Annual Report 2018

NET GAMING EUROPE AB

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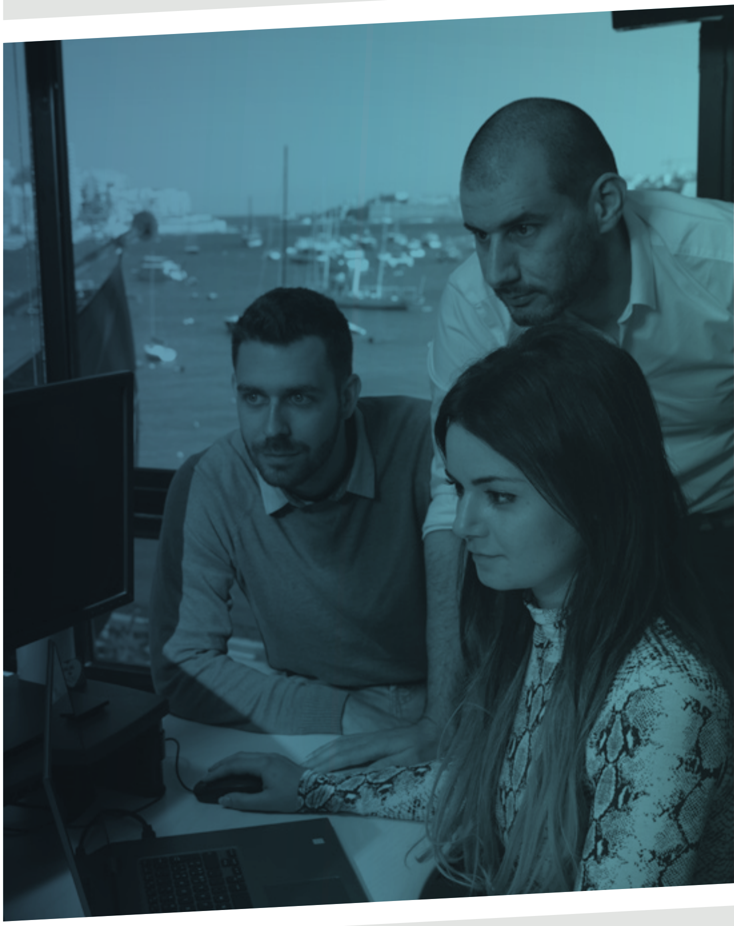
Net Gaming is a fast-growing global challenger that owns, operates and develops 140 comparison and news sites under strong digital brands across the world.



Key figures, SEK million	2018	2017
Revenue from affiliate operations	190.3	160.3
Organic growth	12 %	14 %
EBITDA	127.1	106.6
EBITDA margin	66 %	63 %
Profit after tax	78.3	6
Earnings per share (after dilution)	1.08	0.10
Net debt/EBITDA (rolling 12 mth)	2.1	2.7
NDC growth	23 %	16 %

Events during the year

2018 has been an eventful year for Net Gaming. A summary of the most important events during each quarter is shown below.

Q1

February - Streamlining of the business into focused affiliate operations begins with the divestment of the Battle of Malta poker tournament for SEK 3.0 million.

February - Acquisition of affiliate assets in Central Europe for SEK 5.2 million.

March - Start-up of new Sports betting vertical and recruitment of key personnel to develop this.

Q2

May - Settlement of the final part of the additional consideration for the HLM acquisition from 2016. This means that the Board and the Company can implement growth plans and start the process of adapting the Company for expansion and recruiting key personnel.

May - Strategic acquisition of affiliate assets from Webwiser GmbH in Germany to strengthen the Casino vertical. The initial purchase consideration is SEK 23.5 million. With the additional consideration of up to SEK 12.8 million, the total purchase consideration corresponds to about 3.5x EBITDA.

May - The expansion strategy is launched, including the launch of a Financial and Sports betting vertical.

June - List change from AktieTorget to Nasdaq First North Premier. CEO Marcus Teilman rings the stock exchange bell on 27 June.

Q3

August - Early redemption of the remaining convertible loan marks the completion of the process to streamline the Company's capital structure to bond loans alone.

August - Recruitment of additional key personnel to support the expansion strategy: Group management is reinforced by CFO Gustav Vadenbring with extensive experience from stock exchange and high-growth companies in international environments and CTO Clinton Cutajar from Catena Media.

September - New financial targets launched, focusing on organic growth, earnings per share growth and lower debt.

August-September - Expansion starts to pick up, with the Company showing 145 percent growth in the United States. Strong domain names are acquired. Roll-out of new digital brands in the United States.

Q4

October - Opening of the new Malta office, with space for another 20-30 employees, as part of the continuing expansion.

November-December - Net Gaming strengthens its focus on organic growth and future growth and strengthens the organisation by engaging key personnel such as a Head of Design, Head of Casino and Head of Poker.

December - Gaming operations are completely discontinued, making Net Gaming a focused affiliate company.

REVENUE (SEK)	EBITDA (SEK)	EMPLOYEES	WEBSITES
192 MILLION	127 MILLION	90	140

Mission, vision and strategy

Net Gaming's Group management and Board of Directors have worked on developing the Company's mission, vision, strategy and business concept during the year. The strategic initiatives were launched in stages after the final part of the additional consideration for HLM was settled in May 2018 and the Company presented its new vision in December 2018.

Mission

"To help and inspire people to make the right choice in a complex iGaming world."

Our mission is to develop a product with a strong focus on content and user experience.

Vision

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

Our vision is long-term and will be achieved with a clear strategy and an established growth plan.

Strategy

"We aim to show faster organic growth than our competitors."

Net Gaming Europe is working on a strategic three-year plan to achieve its long-term vision. The growth plan is structured with strategic focus areas and based on solid market and competitor analysis.

Net Gaming's 10 strategic focus areas are as follows:

- To continue developing our team and recruiting the best individuals in the market. To be a workplace for exceptional individuals who share our passion for technology and to guide people in a complex digital world.
- To own and develop strong digital brands, which are innovative, independent and easy to use. The brands must have clear user value in order to increase the proportion of returning users.
- To continue to attract, improve and support our partners within iGaming.
- To have a data-driven approach through extensive technical expertise supplemented with business intelligence.
- To continue to grow organically in selected focus markets.
- To continue to grow through the launch of new verticals.
- To continuously improve our scalable platform with data and technology.
- To continue investing in our operational platform in order to achieve economies of scale.
- To work in a cost-effective and "agile" structure that facilitates quick decisions in a changing world.
- To make supplementary acquisitions in situations where the Company believes that Net Gaming can create value.

Financial targets

Financially flexible and prepared

Net Gaming's operations will be conducted at low financial risk over time by continuously reducing net debt and maintaining good liquidity. Prioritising a good financial position and strong liquidity gives the Company flexibility and ensures it is ready to grasp opportunities and deal with future challenges.

Operational objectives with reduced operational risk

Net Gaming's Board of Directors has decided that the operations will be conducted at low operational risk by, for example, focusing on quality content that creates added value for users. We develop digital services and products that create user value. This gives us returning users, which in turn reduces operational risk. The Company's growth initiatives are primarily focused on regulated, or soon to be regulated, markets. Net Gaming's operations are data and process driven, which creates predictability, good control and reduced key person dependency.

The Company's operational risk also decreases over time through:

Revenue diversification

Increased proportion of revenue by means of revenue share with our partners.

Market diversification

Reduced dependence on individual geographic markets – including through expansion in the United States

Product diversification

Expanded number of products and verticals, such as the recently launched Sports betting vertical.

Our financial targets

Net Gaming's financial targets constitute a long-term ambition that the Board and management consider to be reasonable for the Company.

The Board has defined the following financial targets:

EPS growth
Net Gaming's target is average annual EPS (earnings per share) growth of at least 20 percent over time. EPS growth is the overall financial target and Net Gaming believes that this is the best way to measure shareholder value over time.

Organic revenue growth
Net Gaming's long-term target is organic revenue growth in the range of 15 to 25 percent.

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.

It should be noted that Net Gaming's definition of organic growth is based on net sales compared with the previous period, excluding acquisitions (in the last 12 months) and divestments, and exchange rate movements.

Capital structure
Net Gaming's long-term target is a Net debt/EBITDA ratio of no more than 2.0. The Company's operations will be conducted over time with low net debt and therefore low financial risk. The Board has the right to deviate from this target during periods if it is considered favourable for both the Company and shareholder value.

Dividend
Over the next few years, Net Gaming will prioritise lower net debt, good liquidity and internal growth investments above dividends.

Historically, the Company has also made a number of successful acquisitions which have been integrated into the proprietary scalable platform, thereby contributing to underlying growth and earnings capacity. It is important to emphasise that Net Gaming will continue to develop M&A activities and actively take part in the ongoing consolidation of the market when the right opportunity is presented. However, priority will be given to organic growth and capitalisation of the existing profitable business.

Key assumptions

- The iGaming market is expected to continue to grow at an average annual growth rate of about 7 percent in the period 2018-2023. The share for online gambling (iGaming) is currently about 12 percent and is expected to increase to 15 percent by 2023. Net Gaming sees a continuation of sustainable underlying growth in the iGaming market.
- Betting currently accounts for about 50 percent of the iGaming market. Net Gaming has recently launched a betting product and expects to generate higher growth than the average for the overall iGaming market from this vertical in the long term.
- In the US, more and more states are moving towards re-regulation and betting is now also permitted. Net Gaming has had assets in the US market since 2003, and we will be able to capitalise on these and new brands as an increasing number of states allow iGaming. At present, Net Gaming is growing by more than 100 percent in the US market.
- Net Gaming is currently a leading player in the affiliate segment and has many years of relationships with our partners. Net Gaming expects to maintain these partnerships and enter into new ones as more players establish themselves in the market.
- Net Gaming expects that competition among affiliate companies will remain relatively unchanged, as continuing consolidation of the market is offset by the arrival of new players. However, the Company believes that there will be a shift in market shares in favour of large players like Net Gaming.

In the preparation of the long-term financial targets, the Company has not taken into account any significant negative effects as a result of material changes in, but not limited to, the following areas:

- The regulatory climate, laws and regulations to which the Company, the iGaming affiliate market, the Company's partners and the broad iGaming market are subject.
- Our partners' (operators) views on the use of affiliates in acquiring customers.
- Existing political, fiscal, market and/or economic conditions, and the administrative, regulatory or tax-related treatment of the Group.

2018 – a record year for Net Gaming

I am proud of Net Gaming's development in 2018, which was a record year both in terms of revenue and earnings. Revenue increased to SEK 192.2 (169.5) million. EBITDA increased to SEK 127.1 (106.6) million and profit after tax increased to SEK 78.3 (6.1) million. Organic growth was 12 percent for the full year 2018, which is somewhat lower than our long-term financial target.

In 2018, we placed some strategically important cornerstones in order to increase our focus on growth in the core business. Among other things, we sold the Battle of Malta poker tournament and also reshaped the gaming operations into affiliate business. In doing so, we have become a focused affiliate company.

We also changed our revenue mix to an increased proportion for revshare. In Q4 2018, revshare's proportion of revenue was 35 percent, compared with 22 percent for Q4 2017. The EBITDA margin increased from 63 to 66 percent and cash flow was further strengthened. We also redeemed the remaining part of the convertible loan, which resulted in an improved capital structure and reduced net debt. In addition, we made a listing change, moving to Nasdaq First North Premier at the end of June 2018.

We paid the second and final additional consideration for the very successful acquisition of HLM Malta Ltd. This means that we can now operate and develop the Company just as we want, without any restrictions. This has led us to formulate a clear growth plan during the year.

Our three growth pillars – Casino Europe, USA and Betting

We currently have a market share of about 1 percent of the European casino market within iGaming affiliation. We believe that we have good scope to take additional market shares in certain selected European markets through an increased focus on both existing and new brands. We currently have a scalable platform that was further developed during the year and which we see as increasing the efficiency and pace of future investments. Casino has historically grown strongly and it is our intention that the vertical will continue to grow in the future. The United States is a market where we have a favourable position and are already growing very strongly. More states are expected to allow local re-regulation and we welcome this development. We are prepared, with a strong portfolio of brands, both national and local. We believe that CasinoGuide.com, PokerListings.com and SportsbettingGuide.com will play an important role in our continued push into the United States, as well as the local brands for each state that allows iGaming.

In 2018, a new Betting vertical was launched, which was an obvious course of action as 50 percent of all iGaming revenue comes from Betting alone. At the end of 2018, the product showed both NDC and revenue growth, albeit from low levels. In 2019 we will engage a higher gear for the betting vertical with new launches and improvements in existing product.

Key recruitments complement the organisation for continuing expansion

During the year, we made a couple of key recruitments to further strengthen our organisation. We recruited Gustav Vadenbring as new CFO and Clinton Cutajar as new CTO, both of whom have joined Group management. We also appointed Christian Käfling as new Head of M&A. He will be responsible for working full-time on additional acquisitions with the aim of taking a larger market share within iGaming affiliation.

We have made a number of key recruitments after the end of the financial year, bringing in specialist expertise in various areas, notably in design and product development for continuing expansion. The focus is on strengthening our products and offering by measures such as further development of our strongest brands.

Financial targets

The Board of Net Gaming adopted new financial targets in 2018. The overall financial target is to show annual earnings per share growth of at least 20 percent over time.

Organic revenue growth was 12 percent, which is lower than the target of 15-25 percent over time. As CEO, I look forward with confidence to working further on the basis of our established growth plan in order to achieve this financial target in the long term. The target for the net debt to EBITDA ratio is a maximum of 2.0. At the end of 2018, the net debt to EBITDA ratio was 2.1, having improved gradually during the year, which is a trend that we believe will continue in 2019.

Additional acquisitions

In 2018, we completed two additional acquisitions, both of which performed as expected. The acquisition of Webwiser GmbH in May was strategically important for the very interesting German-speaking market (DACH), which we see as a focus market. The acquisition of affiliate assets in Central Europe in February 2018 also performed in line with or above expectations. We will continue to make acquisitions, in cases where the acquisition candidates meet our high acquisition criteria, such as low underlying risk, a strategic market, high structural capital and a sound valuation.

New vision

The Board has clarified Net Gaming's vision in order to better reflect our focus and our ambitions over time.
Our vision – to be the World's number one in iGaming affiliation.

As CEO, I appreciate a clear direction for the Company. To achieve the vision of becoming number one, we are adding excellence in several areas and working purposefully on our established plan to create high growth. Through economies of scale, we should have good opportunities to significantly increase our market shares in the fragmented iGaming affiliation market. 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 increase our 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 also investing in strategic 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, sustainable growth through investments in both personnel and technology, and have now also completed the transition to a focused affiliate company. Our focus is on continuing strong growth and on delivering the best experience for our users. This will create satisfied partners (operators), thereby increasing our revenue. I look forward to 2019 with confidence!

Marcus Teilman,
President and CEO

Investment case

Net Gaming operates in a market that has historically shown long-term and stable growth. The outlook for iGaming affiliation appears positive and is expected to continue to show good, sustainable growth for many years to come.

Operations excellence

With over 15 years of experience and knowledge of SEO and high-quality content for our digital brands, we reduce the underlying SEO risk while increasing user value. In most cases, our users find our websites through search engines. For many years, we have gathered experience and knowledge of what our users want, which means that we develop our brands according to the user's actual needs and expectations.

Strong market position in growth sector

Net Gaming has a strong position in iGaming affiliation and is one of the leading companies in the sector. According to H2GC (March 2019), the industry is expected to show global annual growth of about 6.7 percent in the period 2018-2023. We have established long-term and strong customer relationships during more than 15 years in the industry, which gives us a head start against many of our competitors and the market as a whole.

Scalable business model

We have a scalable business model, which enables us to quickly and easily expand existing or new brands to new geographic markets or expand into new verticals. We have a proprietary technical platform, allowing us to quickly develop our products and our offering to end consumers. This enables us to further scale our operations and achieve high margins and strong cash flows.

Launch of betting vertical

Betting accounts for about 50 percent of iGaming's total global revenue. Net Gaming generates the majority of its revenue from Casino and, to a lesser extent, also from Poker. Net Gaming also launched a Betting vertical in 2018. Through Betting, we can launch new brands to a new user group in Europe as well as in the United States. The aim of the vertical expansion to Betting is to add further long-term organic growth to our already existing operations.

Pole Position in the United States

Since the establishment of PokerListings.com in 2003, the company has built many years of experience and solid knowledge of the US market. PokerListings.com is a very strong brand and also helps drive traffic to non-Poker verticals. With other strong brands such as CasinoGuide.com and SportsBettingGuide.com (launch scheduled in 2019) in combination with local brands for selected states, Net Gaming has a strong position in the US market.

Management team and Board with long experience

Both Net Gaming's management team and its Board have broad and long experience in iGaming and high-growth companies within iGaming affiliation.

How we create value

Net Gaming creates value at several levels, mainly for our users (players), our partners (gaming operators) and, of course, our shareholders.

Value for iGaming players
Net Gaming helps players, i.e. iGaming's end consumers, to find the right casino or poker room, or to find odds within a specific sport. With reviews of the various iGaming operators combined with gaming guides, rules and playing tips, we guide and inspire our users to make the right choices.

Value for our partners
Net Gaming operates strong digital brands enabling us to offer our partners, i.e. the iGaming operators, new end consumers with high player value.

We add resources for a stronger end product
Net Gaming adds resources such as capital, but also technology, customer relationships, SEO expertise and, particularly important, user value to strengthen our services and brands. This leads to satisfied users and more returning users, which in turn brings long-term, sustainable growth for us and our partners.

Value for our users:

Help our users to find the right operator
We provide guides and reviews of operators and different games
Comparison of different bonus offers or campaigns

Google

net gaming

Value we add:

Customer relationships
User experience
Investments
Tech
SEO

Our products:

Value we get:

High user satisfaction
High amount of returning users
Long-term sustainable growth

High value leads. Consumer who wants to play for real money

Value for our partners:

Create New Depositing Customers
NDCs that are of high value because of the initial intention to play for real money
Performance based revenues

Our partners:

Net Gaming & Highlight Media

net gaming

Net Gaming was founded in 2005 and the Company has been listed on Nasdaq First North Premier since June 2018. Net Gaming's business concept is to invest in and develop fast-growing iGaming companies in iGaming affiliation. Affiliate operations have been conducted since 2016, and began with the acquisition of HLM Malta Ltd, which was completed in October 2016. Three additional acquisitions have been made since then. The latest is Webwiser GmbH, an affiliate business in the DACH region, acquired in May 2018. The Company's strategy for value creation is to build on the acquired companies' identity and corporate culture, and to act as a catalyst for change and growth.

Affiliate operations are conducted through a subsidiary in Malta under the name Highlight Media Group. Highlight Media attracts end consumers, mainly in Casino and Poker, through different products and services such as comparison sites and reviews. Through these services, our users are then referred to iGaming operators (B2B customers), which then convert these end consumers into depositing, active customers (B2C). Highlight Media Group is currently one of the leading players in iGaming affiliation, a performance-based type of digital marketing, similar to Hotels.com, PriceRunner and TripAdvisor.

Previously, gaming operations were also conducted through the subsidiary PokerLoco Malta Ltd., but this was liquidated at the end of 2018. Net Gaming is therefore a focused affiliate business from 2019 onwards.

HIGHLIGHT MEDIA GROUP

On 14 October 2016, Net Gaming finalised the acquisition of HLM Malta Ltd, including subsidiaries operating under the name Highlight Media Group. Highlight Media was founded in 2003 and is a pioneer in lead generation for iGaming, in other words an affiliate operation in online gaming. PokerListings.com, one of the world's most prominent and well-known brands in the poker segment, was launched in 2003. HLM currently operates over 140 brands in 30 countries.

The focus is on working systematically and methodically to provide end users (the online players) with a high-quality product every day. This is done by developing websites with a large amount of content, such as poker and casino guides, rules and strategies on how to play, reviews of iGaming operators, iGaming operator rankings, and bonuses, banners and targeted offers for players. When a player clicks on one of these links on Highlight Media's websites, they are taken to the iGaming operator in question. This process is called a lead. When the player then creates an account with the iGaming operator and makes his first deposit (becoming a new depositing customer), Highlight Media is paid.

