63%	+3 p.p
Profit after tax	15.7	21.9	-28%	78.3	6.0	+1192%
Earnings per share (after dilution)	0.21	0.31	-32%	1.08	0.09	+1100%
Net debt/EBITDA (rolling 12 mth)	2.1	2.7	-	2.1	2.7	-
NDC growth, %	+13%	+13%	+0 p.p	+23%	+16%	+7 p.p

Q4

14%
Organic growth, affiliate operations

13%
EBITDA growth

-32%
Earnings per share

CEO's comments: Solid EBITDA growth and strong cash flow

Net Gaming continued to grow in Q4 with improved profitability. Revenue from affiliate operations increased by 10% to SEK 48.6 (44.1) million, while organic growth was 14%. Our organic growth has been negatively affected by our gradual phasing-out of traffic from Paid Media channels. We have also changed our revenue distribution to an increased proportion for revshare; 35% compared with 22% a year ago. While sales growth for Q4 is slightly below our defined target, it is pleasing to note that careful cost control has contributed to an all-time-high EBITDA. Cash conversion corresponded to 88% of EBITDA and the equity ratio strengthened further.

For the full year, revenue from affiliate operations grew by 19% and the EBITDA margin improved to 66% from 63%. Our strong cash flows have enabled us to gradually reduce our debt/equity ratio during the year, and in June we paid the final additional consideration for the highly successful acquisition of HLM Malta Ltd. It also means that since then we have been able to run the Company according to our ambitious growth plan, thereby also adapting the organisation for long-term sustainable growth. In addition, we made a listing change, moving to Nasdaq First North Premier at the end of June 2018.

Key recruitments complement the organisation for continuing expansion

We have made a number of key recruitments, bringing in specialist expertise in various areas, notably in design and product development for continuing expansion. Many of these recruitments have taken place since the end of the year, with a clear focus on strengthening our products and offering by, among other things, further developing our strong CasinoGuide and PokerListings brands. Christian Käfling takes up his position as new Head of M&A in April 2016 and will be responsible for working constantly on potential additional acquisitions to enable us to take a larger market share in iGaming affiliation.

USA, Casino Europe and Betting our three growth pillars

During Q4, we continued to systematically conduct activities in line with our growth strategy. In the US, we continue to build up our long-term assets, and revenue increased by 45%. The number of states wanting to regulate iGaming is increasing, although the exact timing for regulation by additional states is difficult to assess. We continue to develop our new Betting vertical and we expect it to be able to make a clear contribution to our revenues and earnings over time. Within Casino, we already have a strong portfolio of digital brands that generate high revenue growth, and we are convinced that we can continue to grow our revenues in Europe. Launches in January 2019 included new Casino brands in the UK and Germany and a new Betting brand in Germany.

General trends in the iGaming industry

We also note that, for the industry in general, much is happening with regard to regulatory changes, with increased requirements for operators in terms of responsible gaming, gaming limits etc. As would be expected, the market is affected by regulatory changes, but I see the new requirements as a sound contribution to a more sustainable iGaming market in the long term, with better protection for the end consumers.

In the short term, we have seen a sequential decline in our NDC development, but an increase in Q4 2018 compared with Q4 2017.

New vision

The Board has clarified Net Gaming's vision in order to better reflect our focus and our ambitions over time.
Our vision is:

"To be the World's number 1 in iGaming affiliation."

As CEO, I believe that a clear direction for the Company is a very good thing, and we are adding specialist expertise in several areas to achieve our vision of becoming number 1. We have launched Betting as a new vertical, which is an obvious step to take, as betting accounts for about 50% of the total iGaming market. In addition, we have defined a clear expansion plan both for the USA and for Casino in Europe, where our market share is scarcely 1%. Economies of scale should give us good potential to significantly increase that market share. In other words, there are many interesting opportunities for us to grow further.

Outlook for 2019

- In line with our strategy of developing strong digital brands, we will place an increased focus on design, conversion and user-friendliness.
- We will further develop and strengthen our organisation by recruiting carefully selected key individuals who fit in well with our corporate culture.
- Careful cost control combined with further efficiency measures will continue to be important to us, while we will also invest in important growth projects.
- New regulations, economic developments and currency effects will always be difficult to predict and can create short-term volatility, but a leading player like Net Gaming is well-placed to manage this over time.

Investments for long-term and sustainable growth

We continue to lay the foundation for long-term and sustainable growth through investments in both personnel and technology, having now also completed the transition to a focused affiliate company. I am genuinely looking forward to executing according to our growth strategy and in doing so delivering in line with our financial objectives!

Marcus Teilman, President and CEO

The Group's development

QUARTER, OCT–DEC 2018

Revenue
Revenue for Q4 increased by 7% to SEK 48.7 (45.6) million, driven by organic growth of 14%. Total revenue has been negatively affected by the discontinuation of the iGaming operations and the divestment of Battle of Malta within the affiliate operations. Revenue from affiliate operations increased in total by 10% to SEK 48.6 (44.2) million.

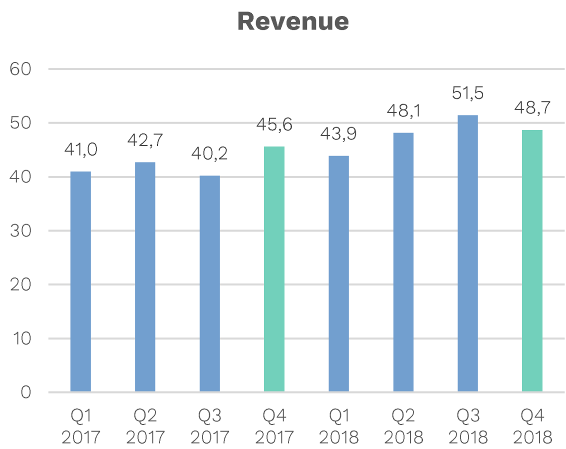
Development för New Depositing Customers (NDC) remained strong, with growth of 13% compared with the same period the previous year and 23% for the full year. NDC growth in Casino increased by 18% in Q4 2018 and by 35% for the year.

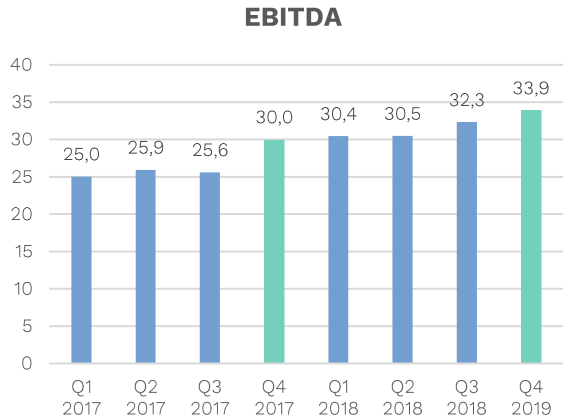
Costs
Operating expenses for Q4 showed a slight decline compared with the previous year. The decline was largely due to marketing expenses (paid media) reported under other external expenses, which also had a negative effect on affiliate revenue. This is due to a transition to organic SEO traffic for the acquisition of Magnum Media completed in November 2017. Other external costs declined during Q4, even though they were affected by costs of SEK 0.4 million, mainly related to the discontinued iGaming operations. Personnel expenses for Q4 have increased to SEK 7.7 (6.6) million, primarily driven by development of the organisation and recruitment of key personnel to adapt the Company for growth.