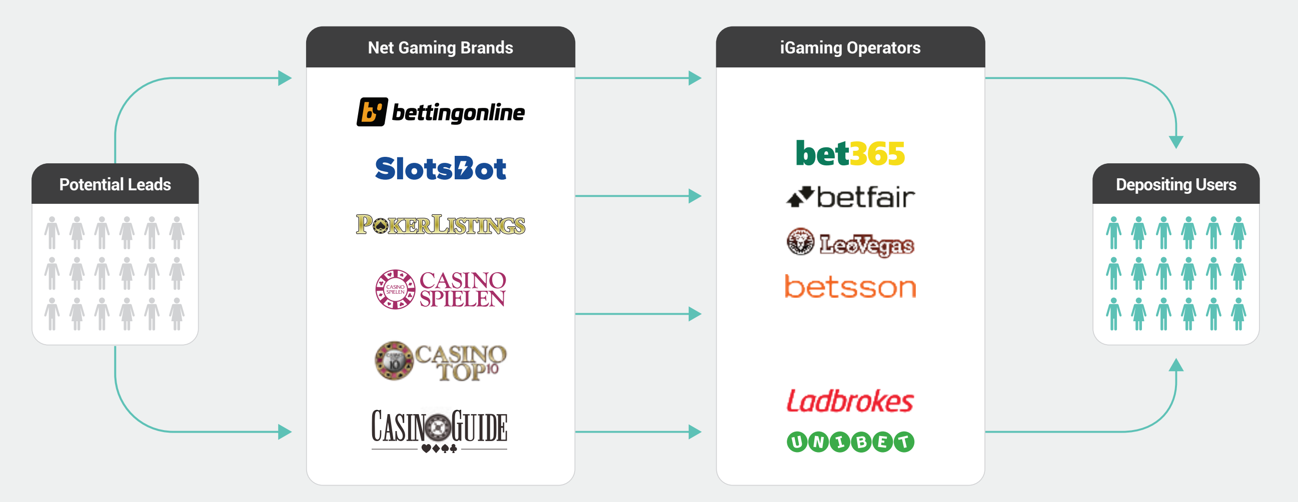
The focus for Highlight Media is on content and this is very important. It gives online players a sense of security and quality, and is a direct success factor, as the search engine rankings are also largely based on content confidence.

Highlight Media has a proprietary Business Intelligence system, with a large amount of data that has been collected over the course of several years. This enables constant optimisation of traffic to the company's sites in order to increase the quality of referrals to iGaming operators, thereby increasing competitiveness and allowing higher payment for the services provided. Net Gaming believes that the company's traffic, namely the players referred from Highlight Media's web pages to iGaming operators, represents a higher value for the operators than the average for competing traffic in the global iGaming industry.

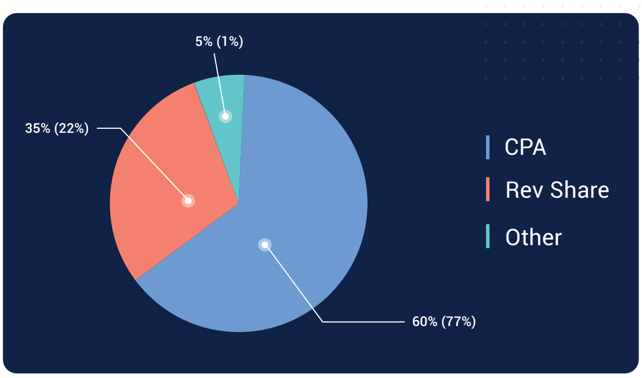
Business and revenue model

Business concept

Strong, digital brands with quality content
Our business concept is to own, operate and develop high-quality digital brands for the purpose of guiding end consumers to our partners (iGaming operators). Net Gaming earns money by guiding users of our brands to one of our partners. As soon as these users make a deposit with the iGaming operator, Net Gaming is paid (see the revenue model section below).



Revenue model



Net Gaming's revenue model is performance-based and works on the basis that a user, i.e. the end consumer, has made a deposit and started playing with one of Net Gaming's partners – the iGaming operators. The revenue is based on the type of customer agreement entered into with the partner and the market in question.

Net Gaming has two main revenue models:

CPA – Cost Per Acquisition
Revenue model based on a fixed amount that is obtained when a new user that Net Gaming refers to an iGaming operator makes their first deposit with the operator. This is a form of prepayment that Net Gaming receives and is invoiced to our partners monthly.

Revenue Share
Revenue model based on Net Gaming obtaining a proportion of the iGaming operator's net revenue from end consumers. Net revenue consists of gross revenue generated by the end consumer less bonuses, transaction costs and other direct costs such as gaming duties. For end consumers where Net Gaming has a revshare agreement, revenue goes to Net Gaming as long as the final consumer remains active with the iGaming operator, i.e. over the entire customer life cycle.

In some cases, Net Gaming generates revenue from both CPA and Revshare, referred to as a hybrid revenue model.

Other income
In addition to Net Gaming's main revenue models, the Company also generates revenue by selling certain advertising space or through other specific activities, e.g. writing articles with specific content or live streams from various events such as poker tournaments.

Our growth pillars

Net Gaming operates in a large global market that is expected to continue to grow for a long time to come. For an optimal focus of time and resources, Net Gaming has identified three clear growth pillars and included these in the Company's growth plan.

Net Gaming's three growth pillars:

1.

Casino in Europe

Net Gaming currently has a market share of about 1 percent in iGaming affiliation in the European Casino market. Casino is Net Gaming's largest vertical and has shown annual growth of about 25 percent historically. The management team believes that there are good opportunities for a continuation of high long-term growth in Casino in carefully selected focus markets in Europe. The Company plans to invest in both existing and new brands in 2019 in order to continue driving organic growth, thereby increasing market shares. The market for iGaming affiliation in the Casino market in Europe is estimated at approximately EUR 1.2 billion (Source: H2GC and own estimate).

2.

USA

The iGaming market in the United States is expected to show strong growth in the coming years. This is because more and more states are expected to regulate and therefore allow iGaming. A few more states are also expected to regulate the iGaming market in 2019. Net Gaming has many strong brands in the US iGaming affiliation market, such as PokerListings.com and CasinoGuide.com. SportsBettingGuide.com and several local brands are planned for the US market during 2019. Net Gaming expects to be able to increase revenue from the United States in all verticals, including Betting, Casino and Poker.

3.

Betting in Europe

In 2018, Net Gaming started a new vertical in Betting. The Betting market currently accounts for about 50 percent of global iGaming revenue, which is why the launch of a Betting vertical felt like an obvious course of action. The investment in Betting is aimed at further increasing the Company's organic growth over time. Investments in the Betting vertical will continue in 2019, including the launch of Bettingonline.co.uk. The Betting vertical will focus on a number of selected markets.

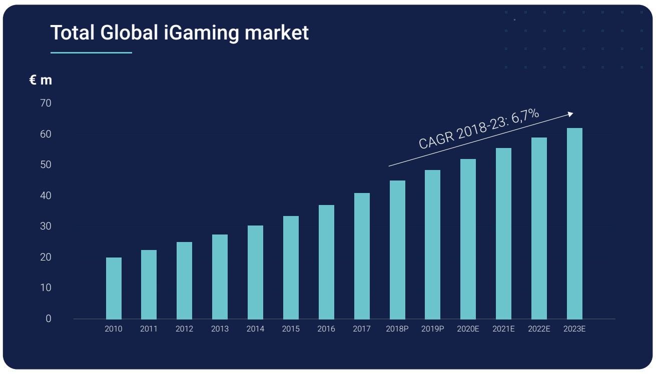

OF

Market

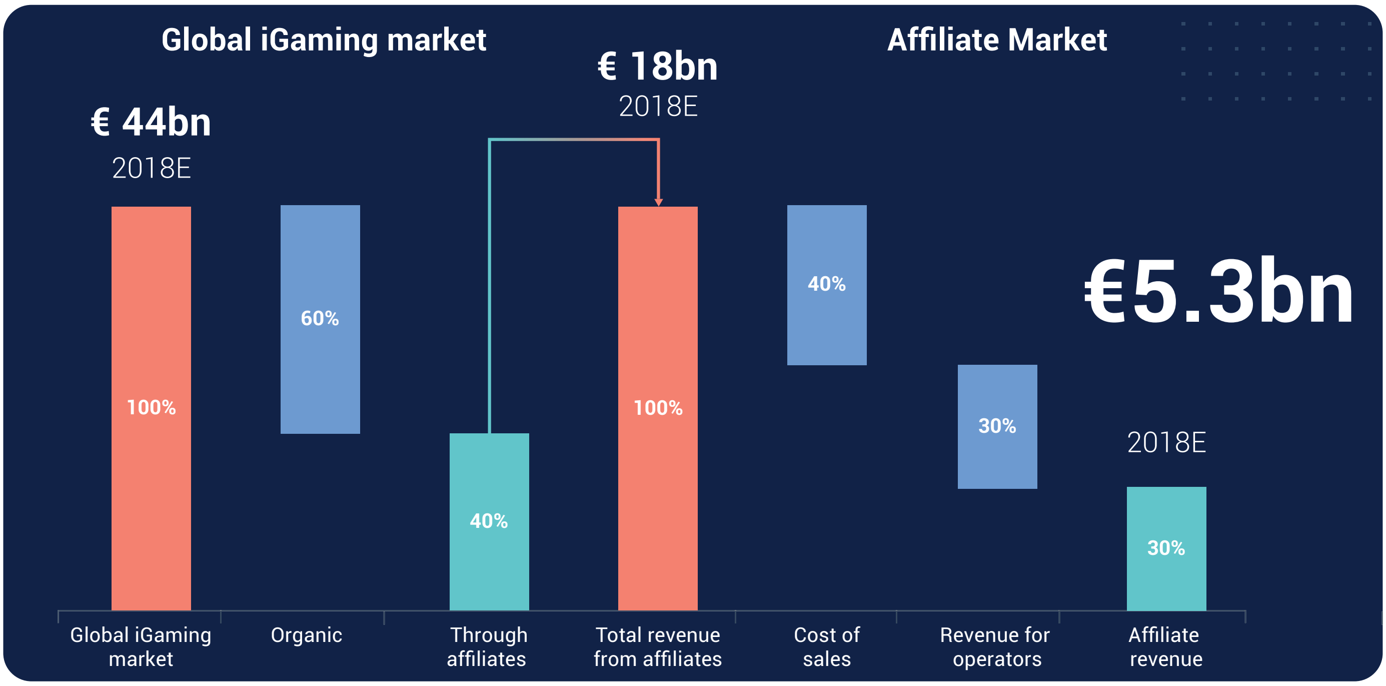
The iGaming affiliation market

Net Gaming works within iGaming affiliation, which means that it is extremely important to follow global trends in online gambling, iGaming. H2GC estimates the value of the global iGaming market at EUR 44 billion in 2018. In the years 2018-2023, the total iGaming market is expected to grow by an annual average of 6.7 percent to EUR 61 billion by 2023.

Net Gaming estimates that about 40 percent of all end users within iGaming are generated to the operators through affiliate sites. Direct costs in the form of player bonuses, commission, licence fees to gaming providers, gaming duties etc. are deducted from the iGaming operators' gross revenue. Net Gaming normally receives half of the iGaming operator's remaining net revenue. This means that the market for iGaming affiliation amounts to approximately EUR 5.3 billion, corresponding to 12 percent of the value of global iGaming revenue as shown in the chart below.



Source: H2GC, March 2019

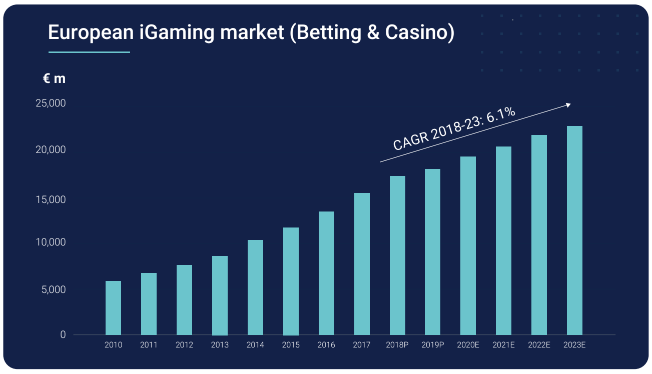


Source: H2GC, March 2019 & Management

According to H2GC, the European iGaming market for Betting and Casino totalled EUR 17 billion in 2018 and is expected to show annual growth of 5.8 percent, reaching EUR 23 billion in 2023. The underlying reasons for the iGaming market's long-term, sustainable growth, which has been in progress for many years, include various technological advances. Access to the Internet not only via desktop computers, but also using mobile phones and other portable devices, has driven the development of iGaming. This ease of access combined with increasing online payment solutions, as more countries re-regulate their gaming markets, has given end consumers an increased feeling of security in online gaming.

Europe

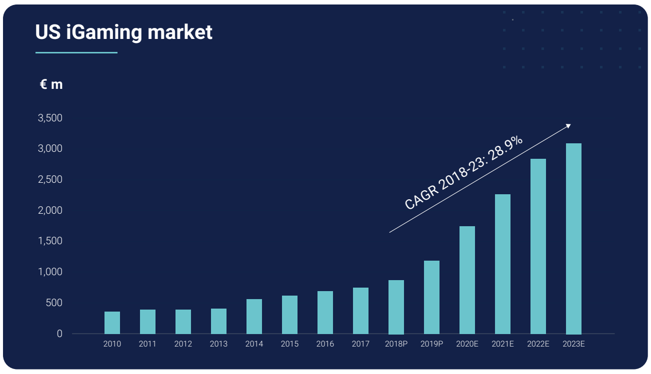
Europe is Net Gaming's largest market and in Q4 2018, the Company's revenue from affiliate operations in Europe accounted for 69 percent of revenue. Net Gaming sees good opportunities to grow within both Betting and Casino in the European iGaming market and will continue to invest money and resources in these verticals. The market for iGaming in both Europe and globally is currently changing with the introduction of new laws and regulations in different countries. New gaming legislation entered into force in Sweden on 1 January 2019, after several years of debate and discussion. Many other countries already have gaming legislation in place, and other countries, including Switzerland, the Netherlands and Germany, appear to be moving towards re-regulation of iGaming. Italy appears set to introduce an update of current rules on gaming operators' marketing, which may mean a prohibition on affiliate marketing to Italian end consumers. This is expected to be clarified before summer 2019. Net Gaming welcomes the trend of more and more countries moving towards a re-regulation of iGaming. In the short term, this may have a negative effect on Net Gaming's finances, but in the longer term, Net Gaming's management has a positive view on this, as the size of a gaming market tends to increase further after regulation has entered into force.



Source: H2GC, March 2019

North America

Net Gaming's second largest geographic market is North America, with the United States accounting for the majority of the total revenue. In 2018, the Supreme Court of the United overturned the PASPA Act of 1992 and sports betting is therefore permitted, provided a state decides on local regulation. Net Gaming sees this as positive, as more states now appear to be moving towards full or partial regulation of iGaming. Delaware, Nevada and New Jersey are now already regulated markets in the United States and more states are expected to follow in 2019, including Pennsylvania, West Virginia, Mississippi and Rhode Island. As Net Gaming expects the majority of the states to have iGaming regulation in place by 2023, the Company is now focusing investments in this market, in order to take a market-leading position. The Company has brands such as PokerListings.com and CasinoGuide.com there and will also launch SportsBettingGuide.com in combination with local brands for selected states. The US iGaming market for Betting, Casino and Poker amounted to EUR 824 million in 2018 and is expected to increase to EUR 2,936 million in 2023, corresponding to annual growth of 28.9 percent in 2018-2023.



Source: H2GC, March 2019

Our verticals

Net Gaming generates its revenue mainly from Casino, but also in other areas such as Poker, Betting, Bingo etc.

Quality – in everything we do

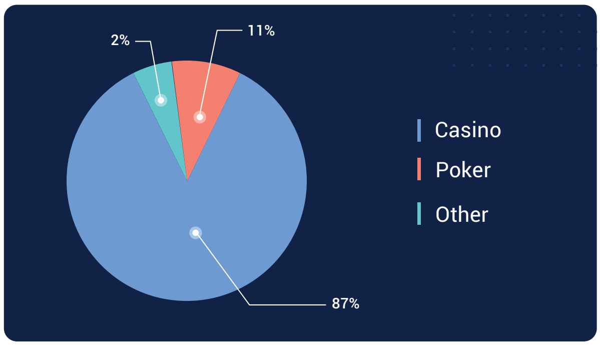
We are obsessed with delivering quality content. It is basically simple: if users do not like the quality of the services we develop, our partners will not get any qualitative, relevant end consumer referrals from us.

For us, quality is not about making great revolutionary changes from one year to the next. It is about, every day, step by step, developing and improving both ourselves and the content we offer our users.

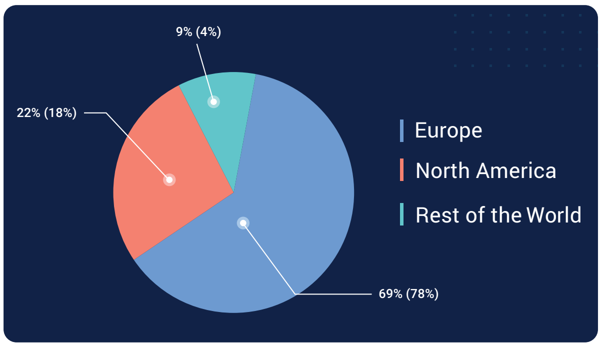
Data, data, data

We have a data-driven approach. This means that we make well-informed decisions substantiated by careful data-based analysis of user behaviour. Systems, passion, cooperation, knowledge and best practice enable our employees to make decisions based on the experience and insights they have gained.

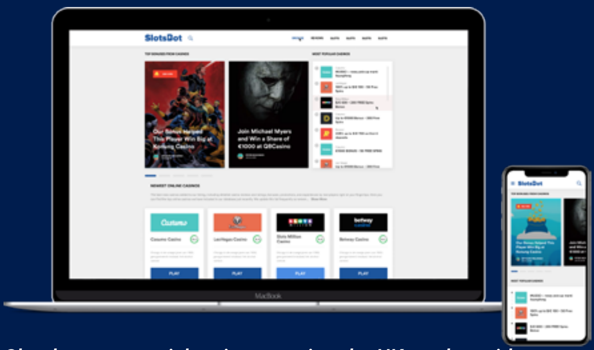
Revenue split by vertical and market



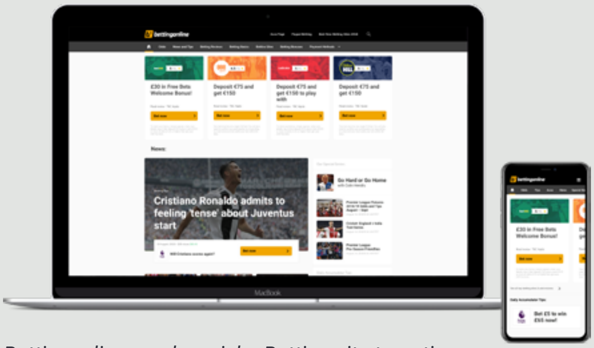
Source: H2GC, March 2019



Source: H2GC, March 2019



Slotsbot.com, a niche site targeting the UK market with a clear focus on users who love slots and are constantly looking for new slot games launched online.



Bettingonline.co.uk, a niche Betting site targeting the UK market. Here users are given valuable tips before a particular match or championship as well as an odds comparison function enabling them to quickly decide how to place their bet.

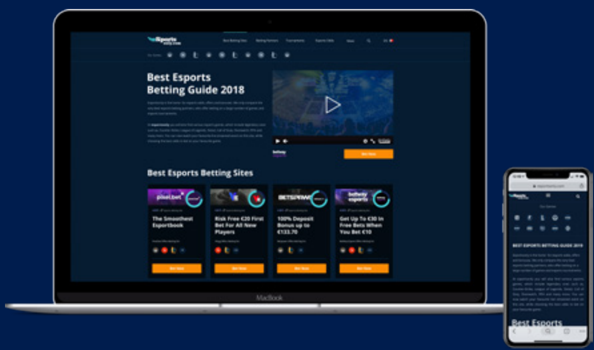
Casino

Net Gaming's largest vertical is Casino. Revenue within the Casino vertical is driven by a number of global and local brands to provide the right content based on user preferences and search trends. The generated content includes reviews of various iGaming operators and guides to different types of games (e.g. roulette guides with playing tips and rules), but may also consist of game reviews (such as slots), iGaming operator rankings or other targeted campaigns.

Betting

Net Gaming's newest vertical is Betting. Revenue within the Betting vertical is driven by a number of local brands in order to provide local content based on user preferences for certain sports or teams. Content is generated in the form of tips with recommendations on a particular match or championship. In addition, there are odds comparisons between different iGaming operators for the various sports. There are also iGaming operator reviews, guides to different types of games and iGaming operator rankings by sport or other offering that the user wants.

PokerListings.com, one of the world's largest and most recognised poker portals. Established in 2003.



Esportsonly.com, Net Gaming's eSports brand, covering most of the eSports world.

Poker

Net Gaming's oldest vertical is Poker. PokerListings.com was launched in 2003 and has become one of the world's most recognised poker portals. Here, users can read guides on Poker rules or different poker strategies. The portal also has the latest news from the Poker world, as well as offerings from various Poker operators and live streams from Poker tournaments.

Other

Net Gaming currently also has other smaller verticals, including Bingo, eSports and Finance. These are run by a smaller team and with less focus, but are areas where Net Gaming believes there is future potential.

Employees

Net Gaming is a fast-growing challenger in iGaming affiliation, based in Malta. We offer a workplace in a pleasant, innovative and stimulating environment.

In 2018, Net Gaming had 65 employees and about 25 contracted consultants. Most of them work from the offices in Malta, while others are based in Stockholm or are employed as remote consultants. The offices in Malta accommodate writers, developers, website promoters, SEO specialists and designers.

Inspirational working environment

Net Gaming offers its employees a working environment in newly renovated, fresh and pleasant premises. We work actively for a healthy and stimulating working environment with a good work-life balance. We have a relatively young and motivated target group of employees and we constantly invest in our corporate culture. We enjoy socialising and celebrating our successes together. Staff events are therefore organised at least once a month, and the spouse/partner and children of employees are also sometimes invited to them. We offer a number of employee benefits, such as health insurance, gym passes and eye tests. Net Gaming also has its own football team and the staff do trampolining once a week.

Attracting and recruiting talent

Net Gaming is growing rapidly, forcing us to work actively to recruit and retain staff in competition with other companies in Malta. Net Gaming strives to attract and recruit talented individuals with the potential to become key individuals in a team that will take the Company to new heights. Success here places high demands on our own organisation, and we therefore strive to be responsive but also to share our various experiences. We work with individually tailored skills development based on each employee's needs and interests. Employees receive in-house training, but we sometimes also use external resources to further develop our organisation. We have dedicated employees who are evaluated regularly and we also conduct periodic employee satisfaction surveys which also allow respondents to contribute new ideas and views. Employees are encouraged to take responsibility for their own development and the managers are responsible for developing their teams to perform at the highest level.

Diversified workforce a strength

Net Gaming welcomes diversity and believes that a diversified workforce enriches the Company and creates a good dynamic among its employees. The Group's 65 employees comprise 23 nationalities and the proportion of women is 38 percent. Net Gaming's number of employees including contracted consultants is approximately 90, spread among 29 nationalities. Women occupy 30 percent of the Group's management positions.

Sustainability

Net Gaming strives for continuous improvements with clear goals in order to promote sustainable development. The Company works to achieve long-term value-creation capacity and has a stated ambition to create successful customers and employees while also contributing to a better society.

Net Gaming's sustainability strategy and goals are based on the Company's vision, business concept and values of a long-term approach, development and reliability. Our work on CSR (social responsibility) is based on employee participation. Our sustainability work is based on a number of focus areas that give clear prioritisation and better effects from our initiatives.

- Economically sustainable development and business approach
- Attractive and responsible employer
- Responsible relationships and anti-corruption
- Reduced environmental impact

Economically sustainable development and business approach
Net Gaming contributes both directly and indirectly to the communities in which the Company operates, and we have a responsibility to create growth and profitability for our stakeholders. The goal is to increase the value of the Company over time, thereby ensuring sustainable development and a long-term return for shareholders. Net Gaming contributes to economic development in society, both by our services helping users to make the right choices in a complex iGaming world and by offering jobs.

Attractive and responsible employer
At Net Gaming, employee well-being and safety are highly valued. In order to be a sustainable and successful company, our employees must be happy and able to develop at their workplace. We offer our employees a working environment in newly renovated, fresh and pleasant premises and we work actively for a good work-life balance. We want the working environment to promote productivity, creativity and cooperation. We advocate equal conditions for our employees and job applicants and we do not tolerate discrimination. This includes equal pay for equal work and equal work opportunities regardless of gender and background. We want an even distribution of men and women as well as people with different cultures and backgrounds throughout the organisation and all its levels.

Responsible relationships and anti-corruption
Net Gaming strives to act in an ethically correct manner and to maintain responsible relationships with all the Company's stakeholders. Responsible relationships also mean active work towards a high level of customer confidentiality and information security. We strive to be transparent to our customers and employees in terms of what data we collect, how we use it, who we share it with and how we protect it. We also inform them about their rights regarding personal data and always encourage them to contact us if they have any questions. We have zero tolerance for improper benefits, undue influence and other forms of corruption. In order to conduct our business in a long-term, profitable and sustainable manner, we must act both within the framework of the law and in an ethically and morally defensible way. As a leading affiliate player in iGaming, we understand the importance of responsible gaming. We follow best practices and operate in accordance with the advertising rules for responsible gaming and national legislation where our products are marketed.

Reduced environmental impact
For us at Net Gaming, it is important to protect the environment and the climate, which, of course, also applies to our own business. We act with consideration for the world's scarce resources and have clear goals for how we as a company and individuals can contribute to affecting the environment as little as possible. We are committed to continuous improvements in our environmental work and to reducing our carbon footprint.

The share

Net Gaming Europe (publ) was admitted to trading on Nasdaq First North Premier, Stockholm, on 27 June 2018 under the ticker NETG. The shares were previously traded on AktieTorget.

Analysts following Net Gaming Europe AB

ABG Sundal Collier
Erik Moberg, erik.moberg@abgsc.se

Share performance during 2018
The share increased by 11.1 percent in 2018, while the total OMX Stockholm PI index fell by 7.7 percent. The highest closing price was SEK 11.28 on 16 February and the lowest was SEK 8.65 on 26 October.

Trading volume
In total, 25.7 million shares were traded at a total value of approximately SEK 254 million. The average volume for the year was 102,675 shares per trading day.

Share capital
At 31 December 2018, share capital amounted to SEK 19,657,167, divided into 75,604,487 shares. The Company has one (1) class of shares – A shares. Each share entitles the holder to one (1) vote at the shareholders' meeting. At 31 December 2018, the number of shareholders was approximately 1,153.

The early redemption of the remaining convertibles of SEK 13,999,941 in July 2018 resulted in 3,111,098 shares.

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

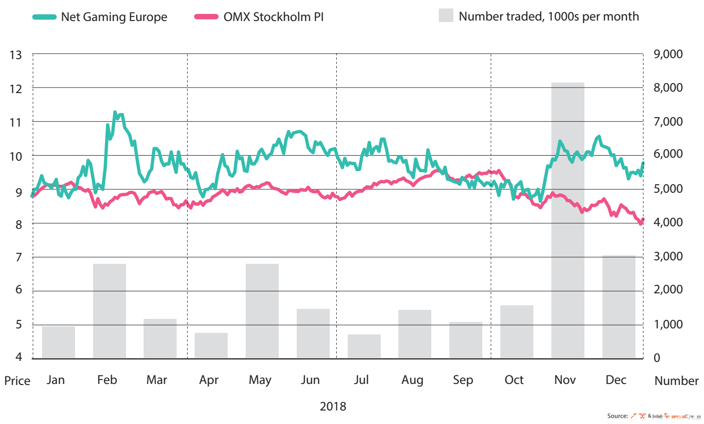
Following the change of presentation currency on 1 January 2019, the share capital was converted to EUR 1,912,678.10.

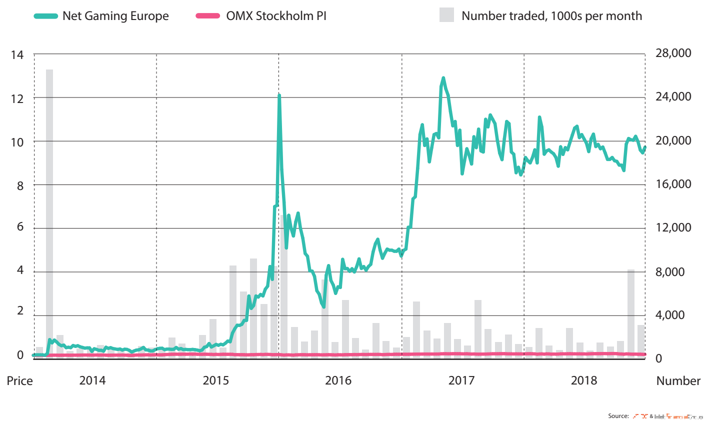
Bond
Net Gaming issued a bond in autumn 2017, which was listed on 7 November 2017 for institutional trading on Nasdaq Stockholm's Corporate Bonds List under the bond ticker symbol NETGAM002. The bond has a variable interest rate of Stibor 3m + 7.25 percent and is due for payment in September 2020.

Ownership structure
The number of shareholders on 31 December 2018 was 1,153 and the number of shares in the Company was 75,604,487, 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 %
Övriga aktieägare	12,363,833	16.35 %
TOTALT	75,604,487	100.00 %

Dividend
Over the next few years, Net Gaming will prioritise lower net debt, good liquidity and internal growth investments above dividends. The Board of Directors has therefore proposed that no dividend be paid for the 2018 financial year.





Net Gaming Europe's risk management

Net Gaming's business operations are associated with risks in various ways. Well-balanced risk management can lead to new opportunities, and ultimately create value for shareholders, while risks that are not managed properly can result in damage and losses.

The Board oversees risk management, with a focus on the most significant risks that the Group faces, which include strategic, operational, financial and legal risks.

Fulfilment of Net Gaming's goals associated with the business plan can be affected by strategic, operational, legal and financial-related risks in both a short and long-term perspective. The Board and management work continuously to identify new risks and to minimise risk exposure and any impact should a risk materialise.

Risk management work for 2019 has been intensified and a risk management model under the COSO framework is being implemented in 2019. The Board will issue a corporate governance report for the 2019 financial year, with an associated risk management analysis in accordance with the Swedish Corporate Governance Code.

Financial risks

The Group's exposure to financial risks includes currency risk, liquidity risk, interest rate risk, and counterparty and credit risk. Financial risk management is coordinated through the Parent Company, from which the Group's financing is arranged, and monitored on an ongoing basis by management and the Board. See note 33 for detailed information on financial risk management.

Operational risks

Operational risk is the risk of revenue or costs being affected by internal or external operational factors. Operational risks arise due to the fact that the Group's operations are dependent on its current operational capacity. Operations are dependent on the ability to maintain an effective capacity in search engine optimisation. But in the future, search engines like Google, Bing and Yahoo! may implement strategies that make it more difficult for the Group to function. In other respects, the Company has a low operational risk as there are no inventories or burdensome, long-term agreements with suppliers or partners.

Strategic risks

Strategic risks are mainly derived from factors outside Net Gaming's own operations and relate to risks in the form of changed strategic conditions. Net Gaming's launches of new verticals bring an increased strategic risk. However, this risk is mitigated by Net Gaming's 15-year experience in the industry. In addition, Net Gaming is affected by relatively low market entry barriers, which means that competitors are continuously arriving, which affects the market.

Legal risks

Although the Group does not conduct any online gaming operations, it is dependent on the online gaming industry, where the majority of customers are active. The laws and regulations concerning the online gaming industry are complex, constantly changing and in many cases subject to uncertainty. In many countries, online betting is prohibited and/or restricted. If coercive measures or other legislative actions are taken against any of the online gaming companies that are customers of the Group, whether this happens now or in the future, the Group's revenue flow from such customers could be adversely affected.

Furthermore, the relevant authority could also argue that similar measures should be taken against third parties promoting the activities of the online gaming company, including the Group. Consequently, such events, including future legislative and regulatory changes, could have a material adverse effect on the Group's operations, financial position and operating profit. To reduce this risk, the Group conducts operations in both regulated and unregulated markets, and gradually diversifies both its customer base and market presence.


HIGHLIGHT
MEDIA GROUP

Corporate governance

Net Gaming Europe AB (publ) is a Swedish limited liability company and the parent company of the Net Gaming Group. Net Gaming's shares have been listed on Nasdaq First North Premier since June 2018.

Principles for corporate governance and external control instruments

Net Gaming's corporate governance is about ensuring that the Company is managed sustainably, responsibly and in the most efficient way possible. Important external control instruments for corporate governance are the Swedish Companies Act, Nasdaq Stockholm's Rules for Issuers and the Swedish Corporate Governance Code ("the Code"). In 2019, internal control work has been intensified and policy and risk management frameworks are being implemented. The framework is based on COSE's Internal Control – Integrated Framework, which follows the Code, the Annual Accounts Act and FAR. The Board will issue a corporate governance report for the 2019 financial year, with an associated risk management analysis in accordance with the Code.

Internal control instruments

Central internal control documents for corporate governance are the Board's rules of procedure, instructions for the President and CEO, and policies, plans and rules for the Group's operations. More information about Net Gaming's corporate governance can be found at www.netgaming.se/en/corporate-governance/, including articles of association, documents from general meetings and information on management and the Board.

Nomination committee

In view of the composition of the shareholders, a nomination committee has not been considered necessary by the principal owner Trottholmen AB, which owns 62.5 percent of the Company. Proposals for the election of the Chairman at the AGM, the election of the Board and, where applicable, the auditors, and proposals for the remuneration of Board members and the auditors are therefore submitted by the Company's major shareholder and presented in the notice of the AGM and on the Company's website. This is a derogation from the Code's rules regarding a nomination committee.

The Board's duties

The most important duties of the Board are to establish strategic guidelines, appoint, evaluate and, if necessary, dismiss the CEO and to be ultimately responsible for the Group's risk management and internal governance and control.

Chairman's responsibilities

The Chairman of the Board leads the work of the Board and monitors the business in dialogue with the CEO. The Chairman represents the Company in matters of particular importance. The assignment includes responsibility for ensuring that the Board's work is well organised and efficient, that the Board fulfils its obligations, and that the Board receives satisfactory information and documentation. The Chairman is also responsible for ensuring that new members receive the necessary introductory training and that the Board regularly updates and develops its knowledge of the Group.

The Board's working arrangements

Board appoints the CEO. The division of responsibilities and authority between the Board and the CEO can be found in the Board's rules of procedure and the CEO instructions, which are adopted annually. The Board's rules of procedure also regulate financial reporting to the Board and the Board's responsibility for formalised routines that ensure compliance with established principles for financial reporting and internal control, and ensure that the Company's financial reporting has been prepared in accordance with the law, applicable reporting standards and other rules for listed companies. The Board has decided not to appoint an audit committee or remuneration committee. The Board considers that, in view of its size, expertise and experience, it is more appropriate for the full Board to carry out the tasks that that would be performed by the audit and remuneration committee according to the Swedish Companies Act and the Code. The Board plans to appoint an audit committee in 2019.

The Board's work during the year

Immediately after the Annual General Meeting in May 2018, a statutory Board meeting was held, at which the Board's rules of procedure and the CEO instructions were adopted. In addition to this meeting, the Board held six regular Board meetings and nine extra Board meetings in 2018.

CEO and Group management

The CEO leads the day-to-day operations in accordance with internal and external control instruments. In consultation with the Chairman, the CEO draws up documentation that enables the Board to make well-informed decisions. The CEO is also responsible for continuously reporting to the Board on the Group's development and ensuring that the market obtains a fair view of the Group. In 2018, Group management consisted of the CEO, CFO, CTO, Head of Legal and the CEO of HighLight Media with operational responsibility. Group management coordinates strategies, activities and resource allocation, and formulates the directives, processes and structures required for effective governance. Group management holds regular meetings with a focus on strategic and operational development and follow-up of results.

Auditors

During 2018, Net Gaming's Group auditor was Nexia International, while KPMG was auditor for some of the subsidiaries. A procurement process has been conducted in 2019 and the Board proposes to change the auditor to PricewaterhouseCoopers (PwC) for 2019. PwC has given its consent to commence the assignment as auditor, and proposals to engage PwC as auditor will be presented at the Annual General Meeting.

Activities in 2019

Below is a summary of the Board's and Net Gaming Management group's planned and, to some extent, completed main activities within internal control and risk management in 2019 in accordance with the Code:

- Implementation of an audit committee
- Preparation of a corporate governance report
- Updating and revision of policies and manuals
- Coordination of the Group's ERP systems for all legal entities
- Implementation of COSO's updated framework
- Coordination of the Group's ERP systems
- Further development of the Business Intelligence system in the Group

The Board

Henrik Kvick
Chairman of the Board since 2012

Nationality
Swedish

Born
1977

Education
M.Sc. in Industrial Engineering, Linköping University

Main occupation
Runs the investment firm Trottholmen AB

Current directorships
Chairman, Trottholmen AB, Net Gaming Europe AB and NetJobs Group AB. Director, Skandinavien AB and Scandinavian Soccer Agency AB. Deputy Director, KFK Invest AB and PFK Invest AB

Previous directorships
Chairman, myTaste AB (publ), 2012-2016. Director, Tradedoubler AB (publ), 2015-2016 and Entraction Holding AB(publ), 2010- 2011. CEO, NetJobs Group AB (publ), 2004-2006

Independent
No

Holding
47,272,382 shares

Marcus Teilman
CEO since 2012, Board member since 2013

Nationality
Swedish

Born
1983

Education
M.Sc. in Economics from Stockholm University

Main occupation
CEO, Net Gaming Europe AB (publ)

Current directorships
Director, Net Gaming Europe AB. Deputy Director, AB Getingen

Independent
No

Holding
37,003 shares
1,000,000 warrants
300,000 employee share options

Tobias Fagerlund
Board member since 2015

Nationality
Swedish

Born
1971

Education
LLM, Stockholm University

Main occupation
Own consulting and investment company

Current directorships
Chairman, Dream of Sweden AB, LearnLand AB, Future Gaming Group Int. AB, Capital Game Group AB, A drop of Fortune AB and News55 AB. Director, Global Gaming 555 AB, Spiffbet AB, Invika AB, Relax Tech Sweden AB, Bryngan Invest AB, Firemarks AB, Core Concept Management INC and Relax Gaming Network Ltd. Deputy Director, YouC Media AB, SpiffX Förvaltning AB, Hands Up Stockholm AB and Netiba AB.

Previous directorships
Director SpiffX Holding Ltd and Director SpiffX Malta Ltd

Independent
Yes

Holding
0 shares

Jonas Bertilsson
Board member since 2016

Nationality
Swedish

Born
1980

Education
M.Sc. in Economics and Business Administration, Stockholm School of Economics

Main occupation
Partner at Elementa Management

Current directorships
Chairman, M.O.B.A. Network AB. Deputy Director, AB Rugosa Invest

Previous directorships
Chairman, Pema Sweden AB. Director, Mengus Stockholm 2005 och 2011 AB and Bed Factory Holding AB

Independent
Yes

Holding
437,749 shares

Marcus Blom
Board member since 2018

Nationality
Swedish

Born
1983

Education
M.Sc. in Industrial and financial management, Gothenburg School of Business Economics and Law

Main occupation
CEO, A Group of Friends Investments AB

Current directorships
Chairman, Stonebull Invest 1 AB, Chairman Stonebull Invest 1 AB and Troop Invest Holding AB. Director, A Group of Friends Investments AB, Stonebull AB, MBFTO Holding AB and Stonebull Invest 2 AB

Previous directorships
Director, APP Capital AB

Independent
Yes

Holding
75,000 shares

Management team

Marcus Teilman
President and CEO

Born
1983

Marcus Teilman holds an M.Sc. in Economics and has worked in the Group since 2005.

He was previously employed as CFO of Net Gaming Europe AB (publ). He has also previously worked in the e-commerce industry.

Holding
37,003 shares
1,000,000 warrants
300,000 employee share options

Gustav Vadenbring
CFO

Born
1974

Gustav Vadenbring holds an M.Sc. in Business Administration and Corporate Finance from Lund University. Gustav joined the Company from his position as Industrial and Business Analyst at SEB. Prior to that, he was CFO of Actic Group (publ) for over five years. Gustav has extensive M&A experience after 13 years at Deloitte M&A Transaction Services.

Holding
0 shares
250,000 warrants

Erik Gjerde
CEO, Highlight Media

Born
1983

Erik Gjerde studied marketing and communication at the Norwegian School of Management. He has worked for Highlight Media since 2011. Prior to that, Erik held positions in online marketing, online business development and technology development.

Holding
0 shares
300,000 share options

Christian Käfling
Head of M&A

Born
1972

Christian Käfling holds an M.Sc. in Business and Economics from Linköping University. Christian joined the Company from Strategy&/PwC, where he worked as a consultant in strategy and commercial due diligence, specialising in the TMT sector and iGaming.