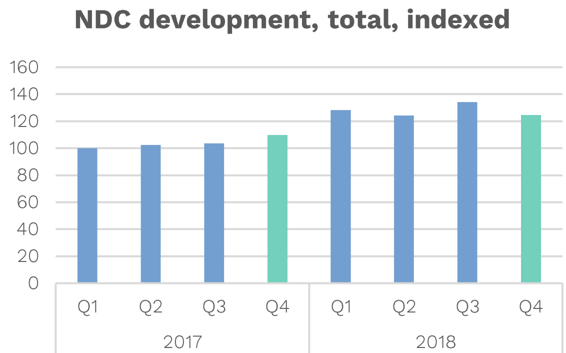
Earnings
EBITDA increased by 13% to SEK 33.9 (30.0) million. The EBITDA margin strengthened further to 69.6% (65.8%). Profit after tax declined to SEK 15.7 (21.9) million. The difference between the periods was due to a provision of SEK 6.8 million for a potential credit loss in Q4 2018 and the Company's positive tax effect of SEK 2.5 million in Q4 2017.

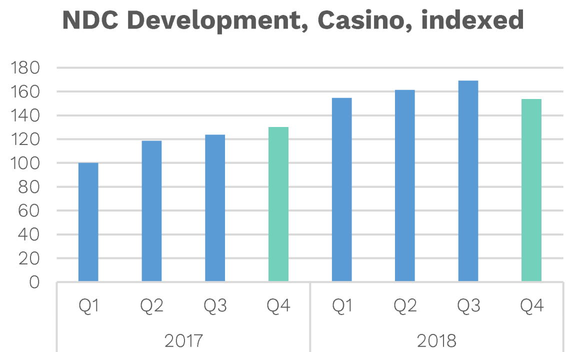
Net Gaming's net financial items for Q4 2018 showed a decline from the same period the previous year, primarily attributable to the provision for a potential credit loss. Interest expenses have declined as a result of the lower interest rate for the new bond loan (7.25% compared with 13% in the previous financing arrangement).

Earnings per share after dilution amounted to SEK 0.21 (0.31).



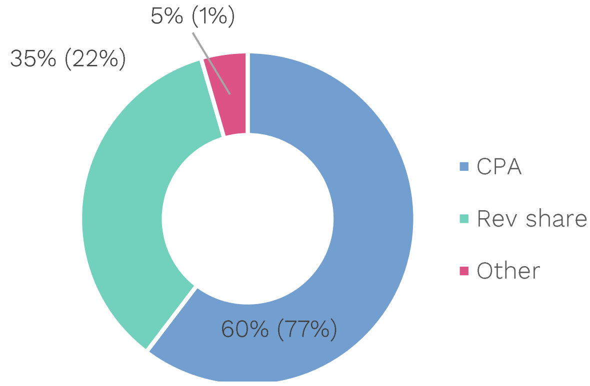




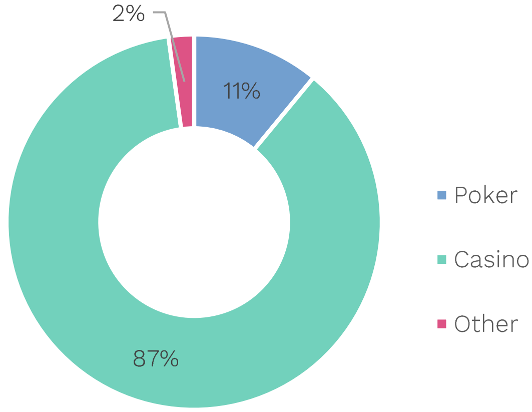


The graphs show an index of NDC development over time. NDC stands for new depositing customer, i.e. a newly depositing customer that Net Gaming has referred to one of its customers (operators). The charts above do not show absolute figures, but a percentage development from index 100 in the first quarter of 2017.

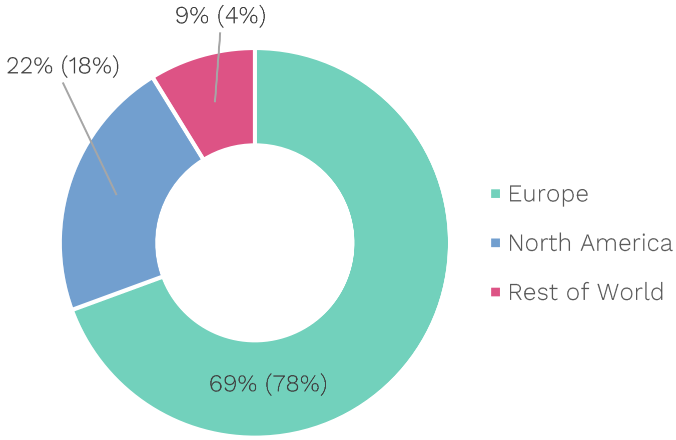
Revenue model
Net Gaming generates revenue in several ways. The majority of the revenue is generated from "up front payment" (also referred to as CPA – cost per acquisition) for each individual paying player that Net Gaming refers to its partners (usually the iGaming operator). A smaller – but increasing – proportion of the revenue is derived from "revenue share", which means that Net Gaming and the iGaming operator share the net gaming revenue that the player generates with the operator indefinitely. The majority of the traffic to Net Gaming's sites comes from mobile devices. The proportion of Net Gaming's total revenues coming from revenue share is expected to increase in line with the trend in the previous quarter, while the proportion of revenue from CPA is expected to decline.



Net Gaming generates about 87% of revenue through casino. The poker vertical generates around 11% and other verticals generates around 2% of the total revenue.



Europe is Net Gaming's largest geographical market, accounting for about 69% of total revenue. Revenue from Europe increased by 8% in Q4 2018 compared with the same quarter the previous year. North America is the second-largest market, generating 22% of total revenue. Revenue growth in North America during Q4 2018 was 45% compared with the corresponding period the previous year.



FULL YEAR 2018

Revenue
Revenue for the full year 2018 increased by 13.4 percent to SEK 192.2 (169.4) million, driven by organic growth of 12.1 percent. A streamlining of the business has taken place during the year, with iGaming operations discontinued and reshaped into affiliate operations and the Battle of Malta poker tournament divested. Revenue for the iGaming operations in 2018 was SEK 1.9 million, compared with SEK 9.1 million in 2017. Revenue from affiliate operations increased by 18.7 percent to SEK 190.3 (160.3) million in 2018.

192.2
Revenue, SEK million

Costs
Costs for the full year 2018 increased marginally compared with 2017. The increase is mainly a result of higher personnel expenses, primarily driven by development of the organisation and recruitment of key personnel to adapt the Company for growth.

12.1%
Organic growth

Other external costs have increased to SEK 34.6 (33.7) million, primarily driven by higher marketing costs (paid media), although they were significantly reduced in Q4 2018. Costs in the iGaming operations have in turn declined between 2017 and 2018, which has contributed to the Company's margin increase.

Earnings
EBITDA increased by 19 percent to SEK 127.1 (106.6) million. The EBITDA margin improved to 66.1 (62.9) percent as a result of the streamlining measures and good cost control combined with improved organic growth and economies of scale.

127.1
EBITDA, SEK million

In 2017, the Company entered into a refinancing arrangement with significant associated financing costs, recognised in net financial items. However, the refinancing has resulted in a considerably more favourable financing structure with lower interest expenses in 2018. This meant that net financial items declined from SEK 84.3 million in 2017 to SEK 38.9 million in 2018. Net financial items in 2018 were charged with a non-recurring effect of SEK -1.1 million related to conversion of outstanding convertible notes in Q3 and a provision of SEK -6.8 million for a potential credit loss in Q4.