Holding
30,000 shares

Clinton Cutajar
CTO

Born
1983

Clinton holds an M.Sc. in Information Security from the University of London and a B.Sc. in Computer Science and Artificial Intelligence from the University of Malta. His most recent role was at Catena Media, where he was Head of Tech Operations, with responsibility for operations, integration of M&As and IT architecture.

Holding
0 shares

Board of Directors' Report

FOR THE FINANCIAL YEAR 2018

The Board of Directors of Net Gaming Europe AB ("the Company", "the Parent Company" or "Net Gaming"), corporate identity number 556693-7255, hereby submit the annual accounts and consolidated financial statements for the financial year 2018. Net Gaming has its head office and registered office in Stockholm, Sweden, at the address Stureplan 6, 4 tr, SE-114 35 Stockholm. The Group also has subsidiaries in Malta. "Net Gaming" or "the Group" are used throughout this annual report when describing the Group's operations. The Group's operations primarily comprise the business based in Stockholm and the operating activities based in Malta.

MAIN BUSINESS

Net Gaming's main business is to attract users (end consumers) mainly through search engine optimisation (SEO) and to then channel these users to online and mobile customers at iGaming operators. To this end, Net Gaming owns and operates over 140 digital brands focusing on user-friendliness, clear user value and high-quality content in several different languages. Many of these websites have top rankings in the search results in the various search engines, e.g. Google. In this way, Net Gaming attracts high-quality traffic from potential end consumers. The content of the websites is written by professional writers, and is regularly updated to provide end consumers with the most relevant information and latest news to make their own assessment of which operator they want to use.

BUSINESS REVIEW

During the year, Net Gaming streamlined its operations in order to fully focus on the company's core business, which is affiliate marketing. As part of the streamlining, the Battle of Malta poker tournament was sold during the year and the former Gaming operations were converted into affiliate operations.

The affiliate operations have a strong focus on providing high-quality content, concentrating primarily on search engine traffic. Net Gaming has a strong market position, notably in the online casino segment, which is also the Group's core focus. As Net Gaming continues to focus on the fast-growing online casino market, the Group has also taken a step into the sports betting segment and the financial segment of the online market during the current financial year. Net Gaming has reached the position that the Group has today through 15 years of experience in the industry and by building a portfolio of strong digital brands backed up by advanced techniques for keyword planning and content optimisation. Net Gaming uses a number of different Business Intelligence (BI) tools to enable the Company to analyse the flow of online traffic to its websites and partners. Analysing the quality and conversion rate of such traffic is crucial to being able to develop and improve the content of the websites. Investments in technology and BI have increased Net Gaming's competitiveness and have been key factors in the Group's strong position in its core markets.

Net Gaming has been able to expand its business operations and significantly increase revenue during 2018 without having to increase the cost base at the same rate, which shows the strength of the Company's business model and the scalable platform.

During the year, the Group successfully acquired the assets of the affiliate company Webwiser with the aim of strengthening the position within the DACH region. During the last three years, several affiliate businesses have been acquired and Net Gaming has extensive experience in integrating the acquired assets to maximise synergies and increase revenue.

In 2018, Net Gaming also intensified its expansion in the US and we have seen extensive growth in the regulated states of New Jersey, Delaware and Nevada. Through strong domain names such as Pokerlistings.com and an intensified focus on the US market, Net Gaming has placed itself in pole position regarding future regulation of one of the world's potentially largest iGaming markets.

MARKET DEVELOPMENT

Market development for finance, sports betting and online casino, in which Net Gaming conducts operations, has shown strong growth in recent years and the market is forecasting strong growth over the next five years. It is Net Gaming's assessment that the demand for customer-generating companies and affiliate companies will increase as a result.

In Net Gaming's core markets, iGaming is growing faster than land-based gaming. Both new online casino operators and old brands in new markets have a need for visibility. Together, they drive the growth of the affiliate market through increased investments in digital marketing.

In the fragmented affiliate market, there are only a handful of players able to generate a significant number of new depositing customers (NDCs) for the operators. The largest competitors operate in the same geographic markets as Net Gaming and there appears to be a continuing trend of launches of new casino brands primarily through affiliate marketing. This creates opportunities for geographical expansion, both organically and through acquisitions.

The financial vertical shares many features with iGaming, such as the revenue model and a similar behaviour pattern as in online casino. The market for financial services is both fragmented and highly profitable, and we also see significant opportunities there.

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.

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 increased growth.

Other external costs have increased to SEK 34.6 (33.7) million, mainly 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. 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. Net financial items declined from SEK 84.3 million in 2017 to SEK 38.9 million in 2018, partly through reduced interest expenses and partly due to net financial items for 2017 being affected by refinancing costs of SEK 40 million. 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.

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 (0.10).

CASH AND CASH FLOW

Cash flow from operating activities

Cash flow from operating activities in 2018 amounted to SEK 115.5 (108.5) million. The change from 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

Cash flow from investing activities is low due to the Company's business model not being capital intensive. Cash flow from investing activities in 2018 was SEK -89.5 (-75.6) million. The investments in 2018 are mainly attributable to settlement of the additional consideration from the HLM acquisition in 2016, which was SEK 57.1 million, and the acquisition of Webwiser for SEK 23.5 million in May 2018. Other Investments during the year 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 financing activities

Cash flow from financing activities for 2018 was SEK -30.0 (21.5) million, with interest expenses showing a marked decline from SEK 46.6 million in 2017 to SEK 30.4 million in 2018, as a result of the new financing arrangement. Cash flow from financing activities in 2017 was significantly affected by the refinancing carried out during the second half of the previous year.

RESEARCH AND DEVELOPMENT

The Company conducts continuous development of internal infrastructures such as BI systems, ERP systems etc. A total of SEK 0.5 (0.3) million was capitalised for own account during 2018.

EQUITY

Based on the future outlook and financing options, the Board of Directors considers it appropriate to prepare financial statements on a going concern basis. At the end of 2018, the Group's equity amounted to SEK 217.0 (78.0) million, corresponding to SEK 2.87 (1.16) per share before dilution. The Company's equity/assets ratio was 35.8 (13.7) percent.

SIGNIFICANT EVENTS IN 2018

First quarter

- In February, Net Gaming acquired affiliate assets in Central Europe for about SEK 5.2 million to strengthen the Casino vertical. The assets were successfully integrated into the business during the year.
- Streamlining of the business into focused affiliate operations began in February with the divestment of the Battle of Malta poker tournament for SEK 3.0 million.
- In March, work began on launching the new sports betting vertical, with recruitment of key personnel to develop this work.
- In Q1, SEK 12.0 million of the convertible debenture loan was converted to 2,666,665 new shares as a step in streamlining the Company's capital structure.

Second quarter

- The final part of the additional consideration for the HLM acquisition from 2016 was settled in May. This meant that the Board and the Company were able to implement growth plans and start the process of adapting the Company for expansion and recruiting key personnel.
- In May, Net Gaming's Board launched an expansion strategy which included the launch of Financial and Sports betting verticals.
- A strategic acquisition of affiliate assets from Webwiser GmbH in Germany was made in order to strengthen the Casino vertical. The initial purchase consideration was SEK 23.5 million. With a possible additional consideration of up to SEK 12.8 million, the total purchase consideration corresponds to about 3.5x EBITDA.
- At the end of June, Net Gaming moved its shares from AktieTorget to Nasdaq First North Premier.

CEO Marcus Teilman rang the stock exchange bell on 27 June.

Third quarter

- Early redemption of the remaining convertible loan in August marked the completion of the process to concentrate the Company's capital structure on bonds alone.
- Recruitment of additional key personnel to support the expansion strategy continued in August, when Group management was reinforced by CFO Gustav Vadenbring with extensive experience from stock exchange and high-growth companies in international environments and CTO Clinton Cutajar from Catena Media.
- New financial targets were launched in September, focusing on organic growth, earnings per share growth and lower debt.
- Expansion in the US began to accelerate in Q3 and the Company is showing 145 percent growth there. Strong domain names were acquired. Roll-out of new digital brands in the US.

Fourth quarter

- The new Malta office was opened in October, with space for another 20-30 employees, as part of the continuing expansion.
- Gaming operations were completely discontinued in December and Net Gaming became a focused affiliate company.
- In Q4, Net Gaming Europe sharpened its focus on organic growth and future growth by strengthening the organisation with the appointment of key personnel such as a Head of Design, Head of Casino and Head of Poker.

EMPLOYEES

The total number of employees in the Group on 31 December 2018 was 65 (69). The gender distribution was 25 (23) women and 40 (46) men. Expressed as a percentage, women accounted for 38 (33) percent of the total number of employees, while men accounted for 62 (67) percent. All employees are full-time employees. Net Gaming's number of employees including contracted consultants is approximately 90. As a result of the rapid growth, the Group continues to recruit new employees.

OUTLOOK

Net Gaming operates in a large global market that is expected to continue to grow for a long time to come. To ensure an optimal focus of time and resources, Net Gaming has identified three clear growth pillars in 2018 and included these in the Company's growth plan.

NET GAMING'S THREE GROWTH PILLARS:

1. Casino in Europe

Net Gaming currently has a market share of about 1 percent in iGaming affiliation in the European Casino market. Casino is Net Gaming's largest vertical and has shown annual growth of about 25 percent historically.

2. USA

The market for iGaming in the United States is expected to show strong growth in the coming years. This is because more and more states are expected to regulate and therefore allow iGaming. A few more states are expected to regulate the iGaming market in 2019.

3. Betting in Europe

In 2018, Net Gaming started a new vertical in Betting. The Betting market currently accounts for about 50 percent of global iGaming revenue, which is why the launch of a Betting vertical felt like an obvious course of action. The investment in Betting is aimed at further increasing the Company's organic growth over time. Net Gaming is not providing any forecasts in this report.

FINANCIAL TARGETS

The Board of Net Gaming presented new financial targets in a press release on 11 September 2018. The financial targets are as follows:

- Annual EPS growth of at least 20 percent over time.
- Annual organic growth of 15-25 percent.
- A maximum net debt/EBITDA ratio of 2.0 over time.

No dividend over the next three years. The priority instead will be growth investments through acquisitions, internal growth projects and a stronger capital structure.

SUMMARY OF FINANCIAL TARGET OUTCOMES, 31 DECEMBER 2018

The table below shows the outcomes of the defined financial targets.

Period	EPS growth	Organic revenue growth	Capital structure
Jan-Dec 2018	+1100%	12%	2.1

PARENT COMPANY

Net Gaming Europe AB is the ultimate holding company in the Group (hereinafter referred to as the "the Company" or "the Parent Company") and was registered in Sweden on 14 December 2005. The Company's shares have been listed on Nasdaq First North Premier since June 2018. The Company generates revenue via internal Group services in IT, marketing, financial services and management. The Group's financing is arranged in the Parent Company via a bond, which is registered on Nasdaq Stockholm's Corporate Bond List.

The Parent Company received dividends from subsidiaries amounting to SEK 15.4 (19.3) million in 2018.

OTHER GROUP COMPANIES

HLM Malta Limited

Profit before tax for 2018 amounted to SEK 106.7 (19.7) million. Profit after tax was SEK 106.7 (19.7) million. Equity amounted to SEK 96.2 (4.6) million at the end of 2018. The company received dividends from subsidiaries amounting to SEK 109.6 (28.8) million in 2018. The company paid dividends of SEK 15.4 (19.3) million to the Parent Company.

Mortgage Loan Directory & Information LCC

Profit/loss before tax for 2018 amounted to SEK -1.9 (-2.4) million. Profit after tax was SEK -2.4 (2.1) million. Equity amounted to SEK 7.3 (9.0) million at the end of 2018. The company paid dividends of SEK 0 (0.4) million to HLM Malta.

Rock intention Malta Ltd

Profit before tax for 2018 amounted to SEK 61.2 (52.9) million. Profit after tax was SEK 37.4 (105.4) million. Equity amounted to SEK 145.0 (208.0) million at the end of 2018. The company paid dividends of SEK 109.6 (28.4) million to HLM Malta.

PokerLoco Malta Ltd

Profit before tax for 2018 amounted to SEK 16.2 (-0.8) million. Profit after tax was SEK 16.2 (-0.8) million. Equity amounted to SEK 10.0 (-6.0) million at the end of 2018. During the 2018 financial year, the Parent Company waived receivables of SEK 23.1 (0) million from PokerLoco Malta, which had a positive effect on PLM's profit. In turn, PokerLoco Malta waived receivables of SEK 7.9 (0) million from the subsidiary Loco Online Entertainment NV, which was liquidated during the year, and this had a negative effect on PLM's profit.

As mentioned above, the Company's subsidiary Loco Online Entertainment N.V. was liquidated in 2018. After the discontinuation of the Gaming business, the Company conducts affiliate business through the digital brands Pokerloco.com and Casinoloco.com.

SIGNIFICANT RISKS AND UNCERTAINTIES

Legal risks

Although the Group does not conduct any online gaming operations, it is dependent on the online gaming industry, where the majority of iGaming operators are active.

The laws and regulations concerning the online gaming industry are complex, constantly changing and in many cases subject to uncertainty. In many countries, online betting is prohibited and/or restricted. If coercive measures or other legislative actions are taken against any of the online gaming companies that are customers of the Group, whether this happens now or in the future, the Group's revenue flow from such customers could be adversely affected. Furthermore, the relevant authority could also argue that similar measures should be taken against third parties promoting the activities of the online gaming company, including the Group. Consequently, such events, including future legislative and regulatory changes, could have a material adverse effect on the Group's operations, financial position and operating profit. To reduce this risk, the Group conducts operations in both regulated and unregulated markets, and gradually diversifies both its customer base and market presence.

Other risks

In addition to the above risks, the Board considers that the risks identified below are relevant to the Group.

- Credit risk is the risk of customers failing to pay for services provided.
- Currency risk is the risk that arises from negative changes in exchange rates and interest rates.
- Liquidity risk is the risk of difficulties in obtaining financing in order to fulfil the Group's contractual obligations when they fall due.
- Operational risk is primarily the risk of being unable to maintain an effective capacity in search engine optimisation, including through dependence on Google.

Further details can be found on pages 65-66.

THE NEW SWEDISH GAMBLING LAW

The new gambling law came into force on 1 January 2019. The law reflects the Swedish legislators' efforts to offer players better consumer protection and safe gambling. It introduces a mandatory licensing system for all players in the Swedish gambling market and makes it criminal to market gambling in Sweden without a licence. The law divides the gambling market into different sectors: a non-profit sector which includes lotteries and bingo, a commercial sector which includes online gaming and betting, and state-owned games, including state-owned casinos and slot machines. Tax of 18 percent is levied on all licensed gaming, apart from in the non-profit sector, which remains tax-free. Although the new gambling law does not affect Net Gaming directly, the parties in the Swedish gaming market that Net Gaming has contractual relationships with are affected. Net Gaming expects all such parties to comply with the new law.

LEGAL DISPUTES AND PROCEEDINGS

This type of risk refers to the costs that Net Gaming may incur in pursuing various legal proceedings, as well as the costs of independent parties. During the year, Net Gaming was not involved in any disputes that affected or will affect the Company's position in any significant way.

OTHER AREAS

Remuneration of Senior executives

The Board's proposed guidelines on remuneration of senior executives for 2019 essentially mean that salaries and other terms of employment will be at market levels. In addition to the fixed basic salary, Group management may also receive variable remuneration and bonuses. These must have a predetermined ceiling and are based on achieved results in relation to defined targets (and in some cases other performance measures). No senior executives are entitled to severance pay.

Shares and ownership structure

Net Gaming's ownership structure at 31 December 2018 comprised the major shareholders Trottholmen AB (62.5 percent) and Avanza Pension (7.0 percent). The remaining shareholders had an ownership share of less than 3 percent. The number of shareholders on 31 December 2018 was approximately 1,153 and the number of shares in the Company was 75,604,487.

Annual General Meeting

The Annual General Meeting will be held at 13.00 on 23 May 2019 at DLA Piper, Kungsgatan 9 in Stockholm, Sweden.

Dividend

In accordance with the financial targets, the Board of Directors has proposed to the 2019 AGM that no dividend be paid for 2018.

Proposed appropriation of profits

The Company's Board proposes that the unrestricted equity of SEK 2,425,892 available to the AGM be carried forward.

Board of Directors

The Board consists of:
Henrik Kvick (Chairman)
Tobias Fagerlund
Marcus Blom
Jonas Bertilsson
Marcus Teilman (CEO))
The Group's CFO, Gustav Vadenbring, is co-opted to the Board as secretary.

Auditors

During 2018, Net Gaming's Group auditor was Nexia International, while KPMG was auditor for some of the subsidiaries. A procurement process has been conducted in 2019 and the Board proposes to change the auditor to PricewaterhouseCoopers (PwC) for 2019. PwC has given its consent to commence the assignment as auditor, and proposals to engage PwC as auditor will be presented at the Annual General Meeting.

STATEMENT ON THE BOARD'S RESPONSIBILITY FOR THE FINANCIAL REPORTS

The Board of Directors shall prepare financial reports that give a true and fair view of financial position of the Group and the Company at the end of each financial period, and the income statement for this period.

In preparing the financial reports, the Board is responsible for:

- Ensuring that the financial reports have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- Selecting and applying adequate accounting policies
- Making accounting estimates that are reasonable under the circumstances
- Ensuring that the financial reports are prepared on a going concern basis provided there is reason to assume that the Group or the Company will continue to operate.

The Board is also responsible for designing, implementing and maintaining internal controls that the Board considers necessary for the preparation of financial reports that do not contain material misstatement, whether due to irregularities or error. The Board is also responsible for protecting the Group's and the Company's assets, and thereby taking appropriate measures to prevent and detect fraud and other deviations.

Net Gaming's financial reports for the 2018 financial year have been included in this 2018 annual report, which can be ordered from the Company's website. The Board is responsible for the content and integrity of the annual report in the context of its responsibility for the website's control and security. The information published on the Company's website is available in other countries and jurisdictions where legislation governing the preparation and distribution of financial reports may differ from the requirements or practice in Sweden and Malta.

Consolidated Statement of Comprehensive Income

Amounts in SEK thousands	Note	2018	2017
Revenue	4	192,183	169,465
Total revenue		**192,183**	**169,465**
Capitalised work for own account	5	453	328
Operating expenses, gaming operations		-1,343	-2,744
Other external expenses	6,7,8,9	-34,620	-33,704
Personnel expenses	9	-32,847	-29,991
Other operating income	4	4,530	3,339
Other operating expenses		-1,251	-95
EBITDA	**1,2,3**	**127,105**	**106,598**
Depreciation	10	-3,912	-1,419
Operating profit/loss (EBIT)		**123,193**	**105,179**
Profit/loss from financial items			
Interest and similar income	12	24	6
Interest and similar expenses	13	-34,785	-84,928
Impairment of financial assets	14	-6,812	-
Other financial items		2,720	590
Profit/loss from financial items		**-38,853**	**-84,332**
Profit before tax		**84,340**	**20,847**
Tax on profit/loss for the year	15	-5,966	-14,784
Profit for the year		**78,374**	**6,063**
Earnings per share (SEK)	**16**	**1.08**	**0.10**
Earnings per share after dilution (SEK)	**16**	**1.08**	**0.10**
Other comprehensive income, income and expenses recognised directly in equity			
Exchange differences on translation of foreign operations		16,874	10,225
Other comprehensive income for the year		**16,874**	**10,225**
Total comprehensive income for the period		**95,248**	**16,288**

Consolidated Statement of Financial Position

Amounts in SEK thousands	Note	31/12/2018	31/12/2017
Assets			
Non-current assets			
Property, plant and equipment	18	2,305	657
Goodwill	19,20,30	440,355	407,439
Other intangible assets	21	27,571	12,232
Other non-current receivables		4,697	-
Deferred tax assets	15	5,504	11,251
Total non-current assets		**480,432**	**431,579**
Current assets			
Trade receivables		19,245	17,926
Other receivables		1,878	2,360
Prepayments and accrued income	24	1,387	2,078
Cash and cash equivalents	25	103,724	115 ,113
Total current assets		**126,234**	**137,477**
Total assets		**606,666**	**569,056**
Equity and liabilities			
Equity			
Share capital	26	19,657	17,467
Other paid-in capital		127,690	85,952
Reserves		27,762	11,107
Retained earnings, incl. profit/loss for the year		41,902	-36,472
Total equity		**217,011**	**78,054**
Non-current liabilities			
Other non-current liabilities	27	368,650	397,013
Deferred tax liabilities	15	-	260
		368,650	**397,273**
Current liabilities			
Trade payables		7,806	4,603
Liabilities to Parent Company	31	3,568	3,406
Other liabilities		4,071	76,072
Accruals and deferred income	28	5,560	9,648
		21,005	**93,729**
Total equity and liabilities		**606,666**	**569,056**

Consolidated Statement of Changes in Equity

Amounts in SEK thousands	Note	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**	**8,016**
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	16	-	208	-	-	208
Correction, updated acquisition analysis		-	-	5	214	219
Comprehensive income for the year		**-**	**-**	**10,225**	**6,063**	**16,288**
Closing equity, 31 Dec 2017		**17,467**	**85,952**	**10,893**	**-36,258**	**78,054**
Opening equity, 1 Jan 2018		**17,467**	**85,952**	**10,893**	**-36,258**	**78,054**
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	17	-	435	-	-	435
Issue expenses		-	-10	-	-	-10
Share-based payments		-	123	-	-	123
Correction, updated acquisition analysis		-	-	-5	-214	-219
Comprehensive income for the period		-	-	16,874	78,374	95,248
Closing equity, 31 Dec 2018		**19,657**	**127,690**	**27,762**	**41,902**	**217,011**

Conditional shareholder contribution from principal owner Trottholmen AB amounts to SEK 5,000 (5,000) thousand.
The principal owner is entitled to receive repayment of this conditional shareholder contribution in the future under certain conditions.

Consolidated Cash Flow Statement

Amounts in SEK thousands	Note	2018	2017
Operating activities			
Profit before tax		84,340	20,847
Adjustments for non-cash items and items not included in operating activities			
- Depreciation and amortisation of assets		3,912	1,419
- Exchange gains/losses on financial receivables and liabilities		-1,809	-590
- Costs for share-based programmes		123	-
- Gain/loss on sale of other assets		-3,030	-
- Reversal of impairment of financial assets		-1,421	-
- Impairment of financial assets		6,812	-
Interest and similar expenses		34,785	84,928
Interest and similar income		-24	-6
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in operating receivables		-146	-1,867
Increase (+)/Decrease (-) in operating liabilities		-8,073	3,792
Cash flow from operating activities		**115,469**	**108,523**
Investing activities			
Acquisition of interests in Group companies		-57,069	-55,002
Acquisition of property, plant and equipment		-2,092	-305
Acquisition of intangible assets		-33,429	-20,247
Sale of other assets		3,096	-
Cash flow from investing activities		**-89,494**	**-75,554**
Financing activities			
Option proceeds received		435	-
Issue expenses		-10	-46
Interest paid		-30,431	-43,632
Interest received		24	6
Proceeds from borrowings		-	363,070
Repayment of loans		-	-270,000
Costs associated with loan settlement		-	-27,927
Cash flow from financing activities		**-29,982**	**21,471**
Cash flow for period		**-4,007**	**54,440**
Cash & cash equivalents at beginning of period		115,113	58,999
Exchange differences		2,804	1,674
Reclassification from cash & cash equivalents to other current investments		-10,186	-
Cash & cash equivalents at end of period		**103,724**	**115,113**

Income Statement – Parent Company

Amounts in SEK thousands	Note	2018	2017
Revenue	4	2,624	803
Operating expenses		**2,624**	**803**
Operating expenses			
Other external expenses	6,7,8,9	-5,516	-3,314
Personnel expenses	9	-2,031	-249
Other operating expenses		-5	-95
Operating profit/loss	**1,2,3**	**-4,928**	**-2,855**
Profit/loss from financial items			
Profit/loss from investments in Group companies	11	-12,970	19,239
Other interest and similar income	12	3,431	11,625
Other interest and similar expenses	13	-34,785	-84,928
Other financial items		1,975	198
Profit/loss after financial items		**-47,277**	**-56,721**
Tax on profit/loss for the year	15	260	1,410
Profit/loss for the year		**-47,017**	**-55,311**

Balance Sheet – Parent Company

Amounts in SEK thousands	Note	31/12/2018	31/12/2017
Assets			
Non-current assets			
Financial assets			
Investments in Group companies	22,29	324,562	324,562
Non-current receivables from Group companies	23	12,328	68,280
Total financial assets		**336,890**	**392,842**
Total non-current assets		**336,890**	**392,842**
Current assets			
Current receivables			
Receivables from Group companies	23	5,812	33,613
Other receivables		229	431
Prepayments and accrued income	24	155	88
Total current receivables		**6,196**	**34,132**
Cash and cash equivalents	25	54,459	67,024
Total current assets		**60,655**	**101,156**
Total assets		**397,545**	**493,998**
Equity and liabilities			
Equity	**26**		
Restricted equity			
Share capital		19,657	17,467
		19,657	**17,467**
Unrestricted equity			
Share premium reserve		99,131	57,393
Retained earnings		-49,688	5,624
Profit/loss for the year		**-47,017**	**-55,311**
		2,426	**7,705**
Total equity		**22,083**	**25,172**
Non-current liabilities			
Other non-current liabilities	27	368,650	397,013
Deferred tax liabilities	15	–	260
		368,650	**397,273**
Current liabilities			
Trade payables		127	259
Liabilities to Parent Company	31	3,568	3,406
Other liabilities		86	64,191
Accruals and deferred income		3,031	3,697
		6,812	**71,553**
Total equity and liabilities		**397,545**	**493,998**

Statement of Changes in Equity – Parent Company

Amounts in SEK thousands	Note	Share capital	Share premium reserve	Retained earnings incl. year's	Total equity
Parent Company					
Opening equity, 1 Jan 2017		14,957	6,372	5,623	26,952
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	17	-	208	-	208
Profit/loss for the year		**-**	**-**	**-55,311**	**-55,311**
Closing equity, 31 Dec 2017		**17,467**	**57,393**	**-49,688**	**25,172**
Opening equity, 1 Jan 2018		17,467	57,393	-49,688	25,172
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		-	123	-	123
Profit/loss for the year		**-**	**-**	**-47,017**	**-47,017**
Closing equity, 31 Dec 2018		**19,657**	**99,131**	**-96,705**	**22,083**

Conditional shareholder contribution from principal owner Trottholmen AB amounts to SEK 5,000 (5,000) thousand.
The principal owner is entitled to receive repayment of this conditional shareholder contribution in the future under certain conditions.

Cash Flow Statement – Parent Company

Amounts in SEK thousands	Note	2018	2017
Operating activities			
Profit before tax		-47,277	-56,721
Adjustments for non-cash items and items not included in operating activities			
- Dividends from subsidiaries		-15,431	-19,308
- Waived receivables from Group companies		28,335	-
- Exchange gains/losses on financial receivables and liabilities		-897	-183
- Interest and similar expenses		34,785	84,928
- Interest and similar income		-3,431	-11,625
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in operating receivables		-5,519	-8,631
Increase (+)/Decrease (-) in operating liabilities		205	10,564
Cash flow from operating activities		**-9,230**	**-976**
Investing activities			
Acquisition of interests in Group companies		-57,069	-55,002
Acquisition of intangible assets		-27,954	-19,844
Sale of intangible assets		27,954	19,844
Cash flow from investing activities		**-57,069**	**-55,002**
Financing activities			
Option proceeds received		435	-
Issue expenses		-10	-46
Interest paid		-30,431	-43,632
Interest from Group companies		3,431	11,410
Proceeds from borrowings		-	363,070
Repayment of loans		-	-270,000
Costs associated with loan settlement		-	-27 927
Repayment of loans from Group companies		72,605	53,926
Payment of loans to Group companies		-8,639	-3,103
Dividend from Group companies		15,431	19,308
Cash flow from financing activities		**52,822**	**103,006**
Cash flow for period		**-13,477**	**47,028**
Cash & cash equivalents at beginning of period		67,024	20,011
Exchange differences		912	-15
Cash & cash equivalents at end of period		54,459	67,024

Notes with accounting policies and comments

Amounts in SEK thousands unless otherwise stated

NOTE 1 GENERAL INFORMATION

Net Gaming Europe AB (hereinafter referred to as "the Company" or "the Parent Company"), 556693-7255, is a Swedish public company with its registered office in Stockholm. The Company is the ultimate holding company in the Group. It was registered in Sweden on 14 December 2005, and was listed on Nasdaq First North Premier in June 2018.

The Company generates revenue via internal Group services in IT, marketing, financial services and management. The Group's financing is also arranged in the Parent Company via a bond, which is registered on Nasdaq Stockholm's Corporate Bond List. Net Gaming Europe AB's subsidiaries conduct online affiliate operations. The previous Gaming operations were discontinued during the year.

The Group's financial reports comprise the Company and its subsidiaries (together "the Group") and all amounts in the note information are in SEK thousands, unless otherwise stated.

NOTE 2 ACCOUNTING AND VALUATION PRINCIPLES

General accounting policies

The consolidated financial statements have been prepared in accordance with the Annual Accounts Act, RFR 1 Supplementary Accounting Rules for Groups, International Financial Reporting Standards (IFRS) as adopted by the EU, and IFRIC Interpretations. The consolidated annual financial statements have been prepared in accordance with the acquisition method.

The Parent Company's annual financial statements have been prepared in accordance with the Annual Accounts Act and RFR 2 Accounting for Legal Entities. RFR 2 requires the Parent Company as a legal entity to prepare financial statements in accordance with International Financial Reporting Standards (IFRS) and statements adopted by the EU to the extent allowed within the framework of the Annual Accounts Act, and taking into account the relationship between accounting profit and tax.

The difference between the Parent Company's financial statements and the consolidated financial statements is essentially the presentation of the income statement and balance sheet statements, which complies with the presentation specified by the Annual Accounts Act.

Alternative performance measures

The annual report shows key figures that the Company and other stakeholders use when evaluating the Group's financial performance, which are not expressly defined in IFRS. All key figures not defined in IFRS (i.e. key figures in addition to Revenue, Earnings per share and Profit for the year) are referred to as alternative performance measures (APMs). These measures provide management and investors with important information for analysing trends in the Company's business operations. The APMs are intended to supplement the financial key figures presented in accordance with IFRS.

Organic revenue growth

Organic sales growth is an important APM that the Company follows on an ongoing basis, as Net Gaming has a long-term target of organic sales growth in the range of 15 to 25 percent. 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.

The definition of organic revenue growth varies in the sector. Net Gaming's definition of organic growth is based on net sales compared with the previous period, excluding acquisitions (in the last 12 months) and divestments, and exchange rate movements.

ORGANIC REVENUE GROWTH – 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	**18.70 %**	**190,326**	**160,325**	**30,001**
SEK/EUR translation effects	-6.60 %			
Total growth, EUR	**12.20 %**	**18,556**	**16,544**	**2,012**
Adjustment acquired and divested/discontinued operations	-1.30 %	-930	-648	-282
Total growth in EUR, excl. acquisitions and discontinued operations	**10.90 %**	**17,626**	**15,896**	**1,730**
Adjustment for constant currency	1.20 %	-	-176	176
Total organic sales growth	**12.10 %**	**17,626**	**15,720**	**1,906**

NEW AND AMENDED ACCOUNTING POLICIES

NEW 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 as a result of IFRS 9 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

See Note 4 Revenue from contracts with customers regarding the application of the new IFRS 15 standard.

AMENDED ACCOUNTING POLICIES

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.

ADJUSTMENT OF CURRENCY TRANSLATION EFFECTS GOODWILL

In October 2016, Net Gaming acquired HLM Malta, which was a significant acquisition. While preparing the 2018 Annual Report, Net Gaming noted, after publication of the 2018 Year-end report, that goodwill of EUR 39 million that arose from this acquisition was not remeasured after the acquisition date, but was recognised at the historical cost of SEK 370 million. As the acquisition relates to a company with operations and functional currency in EUR, goodwill arising in EUR should have been remeasured for each historically reported period based on the current closing SEK/EUR rate. This affects the Group's balance sheet, other comprehensive income and equity ('reserves' category) for previously presented reporting periods. The adjustment does not affect the Group's cash flow or the Parent Company's accounts. See note 20 Adjustment of goodwill.

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 incremental borrowing rate has therefore been set at about 5 percent. 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).

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 clarifies how to apply the rules on recognition and measurement under IAS 12 Income Taxes when there is uncertainty over the treatment of income taxes. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The interpretation clarifies issues such as:

- whether uncertainty over tax treatments should be considered individually or collectively;
- the assumptions a company must make when assessing whether its tax treatments will be subject to examination by the Swedish Tax Agency (or equivalent);
- how a company determines taxable profit (loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- how a company should reassess changes in facts and circumstances.

The interpretation provides clarification that assets or liabilities arising as a result of uncertainty over tax treatments must be reported as current or non-current tax liabilities (or tax receivables) in the statement of financial position. The impact on the income statement or other comprehensive income shall be included on the same line as tax expense (revenue).

Management does not believe that the interpretation will have any effect on the Group's financial reports, as it is the assessment that the Group does not have any uncertainty over tax treatments.

No other IFRS or IFRIC interpretations that are not yet effective are expected to have a material impact on the Group.

MEASUREMENT AND CLASSIFICATION

The Parent Company's functional currency is the Swedish krona, which is also the presentation currency for the Parent Company and the Group Unless otherwise stated, all figures are rounded to the nearest thousand.

Assets are classified as current assets if they are expected to be sold, or are intended for sale or consumption, during the Company's normal business cycle, they are held primarily for trading purposes, they are expected to be realised within twelve months of the reporting date or they consist of cash and cash equivalents. All other assets are classified as non-current assets.

Liabilities are classified as current liabilities if they are expected to be settled during the Company's normal business cycle, they are held primarily for trading purposes, they are expected to be settled within twelve months of the balance sheet date or the Company does not have an unconditional right to defer All other liabilities are classified as non-current.

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the Parent Company and companies in which the Parent Company directly or indirectly holds more than half of the votes or over which it otherwise has control.

The consolidated annual financial statements have been prepared in accordance with the acquisition method. The acquisition method means that the Parent Company indirectly acquires the subsidiary's assets and assumes its liabilities. The difference between the cost of the shares and the acquisition-date fair value of the net assets acquired represents the cost of goodwill, which is recognised as an asset in the balance sheet. If the difference is negative, the difference is recognised as revenue in the income statement. Acquisition-related costs are recognised as an expense when incurred.

Subsidiaries are all companies over which the Group has control. The Group has control when it has exposure or rights to variable returns from its holding in an entity and the ability to affect those returns through power over the entity. In normal cases, control is obtained when Net Gaming holds more than 50 percent of the votes.

Subsidiaries are consolidated from the date on which the Group obtains control. They are de-consolidated from the date on which control ceases. Subsidiaries' income, expenses, assets and liabilities are included in the consolidated financial statements from the date when control is obtained until the date when it ceases. Intragroup receivables and liabilities, income and expense, and unrealised gains or losses arising from intragroup transactions are eliminated in full when preparing the consolidated financial statements. Unrealised losses are also eliminated unless the loss is wholly or partly included in the value of previous impairment of the transferred asset.

Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the Group's accounting policies.

ACQUISITIONS OF COMPANIES AND ASSETS

The Group's acquisitions are accounted for using the acquisition method and in accordance with IFRS 3. Acquisitions of assets are reported under Goodwill and other intangible assets, regardless of whether the acquisition consists of equity instruments or other assets. The purchase consideration for the acquisition of a subsidiary consists of the fair values of:

- assets transferred;
- liabilities incurred by the Group to former owners,
- shares issued by the Group,
- assets and liabilities that result from a contingent consideration agreement, and
- previous equity interests in the acquired subsidiary.

Identifiable acquired assets, assumed liabilities and assumed contingent liabilities in a business combination are, with few exceptions, initially measured at the acquisition-date fair value. For each acquisition, i.e. on a transaction by transaction basis, the Group determines whether non-controlling interests in the acquiree are to be recognised at fair value or at the NCI's proportionate share of the carrying amount of the acquiree's identifiable net assets.

Goodwill is measured as the difference between the aggregate of

- the value of the consideration transferred,
- the amount of any non-controlling interest in the acquiree,
- the acquisition-date fair value of the previously-held equity interest in the acquiree, and
- the fair value of identifiable acquired net assets.

If the difference above is negative, the resulting gain is recognised as a bargain purchase in profit or loss. The Group accounts for business combinations using the acquisition method from the date on which control is transferred to the Group. For further information regarding the accounting for acquisitions of companies and assets, see notes 18-21 and 30.

GOODWILL AND OTHER INTANGIBLE ASSETS

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the Group and the cost of the asset can be measured reliably. Separately acquired intangible assets are reported at cost. The cost of a separately acquired intangible asset consists of its purchase price and any expenses directly attributable to completing the asset for its intended use.
When the purchase price of an intangible asset includes a contingent consideration, the cost is determined based on the acquisition-date fair value of the contingent consideration.

Any subsequent changes in the estimates regarding the probable outcome for the contingent consideration are reported in the statement of financial position as an adjustment of the value of the intangible asset and the contingent consideration liability. The purchase price of intangible assets where the consideration consists of equity instruments is the fair value of the equity instruments issued by the Group in connection with the transaction.

Goodwill arises on the acquisition of subsidiaries and is the amount by which the purchase consideration exceeds the acquisition-date fair value of the identifiable net assets acquired. Goodwill and intangible assets with an indefinite useful life are tested for impairment annually and are recognised at cost less accumulated impairment losses.

Any goodwill impairment is recognised as an expense and is not reversed. Gains or losses on the disposal of a subsidiary include the carrying amount of any goodwill relating to the divested subsidiary. For impairment testing, goodwill acquired in a business combination is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from synergies arising from the acquisition.

Acquired intangible assets are distributed among domains, affiliate contracts and other intangible assets. Other intangible assets primarily include capitalised development costs. The estimated useful lives are as follows:

- Domains 8 years
- Affiliate contracts 5 years
- Other intangible assets 4 years

Other intangible assets are derecognised upon disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from the derecognition of intangible assets are recognised in profit or loss and comprise the difference between any disposal proceeds and the carrying amount. Subsequent costs are only capitalised if they increase the future economic benefits associated with the specific asset to which they relate. All other expenses are reported in the profit or loss when they arise.

For further information regarding the accounting for acquisitions of companies and assets, see notes 19-21 and 30.

FOREIGN CURRENCY

Foreign currency receivables and liabilities

Foreign currency receivables and liabilities are measured at the closing rate. Foreign exchange gains and losses arising on translation are recognised in the income statement.

Translation of foreign operations

Operations with a functional currency other than Swedish kronor are translated to Swedish kronor using the current method, which means that assets, provisions and liabilities are translated at the closing rate, while income statement items are translated at the average rate. Exchange differences arising on translation are classified as equity and transferred to the Group's translation reserve.

Operating expenses in gaming operations

Operating expenses in gaming activities are related to costs for payment services for placing bets and returns to players, licence fees to gaming providers, gaming duties and costs for fraud and chargebacks.

Övriga rörelsekostnader

Kostnader för sekundära aktiviteter inom ordinarie verksamhet avseende rörelsefordringar och rörelseskulder redovisas som övriga rörelsekostnader.

Other operating expenses

Costs of secondary activities in ordinary operations relating to operating receivables and operating liabilities are reported as other operating expenses.

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 loan, 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 2018.

Offsetting financial assets and liabilities

A financial asset and a financial liability may be offset and the net amount presented in the statement of financial position when, and only when, there is a legally enforceable right to offset the recognised amounts; and there is an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Judgements and accounting estimates

The Group's financial reports are partly based on assumptions and estimates in connection with the preparation of the Group's financial statements.

Judgements and estimates and are based on historical experience and other assumptions, which result in decisions on the value of an asset or liability that cannot be otherwise determined. The actual outcome may differ from these estimates. The estimates and judgements are reviewed continuously and are based on historical experience and other factors, including expectations of future events considered reasonable under the prevailing circumstances.

The areas involving a high degree of assessments that are complex, or where the assumptions and estimates are significant, mainly concern assumptions and estimates for impairment testing of goodwill and other intangible assets with indefinite useful lives.

Measurement of intangible assets acquired in acquisitions
The Group assesses the fair value of intangible assets acquired in acquisitions on the basis of best estimate and analysis. Such assets include affiliate contracts and domain rights, which are amortised over their estimated useful life. The assessments are based on the Group's industry experience and knowledge, and on recognised comparison data from the industry. The measurement is presented in an acquisition analysis, which is preliminary until finally adopted. A preliminary acquisition analysis is drawn up as soon as the required information about assets and liabilities at the acquisition date is obtained, but no later than one year from the acquisition date. If the fair value has to be remeasured within a 12-month period, this may result in the fair value differing from its initial value.