19.2%
EBITDA growth

During the year, the Company also reduced its tax expenses, which amounted to SEK -5.9 (-14.8) million in 2018.

Profit after tax increased to SEK 78.3 (6.1) million and earnings per share after dilution increased to SEK 1.08 (0.09).

Financial position

Cash flow and investments

Cash flow from operating activities in Q4 was SEK 33.6 (32.8) million. Cash flow from operating activities in 2018 was SEK 115.5 (108.5) million. The change from the corresponding quarter the previous year is mainly attributable to improved underlying earnings growth. At the same time, working capital has had a negative impact on cash flow in 2018, primarily due to the discontinuation of the Gaming operations, which affects the comparability between 2018 and 2017.

Cash flow from investing activities amounted to SEK -3.9 (-20.1) million and the low level is due to the Company's business model not being capital intensive. Investments in Q4 were mainly attributable to strong new domain names in the US and extension of the head office in Malta to accommodate more staff. Cash flow from investing activities in 2018 was SEK -89.5 (-75.6) million. The increase is mainly attributable to the settlement of the additional consideration from the HLM acquisition in 2016 and the acquisition of Webwiser in May 2018.

Cash flow from financing activities in Q4 was SEK -6.9 (-195.2) million. The negative cash flow from financing activities in Q4 2017 was due to the refinancing arranged in the second half of the previous year. Cash flow from financing activities for the full year 2018 amounted to SEK -30.0 (21.5) million, with interest expenses having been significantly reduced through the new financing arrangement.

Liquidity and financial position

The Group's interest-bearing net debt at the end of the period was SEK 269.7 million, compared with SEK 287.7 million at the end of Q4 2017. The Company's cash and cash equivalents at the end of Q4 2018 amounted to SEK 103.7 (115.1) million. The liquidity position in Q4 2017 was positively affected by the refinancing that was arranged. The liquidity position in Q4 2018 was negatively affected by a reclassification of cash and cash equivalents to financial assets of SEK -10.2 million in connection with a potential credit loss. The Company recognised a provision of just over SEK 6.8 million from the financial assets, which had a negative impact on net financial items in Q4. It is the Company's the assessment that some of the provision will be recovered in 2019

The equity/assets ratio was 32 (11) percent and equity was SEK 185.7 (63.4) million at 31 December 2018.

Financial objectives

The Board of Net Gaming has defined the following financial objectives:

EPS growth

Net Gaming's target is average annual EPS growth of at least 20% over time. Growth in earnings per share is the overall financial objective. It is Net Gaming's assessment that strong growth in earnings per share is the best measure for creating shareholder value over time.

Organic revenue growth

Net Gaming's long-term target is organic revenue growth in the range of 15 to 25%.
Net Gaming will continuously invest in the core business and new internal growth initiatives to ensure strong and sustainable organic growth. The time when growth initiatives bear fruit may vary, which means that organic growth may fluctuate over time. Net Gaming's definition of organic growth is based on net sales compared with the previous period, excluding acquisitions (last 12 months) and divestments, and exchange rate movements.

Capital structure
Net Gaming's long-term target is a maximum net debt/EBITDA ratio of 2.0 over time. Net Gaming will conduct operations at low financial risk over time by maintaining low net debt. The Board is entitled to derogate from this objective during periods when this is considered best for the Company and for shareholder value.

Dividend
To prioritise growth during the next three years through acquisitions, internal growth projects and capital structure ahead of dividends. The Board will recommend to the AGM on 23 May 2019 that no dividend be paid for the financial year 2018.

Overview of outcomes of financial objectives
The table below shows the outcomes of the defined financial objectives.

Period	EPS growth		Organic revenue growth		Capital structure	
Jan-Dec 2018	+1100%	✔	12%	✘	2.1	✘
Oct-Dec 2018	-32%	✘	14%	✘	2.1	✘

Other information

The share
On 30 June 2018 Net Gaming Europe (publ) was listed on Nasdaq First North Premier, Stockholm (NETG). The early redemption of the remaining convertibles of SEK 13,999,941 in July 2018 resulted in 3,111,098 shares.

Share capital
At 31 December 2018, share capital amounted to SEK 19,657,000, divided into 75,604,487 shares. The Company has one class of shares – A shares. Each share entitles the holder to (1) vote at the shareholders' meeting. At 31 December 2018, the number of shareholders was approximately 1,153.

Following the change of presentation currency on 1 January 2019, share capital was converted to EUR 1,912,618.10.

At the end of the quarter, the Company had a total of 850,000 share options outstanding.

Shareholder structure
The total number of shares in the Company at 31 December 2018 was 75,604 487, distributed as shown below.

Name	**No. of shares**	**Ownership, %**
Trottholmen AB	47,272,282	62.53%
Avanza Pension	5,305 205	7.02%
Varenne AB	2,234,858	2.96%
Peak Core Strategies	1,555,564	2.06%
JRS Asset Management	1,454,735	1.92%
Nordnet Pension AB	1,248,904	1.65%
Credit Suisse	1,111,111	1.47%
Prioritet Capital AB	1,103,255	1.46%
RBC Investor Services Bank S.A.	1,000 000	1.32%
JPM Chase NA	954,640	1.26%
Other shareholders	12,363 833	16.35%
TOTAL	**75,604,487**	**100.00%**

Relevant risks and uncertainties
Net Gaming is exposed to a number of business and financial risks. The business risks can be divided into strategic, operational and legal risks. Financial risks are related to factors such as exchange rates, interest rates, liquidity and credit. Risk management within the Net Gaming Group is aimed at identifying, controlling and reducing risks. This is achieved based on a probability and impact assessment. The risk assessment is unchanged from the risk profile presented on pages 10-11 and 47-48 of the 2017 annual report. The Parent Company's risks and uncertainties are indirectly the same as for the Group.

Outlook
Net Gaming is not providing any forecasts in this report.

Seasonality
Net Gaming is affected by seasonal variations, with Q1 (Jan-March) and Q4 (Oct-Dec) revenue being somewhat stronger, while Q2 (Apr-Jun) and Q3 (Jul-Sep) are somewhat weaker. The revenue seasonality follows the normal pattern for the iGaming industry. Net Gaming has a relatively fixed cost base and a scalable platform, which means that the EBITDA margin is somewhat higher in Q1 (Jan-Mar) and Q4 (Oct-Dec).

Supplementary information

The Board of Directors and the CEO hereby certify that this report provides a true and fair view of the Parent Company's and the Group's operations, financial position and financial performance for the current period, and describes material risks and uncertainties faced by the Parent Company and other Group companies.

This year-end report has not been audited or reviewed by the Company's auditors.

Stockholm, 21 February 2019

BOARD OF DIRECTORS

Henrik Kvick	Jonas Bertilsson	Marcus Blom
Chairman	Board member	Board member
Tobias Fagerlund Board member	Marcus Teilman Board member & CEO	

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Forthcoming report dates
Interim report January-March 2019: 23 May 2019
2019 AGM: 23 May 2019
Interim report January-June 2019: 15 August 2019
Interim report January-September 2019: 14 November 2019

Presentation for investors, analysts and media
A live conference call will be held on 21 February 2019 at 10.00 a.m. Swedish time. CEO Marcus Teilman and CFO Gustav Vadenbring will present the report in English. You can follow the presentation here https://tv.streamfabriken.com/net-gaming-europe-q4-2018

To call and take part in the conference call:
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The appointed Certified Adviser is FNCA Sweden AB, info@fnca.se, +46 8 528 00 399.