Goodwill impairment testing
When calculating a cash-generating unit's recoverable amount as part of the Group's impairment testing, assumptions about future conditions and estimates of different key parameters are made. Such assessments always include some uncertainty. Should actual outcomes deviate from those expected for a specific period during testing, expected future cash flows may need to be remeasured, which may result in impairment.

The Parent Company's accounting policies
The Parent Company applies the same policies as the Group, apart from where the Parent Company's financial statements are prepared in accordance with RFR 2 Accounting for Legal Entities and Statements from the Financial Reporting Board.

Differences between the Group's and the Parent Company's accounting policies are due to limitations that the Annual Accounts Act places on application of IFRS standards in the Parent Company, and the taxation rules that allow different accounting for legal entities than for the Group.

The main differences between the Group's and the Parent Company's accounting policies are set out below. The accounting policies described have been applied consistently to all periods presented in the Parent Company's financial statements.

Classification and presentation
The Parent Company's income statement and balance sheet have been prepared in accordance with the format described in the Swedish Annual Accounts Act. The main difference from IAS 1 Presentation of Financial Statements, which is applied when preparing the consolidated financial statements, concerns the reporting of capitalised work for own account, finance income, finance costs and equity.

Subsidiaries
In the Parent Company, shares in subsidiaries are recognised at cost less any impairment.

Financial instruments
The Parent Company applies the exception in RFR 2, which means that the rules on financial instruments in IFRS 9 are not applied in the Parent Company as a legal entity. In the Parent Company, financial non-current assets are measured at cost less impairment and financial current assets are measured at the lower of cost and net realisable value.

Classification of restricted and unrestricted equity
In the Parent Company's balance sheet, equity is divided into restricted and unrestricted equity in accordance with the Annual Accounts Act.

RFR 2 amendments not yet effective
The Parent Company has not yet started to apply the new and amended standards and interpretations that have been issued but are effective for annual periods beginning on or after 1 January 2019.

NOTE 3 SEGMENT REPORTING

The Group's operations are reported in two main operating segments – gaming operations and affiliate operations. Gaming operations were discontinued in Q4 2018 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 have allocated 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 were 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 generates its revenue via internal Group services in IT, marketing, financial services and management.

The Other segment, shown below, includes the Parent Company and the company Valdemo Trading Limited and its subsidiary Eurobet Operation Limited, both of which were liquidated during the financial year. Loco Marketing Sociedad Anonima, previously part of the Other segment, was liquidated during the previous financial year.

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	-3,518	-394	-	-	-3,912
Net financial items	-9,603	115	-29,379	14	-38,853
Profit before tax	118,710	5	-34,375	–	84,340
Non-current assets*	464,308	5,923	-	-	470,231
Total assets	**541,114**	**10,799**	**72,983**	**-18,230**	**606,666**
Liabilities and provisions	31,593	830	375,462	-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	-2,879	-76	106,598
Depreciation	-800	-619	-	-	-1,419
Net financial items	-11,242	-50	-73,109	69	-84,332
Profit before tax	98,593	-1,751	-75,988	-7	20,847
Non-current assets*	414,707	5,621	-	-	420,328
Total assets	**491,098**	**10,770**	**169,438**	**-102,250**	**569,056**
Liabilities and provisions	96,067	28,339	471,041	-104,445	491,002

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

NOTE 4 REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group has applied IFRS 15 since 1 January 2018, in accordance with the prospective method.

Comparatives have not been restated. 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.

The Parent Company's revenue comes mainly from intragroup services provided. Revenue is recognised net of VAT and discounts. Services sold consist of consulting revenue from IT, marketing, financial services and management.

The Group reports all revenue at a point in time for the following main categories. The categories correspond to the revenue information presented for the Group's reportable segments under IFRS 8:

Revenue by category Amounts in SEK thousands	2018	2017
Affiliate operations	190,326	160,325
Gaming operations	1,857	9,140
Total revenue	**192,183**	**169,465**

Revenue distribution by vertical (Affiliate) Amounts in SEK thousands	2018	2017
Casino	162,824	118,582
Poker	21,973	29,569
Other verticals	5,529	12,174
Total revenue	**190,326**	**160,325**

Revenue from Sweden in 2018 accounted for 4 (3) percent of revenue for the financial year.

The ten largest customers in 2018 accounted for approximately 52 (54) percent of the total revenue. The Group has two customers each of whose revenue corresponds to more than 10 percent of the Group's revenue. This revenue does not relate to the affiliate business.

There are no significant contract assets or contract liabilities to disclose, and none of the revenue recognised during the year relates to performance obligations satisfied during previous periods. No transaction price has been allocated to the unsatisfied (or partly satisfied) performance obligations at the end of the reporting period.

Other operating income
Revenue from secondary activities within ordinary operations, mainly consisting of gains on the sale of rights not recognised in the consolidated balance sheet, are reported under other operating income.

Parent Company
The Parent Company recognises all revenue at a point in time.

The categories correspond to the revenue information presented for the Group's reportable segments under IFRS 8.

There are no significant contract assets or contract liabilities to disclose, and none of the revenue recognised during the year relates to performance obligations satisfied during previous periods.

No transaction price has been allocated to the unsatisfied performance obligations at the end of the reporting period.

Information about intra-Group purchases and sales Amounts in SEK thousands	2018	2017
Parent Company's sales of services to Group companies	2,624	803
Purchases from Group companies	-	-

NOTE 5 CAPITALISED WORK FOR OWN ACCOUNT

Capitalised work for own account relates to the period's direct costs for salaries, other personnel-related costs and purchased services attributable to development projects recognised as assets in the balance sheet.

	Group		Parent Company	
Amounts in SEK thousands	2018	2017	2018	2017
Capitalised work for own account	453	328	-	-

Refers primarily to development work on the digital brands Casinoloco.com and Pokerloco.com, developed by the subsidiary PokerLoco Malta.

NOTE 6 OTHER EXTERNAL EXPENSES

	Group		Parent Company	
Amounts in SEK thousands	2018	2017	2018	2017
Marketing expenses	10,907	15,781	–	–
Information and communication expenses	3,121	2,560	150	203
Audit fees	1,656	1,478	922	972
Consulting expenses	11,596	9,505	3,280	1,403
Costs for premises	3,316	2,336	226	219
Other external expenses	4,024	2,044	938	517
	34,620	**33,704**	**5,516**	**3,314**

NOTE 7 LEASES

Leases are classified in the consolidated financial statements as finance leases or operating leases. As these leases transfer to the Group substantially all the risks and rewards incidental to direct ownership of the asset, they are classified as finance leases. An asset held under a finance lease is reported under non-current assets, with the corresponding lease liability reported under interest-bearing liabilities. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards of ownership, and these lease payments are recognised as an expense on a straight-line basis over the term of the lease.

The Group only holds operating leases, for which the lease payments are expensed as incurred. Now that IFRS 16 has come into force on 1 January 2019, operating leases will be reclassified and reported as finance leases in the balance sheet as set out below:

Future minimum lease payments are due as follows:	Group		Parent Company	
Amounts in SEK thousands	2018	2017	2018	2017
Within one year	2,018	2,136	168	168
2-5 years	2,004	2,708	154	154
After five years	-	-	-	-
	4,022	**4,844**	**322**	**322**
The Company's lease payments during the year amounted to	2,213	1,747	194	177

NOTE 8 AUDITORS' FEES AND REMUNERATION

The following fees were paid to auditors and audit firms for audits and other statutory reviews, and for advisory services and other assistance arising from observations during the audit. Fees were also paid for other independent advisory services and Other assignments as follows:

	Group		Parent Company	
Amounts in SEK thousands	2018	2017	2018	2017
Audit services, Nexia	840	1,086	704	872
Other assignments, Nexia	301	4	218	100
Audit services, KPMG	481	358	–	–
Other assignments, KPMG	24	23	–	–
Audit services, other audit firms	10	7	–	–
	1,656	**1,478**	**922**	**972**

The item 'audit services' refers to the auditor's remuneration for the statutory audit. The services comprise examination of the annual accounts and consolidated financial statements, accounting records and administration of the business by the CEO and Board, and include fees for advisory services relating to the audit.

NOTE 9 EMPLOYEES, SALARIES, BENEFITS AND SOCIAL SECURITY CONTRIBUTIONS

For employee benefits (such as wages, bonuses, paid holiday and sick leave) and pensions, the amount of the benefits expected to be paid in respect of service rendered by employees in a period is recognised in that period.

Average number of employees	2018	Female	2017	Female
Parent Company				
Sweden	2	0	1	0
Subsidiaries				
Malta	63	25	68	23
Group total	**65**	**25**	**69**	**23**

Management Number of senior executives	2018	Female	2017	Female
Parent Company				
Board and CEO	5	0	5	0
Group total				
Board and CEO	10	2	12	4
Other senior executives	2	0	4	1

Salaries, employee benefits and social security contributions

	Salaries and benefits		Social security contributions	
Amounts in SEK thousands	2018	2017	2018	2017
Parent Company	1,834	449	576	141
(of which pension costs)	(–)	(–)	(–)	(–)
Subsidiaries	26,897	27,724	2,989	1,681
(of which pension costs)	(–)	(–)	(–)	(–)
Group total	**28,731**	**28,173**	**3,565**	**1,822**
(of which pension costs)	(–)	(–)	(–)	(–)

Salaries and benefits (Board, Other senior executives and Other employees)

	2018			2017		
Amounts in SEK thousands	Parent Company	Subsi-diaries	Total	Parent Company	Subsi-diaries	Total
Board and CEO	400	2,727	3,127	353	3,157	3,510
Other senior executives	0	4,745	4,745	0	6,499	6,499
Other employees	1,434	19,425	20,859	96	18,068	18,164
Total	**1,834**	**26,897**	**28,731**	**449**	**27,724**	**28,173**

Remuneration of the Board

The 2018 AGM adopted Board fees of SEK 400,000, distributed as follows: SEK 160,000 to the Chairman and SEK 80,000 to each of the other non-executive directors. The fee is paid in arrears after the Annual General Meeting has been held.

Remuneration of other senior executives, including Board members in subsidiaries

The AGM adopted the following remuneration policy for senior executives. Remuneration of the CEO and other senior executives may consist of basic salary, variable remuneration, other benefits, pension, financial instruments etc. 'Other senior executives' refers to the 3 persons who together with the CEO constitute Group management, and Board members of subsidiaries. A presentation of the Board can be found on page 27.

Other benefits to the CEO and other senior executives relate to share-based payments and are paid as of the total remuneration. No pension benefits are payable.

Remuneration of Senior Executives 2018 Amounts in SEK thousands	Basic salary/Fees	Variable remuneration	Share-based payments	Pension cost	Total
Henrik Kvick	160	0	0	0	160
Jonas Bertilsson	80	0	0	0	80
Tobias Fagerlund	80	0	0	0	80
Jonas Söderquist	80	0	0	0	80
Marcus Teilman(CEO)	2,727	0	62	0	2,789
Other senior executives (5 individuals)	4,745	0	62	0	4,807
Total remuneration of Senior Executives	**7,872**	**0**	**123**	**0**	**7,995**

Remuneration of Senior Executives 2017 Amounts in SEK thousands	Basic salary/Fees	Variable remuneration	Share-based payments	Pension cost	Total
Henrik Kvick	160	0	0	0	160
Jonas Bertilsson	80	0	0	0	80
Tobias Fagerlund	80	0	0	0	80
Jonas Söderquist	80	0	0	0	80
Marcus Teilman(CEO)	1,974	0	52	0	2,026
Other senior executives (6 individuals)	7,318	364	156	0	7,838
Total remuneration of Senior Executives	**9,692**	**364**	**208**	**0**	**10,264**

Notice period and severance pay

The CEO has a contract regarding the notice period when notice is given by the Company, which states that the maximum notice period is 6 months, with remuneration and an obligation to work. There is no severance pay in addition to salary during the notice period.

NOTE 10 DEPRECIATION AND AMORTISATION

Depreciation/amortisation are allocated to each asset as below

	Group		Parent Company	
Amounts in SEK thousands	**2018**	**2017**	**2018**	**2017**
Domain rights	741	9	–	–
Affiliate contracts	2,310	383	–	–
Capitalised development costs	379	605	–	–
Equipment	481	422	–	–
	3,912	**1,419**	**–**	**–**

NOTE 11 PROFIT/LOSS FROM INVESTMENTS IN GROUP COMPANIES

Parent Company Amounts in SEK thousands	2018	2017
Dividends from subsidiaries	15,431	19,308
Waived receivables from Group companies	-28,335	-69
Impairment of receivables from Group companies	-66	–
	-12,970	**19,239**

NOTE 12 INTEREST AND SIMILAR INCOME

	Group		Parent Company	
Amounts in SEK thousands	**2018**	**2017**	**2018**	**2017**
Interest income	24	6	–	–
Interest income, Group companies	–	–	3,431	11,625
	24	**6**	**3,431**	**11,625**

NOTE 13 INTEREST AND SIMILAR EXPENSES

	Group		Parent Company	
Amounts in SEK thousands	**2018**	**2017**	**2018**	**2017**
Interest expenses, Parent Company	162	162	162	162
Interest expenses, other	29,467	38,357	29,467	38,357
Interest expenses, discounting of convertible debenture	1,183	6,408	1,183	6,408
Costs associated with loan settlement	–	27,927	–	27,927
Financing costs for borrowings	3,973	12,074	3,973	12,074
	34,785	**84,928**	**34,785**	**84,928**

NOTE 14 IMPAIRMENT OF FINANCIAL ASSETS

	Group		Parent Company	
Amounts in SEK thousands	2018	2017	2018	2017
Impairment of financial assets	-6,812	-	-	-
	-6,812	**-**	**-**	**-**

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.

NOTE 15 TAX

Tax expense represents the sum of current tax and deferred tax.

Current tax

Current tax is calculated based on taxable profit for the period. Taxable profit differs from the reported result in the income statement as it has been adjusted for non-taxable income and non-deductible expenses, and for income and expenses that are taxable or deductible in other periods. The Group's current tax is calculated using tax rates that have been enacted on the reporting date.

Deferred tax

Deferred tax is recognised on temporary differences arising between the carrying amount of assets and liabilities in the financial statements and their tax bases used to calculate taxable profit. Deferred tax is accounted for using the balance-sheet liability method. Deferred tax liabilities are recognised on virtually all taxable temporary differences and deferred tax assets are recognised for virtually all deductible temporary differences to the extent that it is probable that the amounts can be used against future taxable profit.

Deferred tax liabilities and assets are not recognised if the temporary difference is attributable to goodwill or it arises from initial recognition of an asset or liability in a transaction other than a business combination which at the time of the transaction affects neither accounting profit nor taxable profit. Deferred tax liabilities are recognised on taxable temporary differences attributable to investments in subsidiaries, apart from in cases where the Group can control the timing of the reversal of the temporary differences and it is probable that any such reversal will occur in the foreseeable future. The deferred tax assets that are attributable to deductible temporary differences for such investments are only recognised to the extent that it is probable that the amounts can be used against future taxable profit and it is probable that this will take place in the foreseeable future.

The carrying amount of deferred tax assets is tested at each reporting date and is reduced to the extent that it is no longer probable that there will be sufficient taxable profit against which the amounts can be used, fully or in part. Deferred tax is calculated using the tax rates that are expected to apply for the period in which the asset is recovered or the liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset when they relate to income tax charged by the same tax authority and when the Group intends to settle the tax on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, apart from when the tax is attributable to transactions recognised in OCI or directly in equity, in which case the tax is also recognised in OCI or directly in equity. In the case of current and deferred tax arising from the reporting of business combinations, the tax effect shall be reported in the acquisition analysis.

Tax recognised in income statement Amounts in SEK thousands	Group 2018	 2017	Parent Company 2018	 2017
Current tax	-4	-1	–	-
Deferred tax	-5,962	-14,783	260	1,410
Tax on profit/loss for the year	**-5,966**	**-14,784**	**260**	**1,410**
Current tax				
Profit before tax	84,340	20,847	-47,277	-56,721
Tax at the current rate 22%	-18,555	-4,586	10,401	12,479
Tax effect of:				
Difference in tax rates in foreign operations	-14,197	20,812	–	–
Non-taxable income	5,790	36	3,395	4,248
Non-deductible expenses	-10,452	-2,867	-6,249	-20
Reversal of losses not previously recognised as an asset	–	60,071	–	–
Tax loss carryforwards utilised	44,978	407	–	–
Tax reduction on share dividends	–	–	–	–
Losses increasing accumulated loss carryforwards but not reported as assets	-7,564	-73,873	-7,547	-16,706
Tax on financial income in subsidiaries	-4	-1	–	–
Tax expense, current tax	**-4**	**-1**	**–**	**-**
Deferred tax				
Increase/decrease in deferred tax assets	-6,222	-25,521	–	–
Decrease/increase in deferred tax liabilities	260	10,738	260	1,410
Tax expense, deferred tax	**-5,962**	**-14,783**	**260**	**1,410**

Changes in deferred tax are distributed as follows

Deferred tax assets **Amounts in SEK thousands**	**2018**	**2017**
Carrying amount at beginning of year	11,251	36,338
Deferred tax liabilities at beginning of year offset against tax receivables on merger of subsidiaries	–	-9,328
Net change for the period in the income statement	-6,222	-16,193
Exchange differences in deferred tax assets	475	434
Carrying amount at end of year	**5,504**	**11,251**
Deferred tax assets relate to Unused tax losses	5,504	11,251
Total deferred tax assets	**5,504**	**11,251**

Deferred tax liabilities Amounts in SEK thousands	2018	2017
Carrying amount at beginning of year	-260	-10,998
of which reversed against deferred tax assets	–	9,328
Net change for the period in the income statement	260	1,410
Carrying amount at end of year	**–**	**-260**
Deferred tax liabilities are attributable to		
Deferred tax liability on equity component of convertible debenture	–	-260
Total deferred tax liabilities	**–**	**-260**

The Parent Company has saved accumulated loss carryforwards of SEK 124,201 thousand at 31/12/2018. The loss carryforwards continue indefinitely.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available. Calculation of the value of the deferred tax assets is based on estimates of the extent to which loss carryforwards can be utilised against expected taxable income for the next five financial years. For the subsidiaries in Malta, the value of the deferred tax assets is calculated at the current tax rate of 35 percent. For the Parent Company, the assessment is that it will not be possible to use the loss carryforwards due to uncertainty about when sufficient taxable profit will be generated in the future. No deferred tax assets associated with the loss carryforwards are therefore reported for the Parent Company. At the end of each reporting period, the deferred tax assets are tested for impairment.

As, under certain conditions, the Maltese tax system provides the opportunity for tax refunds corresponding to 6/7th of the tax paid, it is the Group's assessment that the effective tax rate at Group level is 5 percent. During the previous financial year, an impairment loss on the deferred tax assets was therefore noted at Group level on the reporting date. The deferred tax asset impairment was recognised in the income statement as a change in deferred tax under the heading Taxes. As the loss carryforwards are utilised and the deferred tax assets in each subsidiary decline, the impairment at Group level will be reversed correspondingly. The net change in deferred tax assets has had a negative impact of SEK 6,222 (16,193) thousand on net income for the year.

NOTE 16 EARNINGS PER SHARE

The calculation of earnings per share is based on the Group's profit for the year and the weighted average number of shares outstanding during the year. Earnings per share after dilution is calculated by adjusting the average number of shares for the effect of all options that give rise to dilution. The potential dilutive effect of the Group's shares arises from employee share options and subscribed for convertible debentures.

Amounts in SEK	2018	2017
Group		
Earnings per share before dilution		
Profit attributable to shareholders of the Parent	78,373,842	6,063,259
Number of registered shares on reporting date	75,604,487	67,180,880
Weighted average number of shares before dilution	72,476,411	60,773,012
Earnings per share before dilution	**1.08**	**0.10**
Earnings per share after dilution		
Adjustments to number of shares when calculating EPS after dilution:		
Convertible debentures	-	7,444,444
Employee share options	-	-
Weighted average number of shares	72,476,411	68,217,456
Adjustments to profit when calculating EPS after dilution:		
Interest, convertible debentures	–	667,767
Profit attributable to shareholders of the Parent when calculating EPS	78,373,842	6,731,026
Earnings per share after dilution	**1.08**	**0.10**

Convertible debentures were issued in 2017. They were treated as potential ordinary shares and included in the calculation of earnings per share after dilution from the date of issue. In addition, the interest on these instruments, based on the estimated interest on a loan without a conversion option, has been reversed in the calculation of earnings per share after dilution. The debentures have not been included in the calculation of earnings per share before dilution. At the end of 2018, all convertible debentures have either been repaid or converted into ordinary shares, and there are therefore no adjustments for these instruments when calculating earnings per share after dilution for 2018. Further information about the debentures can be found in note 27.

Options granted to employees have been treated as potential ordinary shares. The options have not been included in the calculation of earnings per share before dilution. They are included in the determination of earnings per share after dilution to the extent that they give rise to a dilutive effect. The options granted in 2017 and the options granted in 2018, taking into account options forfeited in 2018, have not been included in the calculation of earnings per share after dilution as these instruments do not give rise to any dilutive effect for the financial year ended 31 December 2017 and the financial year ended 31 December 2018. However, the options may have a dilutive effect on earnings per share in coming periods. Further information about the options can be found in note 17.

NOTE 17 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 option and issued in exchange for cash payment. 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 method takes into account the subscription price, share price on the grant date, the term of the warrant, expected share price volatility, expected dividend yield and risk-free interest over the term of the warrant. Applied input data in the Black-Scholes method 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 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 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 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.

Number of options Amounts in SEK thousands	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Outstanding at beginning of year	1,200,000	-	1,200,000	-
Granted during year	250,000	1,200,000	250,000	1,200,000
Forfeited during year	-600,000	-	-600,000	-
Exercised during year	-	-	-	-
Expired during year	-	-	-	-
Total outstanding at end of year	**850,000**	**1,200,000**	**850,000**	**1,200,000**
Weighted exercise price per option	14.60	14.14	14.60	14.14
Remaining weighted average contract period (years for outstanding options	2.26	2.50	2.26	2.50

NOTE 18 PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are recognised at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be used, and estimated expenses for dismantling and removing the asset and restoring the location. Subsequent costs are included in the carrying amount of the asset or reported as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs for repairs and subsequent costs are recognised in the income statement in the period in which they arise.

Depreciation of property, plant and equipment is expensed so that the asset's cost of acquisition, less any residual value at the end of its useful life, is depreciated on a straight-line basis over its estimated useful life. Depreciation begins when the item of property, plant and equipment is available for use. The useful lives of categories of property, plant and equipment are as follows:

IT equipment 3-5 years
Office equipment 3-10 years

Estimated useful lives, residual values and depreciation methods are reviewed at least at the end of each accounting period, and the effects of any changes in assessments are reported prospectively.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the retirement or disposal of an asset consists of the difference between any net income on disposal of the asset and its carrying amount, recognised in profit or loss in the period in which the asset is derecognised.

Group	2018	2017
Accumulated cost		
Amounts in SEK thousands		
Opening balance	3,641	3,360
Investment	2,092	305
Sales and disposals	-151	-123
Exchange rate changes	161	99
Closing balance	**5,743**	**3,641**
Accumulated depreciation		
Opening balance	-2,984	-2,599
Depreciation for the year	-481	-422
Sales and disposals	151	123
Exchange rate changes	-124	-86
Closing balance	-3,438	-2,984
Carrying amount at end of period	**2,305**	**657**

NOTE 19 GOODWILL

Goodwill arising in the preparation of the consolidated financial statements represents the difference between the cost of acquisition and the Group's share of the fair value of an acquired subsidiary's identifiable assets and liabilities on the acquisition date. On acquisition, goodwill is initially recognised at cost and is subsequently measured at cost less any accumulated impairment. When testing for impairment, goodwill is allocated to the cash-generating units that are expected to benefit from the acquisition. The Group's goodwill is solely related to HLM Malta and its subsidiaries' services, which represent a cash-generating unit.

A cash-generating unit to which goodwill has been allocated is tested annually for impairment, or more frequently if there is an indication that the cash-generating unit is impaired. If the recoverable amount of a cash-generating unit is lower than its carrying amount, the impairment is first allocated to the carrying amount of goodwill allocated to the cash-generating unit and subsequently to other assets, based on the carrying amount of each asset in the cash-generating unit. Internal and external factors are taken into account in the calculations. The calculations use cash flow projections based on budgets defined by management for the next five years. Any goodwill impairment is recognised as an expense immediately and is not reversed.

When a cash-generating unit is sold, any goodwill allocated to the cash-generating unit is included in the calculation of the capital gain or loss on the sale.

Group	2018	2017
Accumulated cost		
Amounts in SEK thousands		
Opening balance	407,439	373,814
Investment	15,392	22,710
Exchange rate changes	17,524	10,915
Closing balance	**440,355**	**407,439**

The Board conducted goodwill impairment testing as at 31 December 2018. It is the Board's assessment that the carrying amount of SEK 440,355 thousand is recoverable, based on the fact that cash flow generated by these assets is in line with or exceeds the estimated pre-acquisition forecasts.

Goodwill is tested for impairment annually or more frequently if there are indications of impairment. The recoverable amount of goodwill has been determined by calculating the value in use. The Group's conclusion is that the recoverable amount exceeds the carrying amount by a good margin. The recoverable amount has been calculated by reference to cash flow projections that reflect the actual return from operations in 2018 and an estimate for the years 2019-2021, with an assumption of annual growth of 15 percent, which corresponds to the Group's long-term assumption of inflation and the market's long-term growth. When assessing future cash flows, assumptions are primarily made concerning sales growth, operating margin, growth rate and discount rate. In addition, no reasonable change to any key assumption used to calculate the cash-generating unit's value in use would cause the carrying amount to exceed the value in use. A decline of 4 percent in the assumed operating margin (with other variables constant), an increase of 4 percent in the discount rate (with other variables constant) and a decline of 2 percent in the long-term growth rate (with other variables constant) would not cause the carrying amount to exceed the value in use.

The projected cash flows have been discounted at a discount rate of 13 percent.

NOTE 20 ADJUSTMENT OF GOODWILL

In October 2016, Net Gaming acquired HLM Malta, which was a significant acquisition. While preparing the 2018 Annual Report, Net Gaming noted, after publication of the 2018 Year-end Report, that goodwill of EUR 39 million had been recorded at the historical cost of SEK 370 million. As the acquisition relates to a company with operations and functional currency in EUR, goodwill arising in EUR should have been remeasured for each historically reported period based on the current closing SEK/EUR rate. This affects the Group's balance sheet, other comprehensive income and equity ('reserves' category) for previously presented reporting periods as set out below. The adjustment does not affect the Group's cash flow or the Parent Company's accounts. The tables below also include changes in goodwill related to the adjusted acquisition analysis for Magnum Media, see note 30.

The financial statements that appear earlier in this annual report contain, for relevant periods, the amounts after the as correction shown below.

	HLM goodwill amount previously presented	Goodwill amount for other acquisitions previously presented	Goodwill amount previously presented	Currency translation adjustment, goodwill	Adjustment for corrected acquisition analysis	Goodwill after correction
161231	370,254		370,254	3,560		373,814
170331	370,254		370,254	2,759		373,013
170630	370,254		370,254	7,721		377,975
170930	370,254		370,254	3,556		373,810
171231	370,254	38,252	408,506	14,610	-15,677	407,439
180331	370,254	39,974	410,228	31,935	-16,382	425,781
180630	370,254	35,084	405,338	36,945		442,283
180930	370,254	38,934	409,188	31,990		441,178
181231**	370,254	38,861	409,115	31,240		440,355

	Equity previously presented*	Goodwill adjustment	Adjustment for corrected acquisition analysis	Equity after correction
161231	4,456	3,560		8,016
170331	12,659	2,759		15,418
170630	45,226	7,721		52,947
170930	21,391	3,556		24,947
171231	63,225	14,610	219	78,054
180331	105,870	31,935		137,805
180630	136,352	36,945		173,297
180930	170,212	31,990		202,202
181231**	185,771	31,240		217,011

	Comprehensive income previously presented	Currency translation adjustment, goodwill	Other adjustments	Comprehensive income after correction
161231	-964	3,560		2,596
170331	8,203	-801		7,402
170630	15,346	4,161		19,507
170930	-15,607	-4		-15,611
171231	5,238	11,050		16,288
180331	20,719	17,325		38,044
180630	43,186	22,334		65,520
180930	62,956	17,379		80,335
181231**	78,545	16,630	73	95,248

* The adjustment relates to the category 'reserves' in equity.

** Year-end report

NOTE 21 OTHER INTANGIBLE ASSETS

Capitalised development costs

Internally and externally generated intangible assets derived from the Group's development work on new and existing digital brands are only reported if the following conditions are met:

- it is technically feasible to complete the product so that it will be available for use;
- it is the Company's intention to complete the intangible asset and use or sell it;
- it is possible to use or sell the intangible asset;
- the Company shows how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources are available to complete the development and to use or sell the intangible asset; and
- the expenses attributable to the intangible asset during its development can be reliably calculated.

If it is not possible to report any internally generated intangible asset, development costs are recognised as an expense in the period in which they arise. After initial recognition, internally generated intangible assets are recognised at cost less accumulated amortisation and impairment.

The estimated useful life is 4 years. Estimated useful lives and amortisation methods are reviewed at least at the end of each financial year, and the effects of any changes in assessments are reported prospectively.

Domains and Affiliate contracts

Acquired intangible assets are reported in accordance with IFRS 3 and classified as domains and affiliate contracts. See note 30 Business combinations for more information.

Impairment of property, plant & equipment and intangible assets excl. goodwill

At each reporting date, the Group analyses the carrying amounts of property, plant & equipment and intangible assets to determine whether there is any indication that these assets have declined in value. If this is the case, the asset's recoverable amount is calculated in order to determine the value of any write-down. Where it is not possible to calculate the recoverable amount for an individual asset, the Group calculates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet ready for use are tested annually for impairment, or when there is an indication of impairment.

The recoverable amount is the higher of fair value less costs to sell and value in use. When measuring value in use, estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks associated with the asset.

If the recoverable amount of an asset (or cash-generating unit) is determined to be lower than the carrying amount, the carrying amount of the asset (or the cash-generating unit) is written down to the recoverable amount. An impairment loss is immediately recognised as an expense in the income statement.

When an impairment is subsequently reversed, the carrying amount of the asset (cash-generating unit) increases to the remeasured recoverable amount, but the increased carrying amount may not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in previous years. A reversal of an impairment loss is recognised directly in the income statement.

Group Amounts in SEK thousands	2018	2017
Accumulated cost		
Opening balance	14,872	24,550
Investment	18,146	7,377
Disposals	–	-17,780
Exchange rate changes	858	725
Closing balance	**33,876**	**14,872**
Accumulated amortisation		
Opening balance	-2,640	-18,843
Amortisation for the year	-3,430	-997
Disposals	–	17,780
Exchange rate changes	-235	-580
Closing balance	**-6,305**	**-2,640**
Carrying amount at end of period	**27,571**	**12,232**

Specification of intangible assets

Amounts in SEK thousands	Accumulated cost	Accumulated amortisation	Carrying amount
Intangible assets with indefinite useful lives (trademarks)	5,169	0	5,169
Domain rights	10,173	-755	9,418
Affiliate contracts	14,967	-2,723	12,244
Capitalised development costs	3,567	-2,827	740
Total	**33,876**	**-6,305**	**27,571**

Trademarks and capitalised development costs

The carrying amounts of trademarks and capitalised development costs are attributable to the affiliate business of PokerLoco Malta, which operates the sites pokerloco.com and casinoloco.com. Capitalised development costs are recognised at cost, including salaries and other personnel-related costs that can be reasonably and consistently attributed to the asset, less accumulated amortisation and any impairment. Capitalised development costs are amortised on a straight-line basis over their useful life of four years. The acquisition of PokerLoco has been classified as a trademark as the major part of the acquisition related to the strong brand PokerLoco. Trademarks are classified as intangible assets with an indefinite useful life. Annual impairment testing is conducted for this type of asset by calculating the recoverable value, based on value in use. The impairment testing of the brand PokerLoco and associated capitalised development costs did not indicate any impairment as the Board determined that the value in use was not less than the carrying amount. The testing is based on future cash flows, 2019-2023, related to PokerLoco's affiliate operations. A pre-tax discount rate of 16.1 percent has been applied (13 percent after tax).

Domain rights and Affiliate contracts

Domain rights and Affiliate contracts are attributable to the acquisitions of the affiliate assets in Magnum Media Limited on 22 November 2017 and the affiliate assets of Webwiser GmbH on 18 May 2018. The assets have been reported in accordance with IFRS 3 Business Combinations. Domain rights are amortised on a straight-line basis over their useful life of 8 years and affiliate contracts over their useful life of 5 years. See note 30 Business combinations for more information.

NOTE 22 INVESTMENTS IN GROUP COMPANIES

Parent Company Amounts in SEK thousands	2018	2017
Accumulated cost		
Opening cost	353,639	353,639
Cost of investments in Group companies liquidated during the year	-29,077	–
Closing cost	**324,562**	**353,639**
Accumulated impairment		
Opening accumulated impairment	-29,077	-29,077
Reversal of impairment	29,077	-
Closing accumulated impairment	**–**	**-29,077**
Carrying amount at end of period	**324,562**	**324,562**

Specification of Parent Company's and Group's holdings of shares in Group companies Amounts in SEK thousands		
Carrying amount subsidiaries of Net Gaming Europe AB	**2018**	**2017**
PokerLoco Malta Limited	11	11
HLM Malta Limited	324,551	324,551
	324,562	**324,562**

Subsidiaries	Reg'd office	Company's reg. no.	Percentage of shares and votes	No. of shares	Equity	Profit for the year
Subsidiaries of Net Gaming Europe AB						
PokerLoco Malta Limited	Malta	C 51645	100 %	1,200	9,970	16,158
HLM Malta Limited	Malta	C 75337	100 %	1,165	96,230	106,697
Subsidiaries of HLM Malta Limited						
Rock Intention Malta Limited	Malta	C 49286	100 %	14,000		
Mortgage Loan Directory and Information LLC	USA	4942378	100 %	1,000		

The subsidiary Valdemo Trading Limited, Cyprus, and its subsidiaries Eurobet Operations Limited, Malta, and Loco Online Entertainment N.V., Curacao, subsidiary of PokerLoco Malta, were liquidated during the financial year.

NOTE 23 RECEIVABLES FROM GROUP COMPANIES

Parent Company Amounts in SEK thousands	2018	2017
Receivables due in 2-5 years		
HLM Malta Limited	12,328	52,604
Loco Online Entertainment N.V	–	4,737
PokerLoco Malta Limited	–	10,939
	12,328	**68,280**
Total non-current receivables from Group companies	**12,328**	**68,280**
Receivables due within 1 year		
HLM Malta Limited	5,293	1,118
Rock Intention Malta Limited	519	29,074
PokerLoco Malta Limited	–	3,132
Loco Online Entertainment N.V		289
Total current receivables from Group companies	**5,812**	**33,613**

NOTE 24 PREPAYMENTS AND ACCRUED INCOME

Amounts in SEK thousands	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Prepaid rental and lease expenses	261	501	42	42
Other prepayments	1,126	523	113	46
Accrued interest	–	1,054	–	–
	1,387	**2,078**	**155**	**88**

NOTE 25 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash, demand deposits with banks, payment service providers and similar institutions, and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

Amounts in SEK thousands	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Cash and bank balances*	103,603	106,883	54,459	67,024
Bank accounts with payment service providers	121	8,230	–	–
	103,724	**115,113**	**54,459**	**67,024**
*of which restricted funds as pledged assets in subsidiaries	791	1,507	-	-

NOTE 26 SHARE CAPITAL

Share capital on 31 December 2018 consists of 75,604,487 shares (31 December 2017: 67,180,880) with a par value of SEK 0.26. Transaction costs directly attributable to the issue of new shares or options are recognised in equity, net of tax, as a deduction from the issue proceeds.

Other paid-in capital includes premiums paid in connection with new share issues net of issue expenses, proceeds received from warrant issues and the equity component of the issued convertible debenture.

Reserves refer to exchange differences when translating foreign operations into SEK, which are reported in other comprehensive income.

Parent Company	2018	2017
Number of registered shares on reporting date	75,604,487	67,180,880
Share capital (SEK) on reporting date	19,657,167	17,467,029

NOTE 27 NON-CURRENT LIABILITIES

Liabilities due for payment more than five years after the reporting date

	Group		Parent Company	
Amounts in SEK thousands	**2018**	**2017**	**2018**	**2017**
Nominal amount	375,000	408,500	375,000	408,500
Prepaid transaction costs	-6,350	-10,304	-6,350	-10,304
Difference between nominal value and amortised cost	–	-1,183	–	-1,183
Carrying amount	**368,650**	**397,013**	**368,650**	**397,013**

The non-current liabilities consist of a bond of SEK 375,000. The bond matures in September 2020 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 %.

Adjustment of bond transaction costs

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.

Convertible debentures

On 12 October 2016, the Parent Company issued convertible debentures totalling SEK 140,000 thousand. The notes carry a fixed interest rate of 9.5 percent and mature on 11 October 2019 unless they have already been converted into shares at the holder's request or redeemed by the Parent Company. In 2017, Net Gaming exercised the right to redeem 50 percent of the convertible debenture loan. Investors who subscribed for the convertible debentures were entitled to convert the notes into shares in Net Gaming at a conversion price of SEK 4.50. SEK 33,500 thousand was converted into shares during the year.

Convertible debentures are recognised in the balance sheet as follows:

Amounts in SEK thousands	31/12/2018	31/12/2017
Nominal value of convertible debentures	33,500	140,000
Convertible debentures redeemed	–	-70,000
Debentures converted to shares	-33,500	-36,500
Equity component - value of the conversion right	-8,169	-8,169
	-8,169	**25,331**
Interest expenses	8,169	6,986
Closing liability	**–**	**32,317**

The initial fair value of the convertible debentures' liability component was calculated using the market rate on the issue date for an equivalent non-convertible bond. After initial recognition, the liability was carried at amortised cost until conversion or redemption. The remaining proceeds were allocated to the conversion right and recognised, net of tax, in equity and not remeasured.

NOTE 28 ACCRUALS AND DEFERRED INCOME

	Group		Parent Company	
Amounts in SEK thousands	**2018**	**2017**	**2018**	**2017**
Accrued expenses Gaming operations	–	219	–	–
Accrued costs of salaries and benefits	1,585	1,516	688	515
Accrued interest expenses	1,450	2,410	1,450	2,410
Audit fees and consultancy expenses	1,608	1,307	869	766
Other accruals	917	2,679	24	6
Deferred income	–	1,517	–	–
	5,560	**9,648**	**3,031**	**3,697**

NOTE 29 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	
	2018	2017	2018	2017
Shares in subsidiaries pledged as collateral for bonds	527,749	478,189	324,551	324,551

The Parent Company has pledged the Company's entire shares in the subsidiary HLM Malta Limited as collateral for the payment of all outstanding amounts for the bond loan, including accrued interest and any costs. 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.

NOTE 30 BUSINESS COMBINATIONS

Subsidiaries are accounted for using the acquisition method. The purchase consideration for a business combination is measured at the acquisition-date fair value, which is calculated as the sum of the acquisition-date fair values of assets given, liabilities incurred or assumed and equity instruments issued in exchange for control of the acquiree. Acquisition-related expenses are recognised in the income statement when they arise.

The purchase consideration also includes the acquisition-date fair value of the assets or liabilities that result from a contingent consideration agreement. Changes in the fair value of contingent consideration, which result from additional information obtained after the acquisition date about facts and circumstances that existed on the acquisition date, qualify as adjustments during the valuation period and are adjusted retrospectively, with a corresponding adjustment of goodwill. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is reported in equity. All other changes in the fair value of contingent consideration are recognised in profit or loss.

The identifiable acquired assets and assumed liabilities are recognised at the acquisition-date fair value, with the following exceptions:

- Deferred tax assets or liabilities, and liabilities or assets related to the acquiree's employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits.
- Liabilities or equity instruments attributable to the acquiree's share-based payment awards or to the replacement of the acquiree's share-based payment awards with share-based payment awards of the acquirer are measured on the acquisition date in accordance with IFRS 2 Share-based Payment.
- Assets (or disposal group) classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

For business combinations where the total of the purchase consideration transferred, any non-controlling interests, and the acquisition-date fair value of the acquirer's previous equity interest in the acquiree, exceeds the acquisition-date fair value of identifiable net assets, the difference is reported as goodwill in the statement of financial position. If the difference is negative, this is recognised as a bargain purchase gain in the income statement after a review of the difference.

For each business combination, previous non-controlling interests in the acquiree are measured either at fair value or at the value of the NCI's proportionate share of the acquiree's identifiable net assets.