This information is information that Net Gaming Europe AB (publ) is required to disclose under the EU Market Abuse Regulation. The information was provided by the contact person above for publication on 21 February 2019 at 08.30 CET.

Consolidated Statement of Comprehensive Income

Amounts in SEK thousands	*01/10/2018 31/12/2018*	*01/10/2017 31/12/2017*	*01/01/2018 31/12/2018*	*01/01/2017 31/12/2017*
Revenue – *notes* 2, 3, 4	48,695	45,636	192,183	169,465
Total revenue	**48,695**	**45,636**	**192,183**	**169,465**
Capitalised work for own account	105	100	453	328
Operating expenses, gaming operations	-290	-509	-1,343	-2,744
Other external expenses	-7,749	-10,856	-34,620	-33,704
Personnel expenses	-7,756	-6,628	-32,847	-29,991
Other operating income	1,448	2,234	4,530	3,339
Other operating expenses	-553	29	-1,251	-95
EBITDA	**33,900**	**30,006**	**127,105**	**106,598**
Depreciation/amortisation	-1,498	-661	-3,912	-1,419
EBIT	**32,402**	**29,345**	**123,193**	**105,179**
Interest and similar income	24	6	24	6
Interest and similar expenses	-8,159	-11,378	-34,785	-84,928
Impairment of financial assets	-6,812	-	-6,812	-
Other financial items	-266	-1,406	2,654	590
Net financial items	**-15,213**	**-9,966**	**-38,919**	**-84,332**
Profit before tax	**17,189**	**19,379**	**84,274**	**20,847**
Income tax	-1,520	2,501	-5,966	-14,784
Profit for the year	**15,669**	**21,880**	**78,308**	**6,063**
Earnings per share (SEK)	0.21	0.34	1.08	0.10
Earnings per share after dilution (SEK)	0.21	0.31	1.08	0.09
Other comprehensive income, income and expenses recognised directly in equity				
Exchange differences on translation of foreign operations	-80	-1,035	237	-825
Other comprehensive income for the year	-80	-1,035	237	-825
Total comprehensive income for the period	**15,589**	**20,845**	**78,545**	**5,238**

Consolidated Statement of Financial Position

Amounts in SEK thousands	*31/12/2018*	*31/12/2017*
ASSETS		
Non-current assets		
Property, plant and equipment	2,305	657
Goodwill	409,115	392,829
Other intangible assets	27,571	12,232
Other non-current receivables	4,697	-
Deferred tax assets	5,504	11,251
Total non-current assets	**449,192**	**416,969**
Current assets		
Trade receivables	19,245	17,926
Other receivables	1,878	2,360
Prepayments and accrued income	1,387	2,078
Cash and bank balances	103,724	115,113
Total current assets	**126,234**	**137,477**
TOTAL ASSETS	**575,426**	**554,446**
EQUITY AND LIABILITIES		
Equity – *note 6*	**185,771**	**63,444**
Non-current liabilities and provisions		
Other non-current liabilities – *note 1*	368,650	397,013
Deferred tax liabilities	-	260
Total non-current liabilities and provisions	**368,650**	**397,273**
Current liabilities		
Trade payables	7,806	4,603
Liabilities to Parent Company	3,568	3,406
Other liabilities	4,071	76,072
Accruals and deferred income	5,560	9,648
Total current liabilities	**21,005**	**93,729**
TOTAL EQUITY AND LIABILITIES	**575,426**	**554,446**

Consolidated Statement of Changes in Equity

Amounts in SEK thousands	*Share capital*	*Other paid-in capital*	*Reserves*	*Retained earnings incl. year's*	*Total equity*
Opening equity, 1 Jan 2017	14,957	34,931	-2,897	-42,535	4,456
Conversion to shares Apr 2017	519	8,481	-	-	9,000
Set-off issue adopted 30 Jun 2017	402	16,467	-	-	16,869
Issue expenses	-	-46	-	-	-46
Conversion to shares Jul 2017	433	7,067	-	-	7,500
Conversion to shares Nov 2017	145	2,355	-	-	2,500
Conversion to shares Dec 2017	1,011	16,489	-	-	17,500
Share-based payments	-	208	-	-	208
Correction, updated acquisition analysis	-	-	5	214	219
Comprehensive income for	-	-	-825	6,063	5,238
Closing equity, 31 Dec 2017	**17,467**	**85,952**	**-3,717**	**-36,258**	**63,444**
Opening equity, 1 Jan 2018	17,467	85,952	-3,717	-36,258	63,444
Set-off issue March 2018	255	9,625	-	-	9,880
Conversion to shares Mar 2018	693	11,307	-	-	12,000
Conversion to shares Jun 2018	433	7,067	-	-	7,500
Conversion to shares Jul 2018	809	13,191	-	-	14,000
Option proceeds received	-	435	-	-	435
Issue expenses	-	-10	-	-	-10
Share-based payments	-	226	-	-	226
Comprehensive income for the period	–	–	317	62,639	62,956
Closing equity, 30 Sep 2018	**19,657**	**127,793**	**-3,400**	**26,381**	**170,431**
Opening equity, 1 Oct 2018	19,657	127,793	-3,400	26,381	170,431
Conversion to shares Jul 2018	-	-103	-	-	-103
Share-based payments	-	-	-	-146	-146
Comprehensive income for the period	-	-	-80	15,669	15,589
Closing equity, 31 Dec 2018	**19,657**	**127,690**	**-3,480**	**41,904**	**185,771**

Consolidated Cash Flow Statement

Amounts in SEK thousands	*10/07/2018 31/12/2018*	*01/10/2017 31/12/2017*	*01/01/2018 31/12/2018*	*01/01/2017 31/12/2017*
Operating activities				
Profit before tax	17,189	19,379	84,274	20,847
Adjustments for non-cash items and items not included in operating activities				
- Depreciation and amortisation of assets	1,498	661	3,912	1,419
- Exchange gains/losses on financial receivables and liabilities	100	-1,619	-1,809	-590
- Costs for share-based programmes	-103	-	123	-
- Gain/loss on sale of other assets	52	-	-3,030	-
- Reversal of impairment of financial assets	-1,421	-	-1,421	-
- Impairment of financial assets	6,812	-	6,812	-
- Interest and similar expenses	8,159	11,378	34,785	84,928
- Interest and similar income	-24	-6	-24	-6
Cash flow from changes in working capital				
Increase (-)/Decrease (+) in operating receivables	1,850	-2,633	-146	-1,867
Increase (+)/Decrease (-) in operating liabilities	-529	5,591	-8,007	3,792
Cash flow from operating activities	**33,583**	**32,751**	**115,469**	**108,523**
Investing activities				
Acquisition of interests in Group companies	-	-	-57,069	-55,002
Acquisition of property, plant and equipment	-1,620	-112	-2,092	-305
Acquisition of intangible assets – *note 5*	-2,294	-20,019	-33,429	-20,247
Sale of other assets	14	-	3,096	-
Cash flow from investing activities	**-3,900**	**-20,131**	**-89,494**	**-75,554**
Financing activities				
Option proceeds received	-	-	435	-
Issue expenses	-	-	-10	-46
Interest paid	-6,873	-18,152	-30,431	-46,632
Interest received	24	6	24	6
Proceeds from borrowings	-	-255	-	363,070
Repayment of loans	-	-162,150	-	-270,000
Costs associated with loan settlement	-	-14,676	-	-27,927
Cash flow from financing activities	**-6,849**	**-195,227**	**-29,982**	**21,471**
Cash flow for period	**22,834**	**-182,607**	**-4,007**	**54,440**
Cash & cash equivalents at beginning of period	91,082	296,036	115,113	58,999
Exchange differences	-6	1,648	2,804	1,674
Reclassification from cash & cash equivalents to financial assets	-10,186	-	-10,186	-
Cash & cash equivalents at end of period	**103,724**	**115,113**	**103,724**	**115,113**

Income Statement – Parent

Amounts in SEK thousands	01/10/2018 31/12/2018	01/10/2017 31/12/2017	01/01/2018 31/12/2018	01/01/2017 31/12/2017
Revenue	694	447	2,624	803
Total revenue	**694**	**447**	**2,624**	**803**
OPERATING EXPENSES				
Other external expenses	-1,504	-958	-5,516	-3,314
Personnel expenses	-589	-162	-2,031	-249
Other operating expenses	-	29	-5	-95
Operating profit	**-1,399**	**-644**	**-4,928**	**-2,855**
Profit/loss from financial items				
Profit/loss from investments in Group companies	-23,197	-12	-12,970	19,239
Other interest and similar income	854	1,813	3,431	11,625
Interest and similar expenses	-8,159	-11,378	-34,785	-84,928
Other financial items	-227	989	1,975	198
Profit after financial items	**-32,128**	**-9,232**	**-47,277**	**-56,721**
Tax on profit/loss for the year	-	211	260	1,410
Profit for the	**-32,128**	**-9,021**	**-47,017**	**-55,311**

Balance Sheet – Parent Company

Amounts in SEK thousands	31/12/2018	31/12/2017
ASSETS		
Total non-current assets	336,890	392,843
Total current assets	60,655	101,155
TOTAL ASSETS	**397,545**	**493,998**
EQUITY AND LIABILITIES		
Equity	22,083	25,172
Total non-current liabilities	368,650	397,273
Total current liabilities	6,812	71,553
TOTAL EQUITY AND LIABILITIES	**397,545**	**493,998**

Notes to the Group's interim report

1. Accounting policies

This interim report has been prepared in accordance with IAS 34. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, IFRS. For detailed information about accounting policies, see pages 21-30 of the Company's 2017 annual report. http://www.netgaming.se/en/2018/04/27/annual-report-2017/. This interim report has not been reviewed by the Company's auditors.

Fair value of financial instruments

When determining the fair value of an asset or liability, the Group uses observable data as far as possible. Fair value measurement is based on the fair value hierarchy, which categorises inputs into different levels as follows:

Level 1: inputs that are quoted prices in active markets for similar instruments
Level 2: inputs other than quoted market prices in Level 1 that are directly or indirectly observable market data
Level 3: inputs that are not observable in the market

The Group has a framework for fair value measurement and reporting to the Company's CFO. Measurement is conducted regularly to analyse significant unobservable inputs and adjustments in values. If third-party data is used in the measurement, the Company assesses whether it meets IFRS requirements, and which fair value hierarchy level it will be categorised in.

The following items are measured at amortised cost, with their carrying amounts being a reasonable approximation of their fair values due to their short-term nature: trade receivables, other receivables, cash and cash equivalents, trade payables and other liabilities. In addition, the Company has a bond, measured at amortised cost, of SEK 368.7 million at 31 December 2018, for which the fair value is classified as level 2 and the fair value measurement based on listings with brokers. Similar contracts are traded in an active market, and the rates reflect actual transactions for comparable instruments.

At 31 December 2018, the Company did not have any financial instruments categorised in level 2 or level 3 of the fair value hierarchy.

There were no transfers between levels during Q4 2018 or in the full year 2018.

New and amended accounting policies

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments came into effect on 1 January 2018 and contains rules on recognition, classification, measurement, impairment, derecognition, offsetting and hedge accounting. The standard was adopted by the EU in November 2016 and supersedes IAS 39 Financial instruments: Measurement and Classification The major changes are found in the three areas of classification and measurement, impairment and hedge accounting. As permitted in IFRS 9, Net Gaming has decided not to apply the standard retrospectively and comparatives have therefore not been restated in the 2018 financial statements.
The transition to IFRS 9 has not resulted in any material effects for the Company. The adjustment relates to a loss allowance for expected credit losses on financial assets measured at amortised cost and has been reported under changes in equity.

Financial instruments

A financial asset or liability is recognised in the balance sheet when the Group becomes a party to the contractual provisions of the instrument. A financial asset is derecognised in the balance sheet when the contractual rights to receive the cash flows from the asset cease, are settled or the Group relinquishes control over them. A financial liability or part of a financial

liability is derecognised in the balance sheet when the obligation specified in the contract is discharged or extinguished in another manner.
Financial instruments recognised under assets in the statement of financial position include cash & cash equivalents, trade receivables and other current receivables. Liabilities include trade payables, other current liabilities and loan liabilities.

Classification and measurement
Financial assets are classified based on the business model within which the relevant asset is held and the asset's cash flow characteristics. If the financial asset is held within a business model whose objective is to collect contractual cash flows (hold to collect) and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, the asset is measured at amortised cost. If the business model's objectives can instead be achieved by both collecting contractual cash flows and selling financial assets (hold to collect and sell), and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, the asset is measured at fair value through OCI. For all other business models (other) whose objective is speculation, holding for trading or where the cash flow characteristics exclude other business models, measurement is at fair value through profit or loss.

Financial liabilities are recognised at amortised cost using the effective interest method or at fair value through profit or loss. Loans and other financial liabilities, e.g. trade payables, are included in the category financial liabilities at amortised cost.

Impairment
The Group recognises a loss allowance for expected credit losses on financial assets measured at amortised cost. At each reporting date, the Group reports the change in expected credit losses since initial recognition. For all financial assets, the Group measures the loss allowance at an amount equal to the 12-month expected credit losses. A loss allowance for full lifetime expected credit losses is recognised for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition (the general model).

The purpose of the credit impairment requirements is to report lifetime expected credit losses for all financial instruments for which the credit risk has increased significantly since initial recognition. The assessment is made either individually or collectively and considers all reasonable and supportable information, including forward-looking information. The Group's measurement of expected credit losses from a financial instrument reflects an unbiased and probability-weighted amount that is determined by evaluating the range of possible outcomes, as well as incorporating the time value of money, and reasonable and supportable information about current conditions and forecasts of future financial conditions.

Under the 'simplified' approach, the Group recognises full lifetime expected losses for its trade receivables and contract assets. Equity instruments are not covered by the impairment rules.

IFRS 15 Revenue from Contracts with Customers
The analysis of the introduction of IFRS 15 on 1 January 2018 was based on a detailed review of the Company's revenue streams. Net Gaming has chosen to apply the modified retrospective approach for the transition to IFRS 15. This means that IFRS 15 will only be applied retrospectively to the contracts that were not yet complete on 1 January 2018. Based on the analysis, Net Gaming has not identified any transition effects associated with IFRS 15.

IFRS 15 introduces a new five-step model for revenue recognition which is based on when the control of a product or service is transferred to the customer. The core principle is that an entity recognises revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 introduces a five-step model:

Step 1: Identify the contract with a customer

Step 2: Identify the different performance obligations
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the different performance obligations
Step 5: Recognise revenue when the performance obligation is satisfied

Revenue is recognised based on the amount stated in a contract with a customer and does not include any amounts collected on behalf of a third party.