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 analysis
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	
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. 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.

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

NOTE 31 RELATED-PARTY TRANSACTIONS

Salaries and benefits to Board members and the CEO are shown in note 9. The Parent Company has a related party relationship with its subsidiaries and their subsidiaries, see notes 22 and 23.

Services sold between the Parent Company and subsidiaries relate to IT, marketing, financial services and management services. Transactions with related parties are priced at market terms. No services have been provided free of charge.

The Parent Company's receivables from the Group company HLM Malta Ltd carry market interest rates.

Since the financial year 2014, the Parent Company has a loan liability of SEK 2,000 thousand to its main shareholder, Trottholmen AB, of which the Company's chairman Henrik Kvick is owner and Board member. The loan carries a market interest rate.

Related party transactions Amounts in SEK thousands		
Parent Company	**2018**	**2017**
Sale of services to Group companies	2,624	803
Interest income from Group companies	3,431	11,625
Interest expenses to other related parties	-162	-162
Receivables from Group companies	18,140	104,358
Accumulated impairment of receivables from Group companies	–	-2,465
Carrying amount of receivables from Group companies	18,140	101,893
Liabilities to other related parties	-3,568	-3,406

NOTE 32 FINANCIAL INSTRUMENTS

Amounts in SEK thousands Group 31/12/2018	Financial assets at amortised cost	Non-financial assets	Financial liabilities at fair value	Financial liabilities at amortised cost	Non-financial liabilities	Total carrying amount
Property, plant and equipment		2,305				2,305
Goodwill		440,355				440,355
Other intangible assets		27,571				27,571
Other non-current receivables	4,697					4,697
Deferred tax assets	5,504					5,504
Trade receivables	19,245					19,245
Other current receivables	1,878					1,878
Prepayments and accrued income		1,387				1,387
Cash and cash equivalents	103,724					103,724
Total	**135,048**	**471,618**	**0**	**0**	**0**	**606,666**
Other non-current liabilities				368,650		368,650
Trade payables				7,806		7,806
Liabilities to Parent Company				3,568		3,568
Other liabilities				4,071		4,071
Accrued expenses				5,560		5,560
Total	**0**	**0**	**0**	**389,655**	**0**	**389,655**

Amounts in SEK thousands Group 31/12/2017	Financial assets at amortised cost	Non-financial assets	Financial liabilities at fair value	Financial liabilities at amortised cost	Non-financial liabilities	Total carrying amount
Property, plant and equipment		657				657
Goodwill		407,439				407,439
Other intangible assets		12,232				12,232
Deferred tax assets	11,251					11,251
Trade receivables	17,926					17,926
Other current receivables	2,360					2,360
Prepayments and accrued income		2,078				2,078
Cash and cash equivalents	115,113					115,113
Total	**146,650**	**422**	**0**	**0**	**0**	**569,056**
Other non-current liabilities				397,013		397,013
Deferred tax liabilities				260		260
Trade payables				4,603		4,603
Liabilities to Parent Company				3,406		3,406
Other liabilities			54,283	21,789		76,072
Accruals and deferred income				9,648		9,648
Total	**0**	**0**	**54,283**	**436,719**	**0**	**491,002**

Amounts in SEK thousands Parent Company 31/12/2018	Financial assets at amortised cost	Non-financial assets	Financial liabilities at fair value	Financial liabilities at amortised cost	Non-financial liabilities	Total carrying amount
Investments in Group companies		324,562				324,562
Non-current receivables from Group companies	12,328					12,328
Current receivables from Group companies	5,812					5,812
Other receivables	229					229
Prepayments and accrued income		155				155
Cash and cash equivalents	54,459					54,459
Total	**72,828**	**324,717**	**0**	**0**	**0**	**397,545**
Other non-current liabilities				368,650		368,650
Trade payables				127		127
Liabilities to Parent Company				3,568		3,568
Other current liabilities				86		86
Accruals and deferred income				3,031		3,031
Total	**0**	**0**	**0**	**375,462**	**0**	**375,462**

Amounts in SEK thousands Parent Company 31/12/2017	Financial assets at amortised cost	Non-financial assets	Financial liabilities at fair value	Financial liabilities at amortised cost	Non-financial liabilities	Total carrying amount
Investments in Group companies		324,562				324,562
Non-current receivables from Group companies	68,280					68,280
Current receivables from Group companies	33,613					33,613
Other receivables	431					431
Prepayments and accrued income		88				88
Cash and cash equivalents	67,024					67,024
Total	**169,348**	**324,650**	**0**	**0**	**0**	**493,998**
Other non-current liabilities				397,013		397,013
Deferred tax liabilities				260		260
Trade payables				259		259
Liabilities to Parent Company				3,406		3,406
Other current liabilities			54,283	9,908		64,191
Accruals and deferred income				3,697		3,697
Total	**0**	**0**	**54,283**	**414,543**	**0**	**468,826**

NOTE 33 FINANCIAL RISKS

The Board of Directors and the Group's financial operations strive to minimise the Group's risk level. This note describes the Group's exposure to financial risks and how these may affect the Group's future financial position. The Group's exposure to financial risks includes currency risk, liquidity risk, interest rate risk, and counterparty and credit risk. Financial risk management is coordinated through the Parent Company, from which the Group's financing is arranged.

Currency risk
The Group's earnings are affected by exchange rate changes when the foreign subsidiaries' results are translated into Swedish kronor. The business is primarily exposed to exchange rate fluctuations in SEK, EUR and USD. The Group's equity is also affected by changes in exchange rates when the assets and liabilities of foreign subsidiaries are translated into Swedish kronor. It was decided at an extraordinary general meeting to change the Company's presentation currency to EUR with effect from 1 January 2019.

The Group's key balance sheet items on the reporting date are listed below in the original currency.

	EUR 000	Carrying amount SEK 000	USD 000	Carrying amount SEK 000
Closing rate		*10.2753*		*8.9710*
Intangible assets	2,683	27,571	–	–
Goodwill	42,856	440,355	–	–
Deferred tax assets	487	5,003	56	501
Trade receivables	933	9,582	1,018	9,131
Cash and bank balances	7,565	77,735	399	3,576
Trade payables	601	6,177	111	995
Currency exposure, net	53,923	554,069	1,362	12,213

The net currency exposure in EUR at 31 December 2018 was EUR 54 million, corresponding to SEK 554 million. A 5 percent change in the exchange rate at 31 December 2018 would decrease/increase the Group's reported assets by SEK 28 million, with a corresponding effect on the Group's equity. The change in presentation currency to EUR will significantly reduce the Group's exposure to exchange rate changes.

Liquidity risk
Liquidity risk is the risk that the Group and the Company will not be able to discharge their future financial obligations when they fall due for payment. Prudent liquidity risk management means that the Group holds sufficient liquid funds and financing opportunities for the business. Liquidity risk is monitored at Group level by ensuring that sufficient funds are available to each subsidiary in the Group.

The Group's financial liabilities are classified below according to the time remaining until the contractual due date. The amounts shown are the contractual undiscounted cash flows.

31 December 2018	Within 1 year	1-2 years	2-3 years	Total
Amounts in SEK thousands				
Non-current liabilities (bonds)	–	375,000	–	375,000
Trade payables	7,806	–	–	7,806
Other current liabilities and accrued expenses	13,199	–	–	13,199
	21,005	**375,000**	**–**	**396,005**

The Company regularly monitors liquidity and has a strong cash position. As the business model allows a high cash generation of 85-90 percent, the Company's debt level is rapidly declining.

Capital risk management
The Group's objective for capital risk management is to ensure the Group is able to continue operations for the purpose of generating returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure in order to reduce capital costs and allow sufficient financing for the expansion of operations.

To maintain or adjust the capital structure, the Group's shareholders have the opportunity, at general meetings, to decide on dividends to shareholders or transfers to shareholders by redeeming or issuing new shares. The Group may also sell assets to maintain or adjust the capital structure.

The Group monitors the capital risk by regularly calculating and reporting net debt, and comparing it with prior periods and targets defined by the Board and associated with covenants for bond loans.

During 2018, the Board of Directors also defined new financial objectives and targets which clarify that no dividend is recommended for the next three years and that the debt/equity ratio shall not exceed 2x.

Interest rate risk
The Group's exposure to interest rate risk is primarily attributable to the bond loan issued with variable interest rates. Other financial assets and liabilities are normally interest-free if settled when due. The Group continuously monitors interest rate risk and believes it is not significant in view of the relatively low debt/equity ratio due to the revenue generated from acquisitions and operating activities.

At 31 December, the Group's and the Parent Company's interest-bearing liabilities excluding accrued interest amounted to SEK 368 million. The nominal value was SEK 375 (375) million. An increase of one percentage point in the interest rate would increase the Group's and the Parent Company's interest expenses by SEK 3.75 (3.75) million, all other things being equal. A decline of one percentage point would result in a corresponding decline. Equity would also be affected by approximately SEK +/- 3 (3) million.

Counterparty risk and credit risk

The Group's financial transactions give rise to credit risk in relation to financial counterparties. The table below shows credit risks for cash and cash equivalents and other receivables

Amounts in SEK thousands	2018	2017
Cash and cash equivalents	103,724	115,113
Trade receivables	19,245	17,926
Other receivables	1,878	2,360
Other non-current receivables	4,697	–
Total	**131,562**	**135,399**

Summary of maturities for trade and other receivables

Amounts in SEK thousands	2018	2017
Due for payment	19,245	6,133
1 - 30 days	111	12,731
31 - 60 days	129	95
61 - 90 days	223	5
90 - days	6,112	1,322
Total	**25,820**	**20,286**

Ageing analysis of past due trade and other receivables

Amounts in SEK thousands	2018	2017
1 - 30 days	13,311	3,487
31 - 60 days	4,665	909
60 - days	1,269	1,737
Total	**19,245**	**6,133**

The maximum exposure to credit risks at the reporting date for the financial assets shown above corresponds to their carrying amounts. The Group has not received any collateral from debtors. The creditworthiness of customers (about 175 operators) is regularly assessed by means of market knowledge, and past experience and collaboration. The Company's counterparty risk is therefore considered immaterial.

The Company's cash & cash equivalents are primarily kept in stable financial institutions with high credit ratings, such as Swedbank, Bank of Valetta and MeDirect. The Company's credit risk is therefore considered immaterial.

NOTE 34 RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES

The table below presents the year's change in the Group's liabilities associated with financing of the business. The table includes current and non-current liabilities. The opening and closing balances include the liability for accrued interest.

Group Amounts in SEK thousands	Bond	Convertible debentures	Additional consideration liability	Total
Opening balance, 1 January 2017	205,485	133,792	70,300	409,577
Cash flow from financing activities[1]	163,070	-70,000	0	93,070
Acquisition of subsidiaries[2]	0	0	-55,002	-55,002
Effect of changed exchange rate[2]	0	0	1,571	1,571
Change in amortised cost	1,860	7,706	0	9,566
Conversion to shares/Set-off issue	0	-36,500	-16,869	-53,369
Other changes[3]	-4,201	-1,789	0	-5,990
Additional consideration	0	0	54,283	54,283
Closing balance, 31 December 2017	**366,214**	**33,209**	**54,283**	**453,706**

Group Amounts in SEK thousands	Bond 2017	Convertible debentures	Additional consideration liability	Total
Opening balance, 1 January 2018	366,214	33,209	54,283	453,706
Cash flow from financing activities[1]	0	0	0	0
Acquisition of subsidiaries[2]	0	0	-57,069	-57,069
Effect of changed exchange rate[2]	0	0	2,786	2,786
Change in amortised cost	3,720	1,417	0	5,137
Conversion to shares	0	-33,500	0	-33,500
Other changes[3]	0	-960	0	-960
Total	**369,934**	**166**	**0**	**370,100**

[1] Cash flow from financing is the net of the year's new loans and loan repayments, see the cash flow statement for gross accounting of the item.

[2] Non-cash movements in financing activities.

[3] Other changes include accrued interest and payments.

NOTE 35 APPROPRIATION OF THE COMPANY'S PROFITS

The Parent Company's unrestricted equity at the disposal of the AGM

Amounts in SEK	
Share premium reserve	99,130,526
Retained earnings	-49,687,563
Profit/loss for the year	-47,017,071
	2,425,892

The Board proposes that the amount at the disposal of the AGM, SEK 2,425,892, be carried forward.

NOTE 36 SIGNIFICANT EVENTS AFTER THE REPORTING DATE

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.

After the end of the year, the markets in Sweden and Switzerland have been regulated. In addition, the Dutch parliament has passed a bill regulating online gambling. The bill is expected to enter into force in July 2020. A regulation process is also in progress in Italy after a regulatory decision in 2018 and an update on the role of affiliates in the Italian market is expected to be clarified. This may, potentially, mean a complete prohibition on affiliates in Italy. In Germany, discussions are in progress on a new re-regulation of iGaming for the entire country. A decision is expected by June 2019 at the latest. In the United States, more and more states are moving towards re-regulation and therefore allowing iGaming. Recent market regulation, mainly in Europe, affects Net Gaming's partners (operators) in the short term and Net Gaming is positive about this market regulation, which will benefit both end consumers and large, reputable operators and affiliate companies over time.

The financial reports are part of the annual report and have been signed by the Board and CEO for 2018. The Board has authorised the annual accounts and the consolidated annual financial statements for issue on 17 April 2019. The consolidated and Parent Company income statements and balance sheets will be presented for adoption at the Annual General Meeting on 23 May 2019.
The Board of Directors and the CEO hereby certify that the annual accounts have been prepared in accordance with the Annual Accounts Act and RFR 2 Accounting for Legal Entities and provide a fair overview of the Company's financial position and performance, and that the Board of Directors' report provides a fair overview of the development of the Company's operations, financial position and performance, and describes material risks and uncertainties faced by the companies in the Group.

Signature by the Board

The Parent Company's and the Group's income statements and balance sheets will be submitted to the Annual General Meeting for preliminary adoption on 23 May 2019.

The Board of Directors and the CEO hereby certify that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and give a true and fair view of the Group's financial position and performance. The Parent Company's financial statements have been prepared in accordance with generally accepted accounting principles and provide a true and fair view of the Parent Company's financial performance and position.

The Board of Directors' Report for the Group and the Parent Company provides a fair overview of the development of the Group and the Parent Company's operations, financial position and performance and describes material risks and uncertainties faced by the Parent Company and Group companies.

Stockholm den 17 april 2019

Henrik Kvick
CHAIRMAN

Jonas Bertilsson
BOARD MEMBER

Tobias Fagerlund
BOARD MEMBER

Marcus Blom
BOARD MEMBER

Marcus Teilman
BOARD MEMBER AND CEO

My audit report was submitted on 17 April 2019

Per-Åke Bois
AUTHORISED PUBLIC ACCOUNTANT


KONE

Audit Report

To the Annual General Meeting of Net Gaming Europe AB (publ), reg. no. 556693-7255

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

I have audited the annual accounts and consolidated accounts of Net Gaming Europe AB (publ) for the year 2018. The Company's annual accounts and consolidated accounts are included in this document on pages 26-68.

In my opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the Parent Company's financial position at 31 December 2018 and its financial performance and cash flows 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 at 31 December 2018 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The Board of Directors' report is consistent with the other parts of the annual accounts and consolidated accounts.

I therefore recommend that the annual general meeting of shareholders adopt the income statement and balance sheet for the Parent Company and the Group.

Basis for opinions

I conducted the audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. My responsibilities under those standards are further described in the Auditor's Responsibility section. I am independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled my ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Information other than the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for this other information. The information comprises pages 1-27 of this document.

My opinion on the annual accounts and consolidated accounts does not cover this other information and I do not express any form of assurance or conclusion regarding this other information. In connection with my audit of the annual accounts and consolidated accounts, my responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure, I also take into account my knowledge otherwise obtained in the audit and assess whether the information appears to be materially misstated.

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

Responsibility 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 for ensuring 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 the going concern and use of 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 intend to liquidate the Company, cease operations, or have no realistic alternative but to do so.

Auditor's responsibility

My objective is 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 my 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 made on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, I exercise professional judgement and maintain professional scepticism throughout the audit. I 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 my 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 my 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 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.
- draw a conclusion 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.

- I 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify my opinion about the annual accounts and consolidated accounts. My conclusions are based on the audit evidence obtained up to the date of my 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. I am responsible for the direction, supervision and performance of the Group audit. I remain solely responsible for my opinions. I must inform the Board of Directors of, among other matters, the planned scope and timing of the audit.

I must also inform them of significant audit findings during my audit, including any significant deficiencies in internal control that I identified.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to my audit of the annual accounts and consolidated accounts, I have also audited the administration of the Board of Directors and the Managing Director of Net Gaming Europe AB (publ) for the year 2018 and the proposed appropriations of the Company's profit or loss.

I recommend to the general meeting 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

I conducted the audit in accordance with generally accepted auditing standards in Sweden. My responsibilities under those standards are further described in the Auditor's Responsibility section. I am independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled my ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibility of the Board of Directors and the Managing Director

The Board is responsible for the proposal concerning appropriations of the Company's profit or loss. Proposing a dividend includes an assessment of whether the dividend is justifiable considering the requirements that the nature, scope and risks of the Company's and the Group's operations place on the size of the Parent Company's and the Group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the Company's organisation and the administration of its affairs. This includes, among other things, continuous assessment of the Company's and the Group's financial situation and ensuring that the Company's organisation is designed so that accounting, management of assets and the Company's financial affairs are otherwise 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, shall take measures that are necessary to handle the Company's accounting in accordance with law and to conduct the management of assets in a reassuring manner.

Auditor's responsibility

My objective concerning the audit of the administration, and therefore my 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 could give rise to liability to the Company; or
- in any other way acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

My objective for the audit of the proposed appropriations of the Company's profit or loss, and therefore my opinion regarding same, is to assess with a 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, I exercise professional judgement and maintain professional scepticism 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 my professional judgement, with a starting point in risk and materiality. This means that I focus the examination on such actions, areas and relationships that are material for operations and where deviations and violations would have particular importance for the Company's situation. I examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to my opinion concerning discharge from liability. As a basis for my opinion concerning the Board of Directors' proposed appropriations of the Company's profit or loss, I have examined whether the proposal is in accordance with the Companies Act.

Stockholm den 17 april 2019

Per-Åke Bois
AUKTORISERAD REVISOR

Definitions and key figures

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 end 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.

Key figures, Group	01/01/2018 31/12/2018	01/01/2017 31/12/2017
Operating margin	64.1%	62.1%
EBITDA margin	66.1%	62.9%
Organic growth	12%	14%
Equity/assets ratio	32%	11%
Return on equity	63%	18%
Equity per share, SEK	2.87	1.16
Number of registered shares at end of period	**75,604,487**	**67,180,880**
Weighted average number of shares before dilution	72,476,411	60,773,012
Weighted average number of shares after dilution	72,476,411	68,217,456
Earnings per share (after dilution)	1.08	0.09
Market price per share at end of period	9.78	8.80
EPS growth (%)	+1,100%	N/A

Information for shareholders

FINANCIAL CALENDAR

Reports	
Interim report January-March 2019	23 May 2019
Interim report January-June 2019	15 August 2019
Interim report January-September 2019	14 November 2019

Annual General Meeting	
2019 AGM	23 May 2019

CONTACT

For further information, please contact:

MARCUS TEILMAN, PRESIDENT AND CEO
Mobile: +356 9936 7352
E-mail: marcus.teilman@netgaming.se

GUSTAV VADENBRING, CFO
Mobile: +356 9967 6001
E-mail: gustav.vadenbring@netgaming.se

CONTACT WITH INVESTORS

The CEO and CFO are responsible for providing shareholders, investors, analysts and the media with relevant information. During the year, Net Gaming participated in a number of capital market activities. The Company also held regular analyst meetings.

Financial reports, press releases and other information are available from the publication date on Net Gaming's website: http://www.netgaming.se/investor-relations/. It is also possible to subscribe to press releases and reports on the website. Printed copies of the annual report are sent on request.

CERTIFIED ADVISOR

The appointed Certified Adviser is FNCA Sweden AB, info@fnca.se, +46 8 528 00 399.

Net Gaming's annual report is published in Swedish and in an English-translated version. In the event of differences between the versions, the Swedish version shall take precedence over the English version.

Address
Net Gaming Europe AB (publ)
Box 7385
103 91 Stockholm

Visit
Stureplan 6, 4 tr.
114 35 Stockholm

Contact
+46 8 410 380 44
info@netgaming.se