The Group's revenue comes mainly from affiliate operations, but also from gaming operations to a lesser extent. For revenue within affiliate operations, Net Gaming has identified that contracts with the gaming operator (the customer) contain a distinct performance obligation, namely referral of players to the gaming operator. Revenue is mainly generated based on two different payment models, or a combination of the two. The largest portion comes from Cost Per Acquisition (CPA). CPA revenue corresponds to a fixed amount for each individual player that Net Gaming refers to a gaming operator and who has made a purchase/engaged in gaming. With CPA, the size of revenue is determinable at the point in time when Net Gaming's performance obligation has been satisfied, i.e. when the player first engages in gaming with the operator, and it is at this point that the revenue is recognised. This means that IFRS 15 has not had any effect on the Group's revenue recognition principles.

Just over a third of the revenue is generated from a revenue share model, which means that Net Gaming and the gaming operator share the net gaming revenue that the player generates with the operator. The Group's consideration for referring a player to the operator is therefore not known at the point in time when the performance obligation is satisfied but is based on future variable consideration. IFRS 15 requires the amount of variable consideration to be estimated and recognised as revenue to the extent that it is highly probable that any change to the estimate will not result in a significant revenue reversal in the future. It is Net Gaming's assessment that there is very great uncertainty associated with trying to estimate future net gaming revenue based on player referrals to operators, and there would therefore be a high risk of future reversals. Net Gaming receives monthly information on the month's net gaming revenue and Net Gaming's share of the revshare model. According to Net Gaming's assessment, it is not until this point in time that the uncertainty regarding the size of the revenue can be considered resolved, and revenue is therefore recognised at this time, i.e. to the extent that the revenue can be determined with sufficient precision. Consequently, IFRS 15 does not involve any change compared with previously applied principles.

As regards gaming operations, the Group considers that the contract is fulfilled at the very moment when the customer places a bet or starts to play. Every single player bet represents a specific customer contract and a distinct service. A bet cannot be cancelled or withdrawn. The transaction price is controlled by the player's bet. The service is provided in the same moment that the player makes his bet, and the customer simultaneously obtains control of and benefits from the service when the contract is entered into.

The conclusion is therefore that the introduction of IFRS 15 has not resulted in any quantitative effect on revenue recognition as far as Net Gaming is concerned.

New standards and interpretations not yet effective

IFRS 16 Leases
IFRS 16 Leases replaces IAS 17 Leases and is effective for annual periods beginning on or after 1 January 2019. IFRS 16 provides a single lessee accounting model, requiring virtually all leases to be reported in the statement of financial position. The right-of-use asset (the leased asset) and the lease liability are measured at the present value of future lease payments. The right-of-use asset also includes direct costs attributable to the signing of the lease. Depreciation of the right-of-use asset and interest on the lease liability are reported in the income statement. In subsequent periods, the right-of-use asset is recognised at cost less depreciation and impairment, adjusted for any remeasurements of the lease liability. In subsequent periods, the liability is reported at amortised cost and reduced by the lease payments made. The lease

liability is reported separately from other liabilities and is remeasured to reflect changes in the lease term, amounts payable under residual value guarantees and future lease payments.

Short-term leases (12 months or less) and leases where the underlying asset has a low value are not required to be reported in the statement of financial position. These will be reported in operating profit in the same way as the present operating leases. As amortisation of the lease liability is classified as cash flow from financing activities, it will be charged to cash flow from financing activities in future periods.

IFRS 16 does not bring any material changes to the rules for lessors.

During 2018, Net Gaming has analysed all of the Group's leases and evaluated the effects of the new standard on the Group's financial reports. The standard will affect the reporting of the Group's operating leases. Operating leases are related to office premises. Net Gaming has not applied IFRS 16 early and will apply the standard from 1 January 2019. The Group intends to apply the simplified transition method (modified retrospective approach) and will not restate comparatives. Right-of-use assets are measured at an amount corresponding to the lease liability (adjusted for prepaid and accrued lease expenses).

In applying IFRS 16, the Group has used the following practical expedients that are permitted under the standard:

- The same discount rate has been used for a portfolio of leases that are relatively similar in nature. In Net Gaming's case, there is only one "portfolio" of leases, which relates to office premises;
- Operating leases with a remaining term of less than 12 months from 1 January 2019 have been reported as short-term contracts;
- Direct costs of acquisition for right-of-use assets have been excluded on transition; and
- Historical information has been used to assess the length of a lease in cases where there are options to extend or terminate leases.

The Group has also chosen not to apply IFRS 16 to the contracts not identified as leases in accordance with IAS 17 Leases and IFRIC 4 Determining whether an Arrangement contains a Lease.

Net Gaming's assessment is that the interest the Company would have to pay for a loan during the same period with the same collateral on the amount required to purchase a similar asset in a similar economic environment would be about 5% for the underlying assets. The marginal borrowing rate has therefore been set at about 5%.

In cases where leases for properties contain a renewal option, an assessment is made on a lease by lease basis if it is reasonably certain that this option will be used. The assessment considers all relevant facts and circumstances that create financial incentives in areas such as the contractual terms for renewal periods compared with market rates, significant improvements that have been made (or are expected to be made) to leased property during the lease term, costs that arise on termination of the lease (e.g. negotiation costs and relocation costs) and the importance of the underlying asset in the business.

For its remaining lease commitments, the Group will recognise right-of-use assets of approximately SEK 2.6 million at 1 January 2019 and lease liabilities of approximately SEK 2.6 million (after adjustments for prepaid and accrued lease expenses reported as at 31 December 2018).

Adjustment of bond transaction costs

Net Gaming issued a bond in autumn 2017, which was listed on 7 November 2017 for institutional trading on Nasdaq Stockholm's Corporate Bonds List. The bond has a variable interest rate of Stibor 3m + 7.25% and is due for payment during September 2020.

Net Gaming recognises loan liabilities initially at fair value, after transaction costs, and thereafter at amortised cost. Amortised cost is calculated based on the effective interest method used at initial recognition. This means that premiums and discounts and direct issue costs are amortised over the term of the liability.

Since the bond was issued, the Group and Parent Company have presented transaction costs (initial arrangement fees of SEK 11.2 million) separately on a gross basis under other non-current receivables, with the current portion reported as a prepaid expense, but this was corrected prior to the year-end accounts for 2018, and transaction costs are now recognised on a net basis, i.e. as a reduction of the bond, under other non-current liabilities.

The adjustment from gross to net presentation only affects the Group's and Parent Company's balance sheet, not their income statement, equity or cash flow. The amounts retrospectively adjusted in the balance sheet at 31 December 2017 are other non-current receivables of SEK 6.4 million and prepaid expenses of SEK 3.7 million, which reduced the bond loan under other non-current liabilities by a total of SEK 10.1 million.

The adjustment does not have any effect on earnings per share. However, the net debt/equity ratio for Q4 2017 has been recalculated from the previously presented figure of 2.8 and is 2.7 after the correction.

2. Organic revenue growth

Net Gaming's long-term target is organic revenue growth in the range of 15% to 25%. Net Gaming will continuously invest in the core business and new internal growth initiatives to ensure strong and sustainable organic growth. The time when growth initiatives bear fruit may vary, which means that organic growth may fluctuate over time. Net Gaming's definition of organic growth is based on net sales compared with the previous period, excluding acquisitions (last 12 months) and divestments, and exchange rate movements.

Organic revenue growth - bridge Q4 2018

Amounts in SEK thousands	*01/10/2018 31/12/2018 Growth, %*	*01/10/2018 31/12/2018 Absolute figures*	*01/10/2017 31/12/2017 Absolute figures*	*Deviation Absolute figures*
Total growth, SEK	**10.1%**	**48,633**	**44,164**	**4,469**
SEK/EUR translation effects	-3.5%			
Total growth, EUR	**6.6%**	**4,712**	**4,419**	**293**
Adjustment acquired and divested/discontinued operations	6.1%	-195	-410	215
Total growth in EUR, excl. acquisitions and discontinued operations	**12.7%**	**4,517**	**4,009**	**508**
Adjustment for constant currency	1.0%	-	-36	36
Total organic sales growth	**13.7%**	**4,517**	**3,973**	**544**

Organic revenue growth - bridge full year 2018

Amounts in SEK thousands	*01/01/2018 31/12/2018 Growth, %*	*01/01/2018 31/12/2018 Absolute figures*	*01/01/2017 31/12/2017 Absolute figures*	*Deviation Absolute figures*
Total growth, SEK	**18.7%**	**190,326**	**160,325**	**30,001**
SEK/EUR translation effects	-6.6%			
Total growth, EUR	**12.2%**	**18,556**	**16,544**	**2,012**
Adjustment acquired and divested/discontinued operations	-1.3%	-930	-648	-282
Total growth in EUR, excl. acquisitions and discontinued operations	**10.9%**	**17,626**	**15,896**	**1,730**
Adjustment for constant currency	1.2%	-	-176	176
Total organic sales growth	**12.1%**	**17,626**	**15,720**	**1,906**

3. Segment reporting

The Group's operations are reported in two main operating segments – gaming operations and affiliate operations. As of 31 December 2018, gaming operations have been discontinued and reshaped into affiliate operations, which means that one business segment will be reported with effect from 2019.

The segments have been identified in accordance with the definition of operating segments in IFRS 8. The CEO and Board allocate resources based on the performance of these two segments. The key yardstick for the Parent Company's CEO and Board of Directors in evaluating the operating segments' operations is EBITDA.

Gaming operations consist of PokerLoco Malta Limited and its subsidiary Loco Online Entertainment N.V., which was liquidated in Q4 2018. Affiliate operations consist of HLM Malta Limited, with its subsidiary Rock Intention Malta Limited, and Mortgage Loan Directory and Information LLC, Delaware, USA.

The Parent Company Net Gaming Europe generates its revenue from consulting services in IT, marketing, financial services and management. The 'Other' segment, shown in the table below, includes the dormant Group companies Valdemo Trading Limited and Eurobet Operation Limited, and eliminations of intragroup transactions. Loco Marketing Sociedad Anonima, previously part of the Other segment, has been liquidated.

Amounts in SEK thousands

01/01/2018 - 31/12/2018	*Affiliate operations*	*Gaming operations*	*Other*	*Eliminations*	*Total*
Revenue	190,326	1,857	2,624	- 2,624	192,183
EBITDA	131,831	284	-4,996	-14	127,105
Depreciation/amortisation	-3,518	-394	-	-	-3,912
Net financial items	-9,602	28,346	-42,349	-15,324	-38,919
Profit before tax	118,711	28,246	-47,345	-15,338	84,274
Non-current assets*	433,068	5,923	-	-	438,991
Total assets	509,873	10,799	375,463	-342,791	575,426
Total liabilities	31,592	830	381,812	-18,230	389,655

** Non-current assets excl. financial instruments and deferred tax assets*

Amounts in SEK thousands

01/01/2017 - 31/12/2017	*Affiliate operations*	*Gaming operations*	*Other*	*Eliminations*	*Total*
Revenue	160,325	9,140	803	-803	169,465
EBITDA	110,635	-1,082	-2,873	-76	106,598
Depreciation/amortisation	-800	-619	-	-	- 1,419
Net financial items	-11,242	-50	-53,801	-19,239	-84,332
Profit before tax	98,593	-1,751	-56,680	-19,315	20,847
Non-current assets*	400,097	5,621	-0	-	405,718
Total assets	476,488	10,770	494,000	-426,812	554,446
Total liabilities	129,299	28,339	471,041	-137,677	491,002

** Non-current assets excl. financial instruments and deferred tax assets*

4. Revenue

The Group's revenue for Q4 2018 and the financial year ended 31 December 2018 was distributed as follows;

Amounts in SEK thousands	*01/10/2018 31/12/2018*	*01/10/2017 31/12/2017*	*01/01/2018 31/12/2018*	*01/01/2017 31/12/2017*
Revenue distribution by vertical				
Affiliate operations	48,633	44,165	190,326	160,325
Gaming operations	62	1,471	1,857	9,140
Total revenue	**48,695**	**45,636**	**192,183**	**169,465**
Revenue distribution by vertical (Affiliate)				
Casino	42,104	32,752	162,824	118,582
Poker	5,325	6,454	21,973	29,569
Other verticals	1,204	4,959	5,529	12,174
Total revenue	**48,633**	**44,165**	**190,326**	**160,325**

Revenue attributable to Sweden in Q4 2018 amounted to 2% (4%). The corresponding amount for the full year was 4% (3%).

5. Business combinations

Acquisition of Webwiser in 2018

On 18 May 2018, Net Gaming acquired the affiliate business of Webwiser GmbH. The acquired business includes affiliate assets primarily in the DACH region (Germany and Austria).

Net Gaming acquired the affiliate operations for an initial consideration of EUR 2.29 million, of which 2.29 million was paid in cash during the financial year. Payment of a maximum additional consideration of EUR 1.25 million may also be required.

Net Gaming has subsequently sold the acquired affiliated operations to the Group company

Rock Intention Malta Limited.

As the Group considers it unlikely that an additional consideration will apply, this item has not been recognised in the financial statements.

The total cost of EUR 2.29 million has been allocated to acquired assets in the form of domain rights and affiliate contracts, and goodwill.

Amounts in SEK thousands	***Webwiser*** *Acquisition*
Purchase consideration	
- Cash consideration	23,502
Total purchase consideration	**23,502**
Fair value of net assets acquired (see below)	8,210
Goodwill	15,392
Fair value of acquired assets and liabilities at the acquisition date	
Amounts in SEK thousands	
Domain name	177
Affiliate contracts	8,033
Net assets	**8,210**

If the acquisition of Webwiser's affiliate business had been completed on 1 January 2018, the assessment is that the acquisition would have contributed additional revenue of SEK 2,139 thousand and operating profit after depreciation of SEK 1 746 thousand. Since its acquisition, Webwiser has reported revenue of SEK 3,565 thousand and an operating profit of SEK 2,940 thousand. The acquisition did not involve any acquisition-related costs.

The effect of the acquisition on cash flow is SEK 23,502 thousand, which corresponds to the cash-settled purchase consideration of SEK 23,502 thousand.

Disclosure on adjusted acquisition analysis – Magnum Media

On 22 November 2017, affiliate operations were acquired from Magnum Media Limited. Net Gaming acquired the affiliate operations for an initial consideration of EUR 3 million, and settled 2 million of the amount in cash and 1 million in shares. In addition, there was also an additional contingent consideration of up to EUR 3.75 million. At the end of the 2017 financial year, it was considered probable that the entire additional consideration would have to be paid, which meant that the discounted present value of the additional consideration was recognised as part of the fair value of the total purchase consideration.

As the acquisition was carried out in late 2017, a preliminary acquisition analysis was presented in the final accounts for 2017. In 2018, in accordance with IFRS 3.45, Net Gaming has retrospectively adjusted the acquisition analysis within 12 months of the acquisition date, on the basis of previous uncertainty regarding facts and circumstances that were in existence at the acquisition date and were used to determine the fair value of the additional consideration. The updated assessment is that it is probable that no additional consideration will need to be paid and the previous provision of SEK 33 million for the additional purchase consideration has therefore been reversed with retrospective effect, with a corresponding reduction of goodwill of SEK 15.7 million and a reduction of intangible assets in the form of affiliate contracts of SEK 17.3 million. The comparative figures for 2017 have also been changed in the Group's balance sheet based on the described adjustments. The Group's income statement and cash flow are not affected.

Amounts in SEK thousands	*Magnum Media Limited* *Previous acquisition analysis*	 *Adjusted acquisition analysis*
Purchase consideration		
- Cash consideration	19,844	19,844
- Consideration settled with newly issued shares	9,882	9,882
- Additional contingent consideration	33,018	-
- Exchange differences	-182	-
Total purchase consideration	**62,562**	**29,726**
Fair value of net assets acquired (see below)	24,310	7,016
Goodwill	38,252	22,710

Fair value of acquired assets and liabilities at the acquisition date

Amounts in SEK thousands		
Domain name	829	834
Affiliate contracts	23,481	6,182
Net assets	**24,310**	**7,016**

6. Share-based payments

Share-based payments 2018

The 2018 AGM decided to introduce a new incentive programme consisting of 250,000 warrants. The warrants were valued at SEK 1.74 per warrant and issued free of charge. Each warrant entitles the holder to subscribe for one share at a subscription price of SEK 15.70 per share. Subscription for shares based on the warrants may take place during the period 15 June - 15 July 2022. The exercise of the warrants is conditional on the holder being an employee in the Group on the exercise date. In the event of full exercise of the warrants, the Company's share capital will increase by a maximum of SEK 65,000, divided into 250,000 shares.

The fair value on the grant date was calculated using the Black-Scholes valuation model. This includes a Monte Carlo simulation model that takes into account the exercise price, the option's maturity, dilution effect (if material), share price on the grant date and expected share price volatility, expected dividend yield, risk-free interest rate for the warrants' duration, and correlation and volatility for a group of comparative companies. Input data in the model for the warrants was as follows:

Exercise price: SEK 15.70
Grant date: 21 June 2018
Expiration date: 15 July 2022
Share price on the grant date: SEK 10.32
Expected volatility in the Company's share price: 38%
Expected dividend yield: A dividend has not been taken into account in the calculation. In accordance with the underlying conditions, a recalculation will be made if a dividend is paid.
Risk-free interest rate: 0.12%

Share-based payments 2017

The 2017 AGM decided to introduce a new incentive programme consisting of 1,200,000 employee share options. Only individuals who are or will be, employees of the Group company Rock Intention Malta Ltd are entitled to receive the options. The share options were issued free of charge. Each option entitles the holder to subscribe for one share at a subscription price of SEK 14.14 per share. The deadline for subscription for shares based on the share options is 30 September 2020. The exercise of the options is conditional on the holder being an employee of a subsidiary in the Group on the exercise date. In 2018, 600,000 of these share options were forfeited.

The total reported cost associated with the above share-based programme, which is settled with equity instruments, is SEK 123 (208) thousand for the 2018 financial year. The cost also includes the cost of social security contributions.

7. Related party transactions

There were no related party transactions that significantly affected the Company's earnings and financial position during the period. For information on related parties, see note 31 of the 2017 annual report.

8. Pledged assets and contingent liabilities

Pledged assets and contingent liabilities are possible obligations that arise from past events and whose existence is confirmed only by the occurrence or non- occurrence of one or more uncertain future events outside the Group's control, or when there is an obligation arising from past events which is not recognised as a liability or provision because it is not probable that an outflow of resources will be required to settle the obligation or the amount cannot be measured with sufficient reliability.

	Group		*Parent Company*	
Amounts in SEK thousands	*31/12/2018*	*31/12/2017*	*31/12/2018*	*31/12/2017*
Shares in subsidiaries pledged as collateral for bonds	496,509	496,592	324,551	324,551

To provide collateral for borrowing related to the acquisition of the subsidiary HLM Malta Limited, the Parent Company has pledged all shares in the acquired subsidiary. For the Parent Company, the value of the pledged shares comprises the cost, while for the Group the value comprises total net assets, which would disappear from the Group if the subsidiary shares were foreclosed.

9. Events after the end of the period

The EGM held on 17 December 2018 decided to change the Company's presentation currency to euro with effect from 1 January 2019.

Net Gaming has appointed Christian Käfling as the new Head of M&A in January 2019. Christian comes most recently from PwC, where he worked for more than ten years as an advisor in the Deals department, with a focus on strategy and commercial due diligence, mainly in iGaming and the TMT sector. He takes up his position at the end of April 2019 and will join Net Gaming's Group Management.

Key figures and definitions

Key figures, Group

	01/10/2018 31/12/2018	01/10/2017 31/12/2017	01/01/2018 31/12/2018	01/01/2017 31/12/2017
Operating margin	66.5%	64.3%	64.1%	62.1%
EBITDA margin	69.6%	65.8%	66.1%	62.9%
Organic growth	14%	12%	12%	14%
Equity/assets ratio	32%	11%	32%	11%
Return on equity	9%	52%	63%	18%
Equity per share, SEK	2.46	0.94	2.46	0.94
Number of registered shares at end of period	75,604,487	67,180,880	75,604,487	67,180,880
Weighted average number of shares before dilution	75,604,487	63,865,664	72,476,411	60,773,012
Weighted average number of shares after dilution	75,604,487	71,310,108	72,476,411	68,217,456
Earnings per share (after dilution)	0.21	0.31	1.08	0.09
Market price per share at end of period	9.78	8.80	9.78	8.80
EPS growth (%)	-32%	580%	+1,100%	N/A

Definitions of key figures

Net Gaming presents certain alternative performance measures (APMs) in addition to the conventional financial ratios defined by IFRS, in order to achieve better understanding of the development of operations and the Net Gaming Group's financial status. However, the APMs should not be regarded as a substitute for the key ratios required under IFRS. The reconciliation is presented in the tables in the annual report and should be read in connection with the definitions below.

EBITDA margin	EBITDA in relation to revenue
Equity per share, SEK	Equity divided by the number of shares outstanding.
Organic revenue growth	Revenue from affiliate operations compared with the previous period, excluding acquisitions and divestments (last 12 months) and exchange rate movements
Earnings per share, SEK	Profit/loss after tax divided by the average number of shares.
Return on equity	Profit/loss after tax divided by average equity.
Operating margin	Operating profit/loss as a percentage of sales.
Equity/assets ratio	Equity as a percentage of total assets.
Debt/equity ratio	Interest-bearing liabilities including accrued interest related to loan financing, excluding any additional consideration, in relation to EBITDA.
EPS growth	Percentage increase in earnings per share (after dilution) between periods.
NDC	The number of new customers making their first deposit with an iGaming (poker, casino, bingo, sports betting) operator. NDCs for the financial vertical are not included.
CPA	Cost Per Acquisition - revenue from "up front payment" for each individual paying player that Net Gaming refers to its partners (usually the iGaming operator)
Revenue share	Revenue derived from "revenue share", which means that Net Gaming and the iGaming operator share the net gaming revenue that the player generates with the operator.