

Net Gaming Europe AB (publ) – Year-end report 2019

Stabilised earnings level after challenging year

Fourth quarter 2019

- Revenue amounted to EUR 3,285 (4,712) thousand.
- EBITDA amounted to EUR 1,915 (3,254) thousand.
- Profit after tax was EUR 610 (1,525) thousand.
- Earnings per share after dilution amounted to EUR 0.008 (0.020).
- New Depositing Customers (NDC) declined by -18%.
- Cash flow from operating activities amounted to EUR 1,765 (3,738) thousand.

Full year 2019

- Revenue amounted to EUR 14,302 (18,556) thousand.
- EBITDA amounted to EUR 8,359 (12,499) thousand.
- Profit after tax was EUR 4,934 (7,791) thousand.
- Earnings per share after dilution amounted to EUR 0.065 (0.107).
- New Depositing Customers (NDC) declined by -19%.
- Cash flow from operating activities amounted to EUR 8,157 (12,286) thousand.

Significant events in the quarter

- Re-launch of Pokerlistings.com with a Casino section for further expansion in North America.
- Launch of CasinoGuideNJ.com, a niche casino comparison site focusing on New Jersey.
- During Q4, the Company continued to implement cost efficiency measures in the organisation and to review roles such as Brand Managers in order to create clearer control, focus and responsibility for each individual site's results.
- The Company repurchased bonds at a nominal amount of SEK 67 million in order to optimise the Company's capital structure.

Significant events after the quarter

- After the end of the quarter, the Company has launched BettingGuideNJ.com, the second of several planned niche sites in the United States. With CasinoGuideNJ.com and the re-launch of Pokerlistings.com, these are investments that create good conditions in the US market.

Key figures

EUR thousands	Oct-Dec			Jan-Dec		
	2019	2018	Y/Y%	2019	2018	Y/Y%
Revenue	3,285	4,712	-30%	14,302	18,556	-23%
Organic growth, %	-31%	14%	-45 pp	-25%	12%	-37 pp
EBITDA	1,915	3,254	-41%	8,359	12,499	-33%
EBITDA margin, %	58%	69%	-11 pp	58%	67%	-9 pp
Profit after tax	610	1,525	-60%	4,934	7,791	-37%
Earnings per share (after dilution)	0.008	0.020	-60%	0.065	0.107	-39%
Net debt/EBITDA (rolling 12 mth)	2.8	2.1	-	2.8	2.1	-
NDC growth, %	-17%	+13%	-30 pp	-19%	+23%	-42 pp

pp = percentage point. N/A = not available

Q4 2019



-31%

Organic revenue growth



-41%

EBITDA growth



-60%

Earnings growth per share.

CEO's comments: US launches and continuing Betting growth



The end of 2019 saw us stabilising our EBITDA in the fourth quarter, despite sequentially lower revenues. Sales for the quarter declined to EUR 3,285 thousand and EBITDA amounted to EUR 1,915 thousand, which meant a sequential improvement. Cash flow from operating activities was strong at EUR 1,765 thousand, with cash conversion of 83%. It is also positive that NDC development has continued to stabilise over the last six months, which is important for the future as we increased the proportion of revenue share in 2019 and want to capitalise on this going forward.

During Q4, we made a strategic decision to invest in fewer but stronger products, and as a result, we have appointed a number of Brand Managers in order to create clearer control, focus and responsibility for each individual site's results. This initiative is at an early stage, but we are already seeing results and several sites are moving in the right direction, with increased traffic and conversion rates.

Revenue share 64%

The major change in the business model to an increased proportion of revenue share has had a negative impact on our revenue in 2019. The main purpose of changing the business model is to build a more stable revenue base with a larger share of recurring revenue. During Q4, we have now reached a revenue share level of 64% of revenue, which we feel is a relatively balanced and sustainable level. We now see that most of this changeover has been completed. We estimate that the increased proportion of revenue share reduced our revenue by EUR 1,100 – 1,500 thousand, which contributed to 25-35% of the revenue decline in 2019.

Continuing growth in Betting

In 2019, we took the first real step into our new vertical – Betting. Our betting vertical also continued to develop positively during Q4 and the share of revenue from betting was 11%. Globally, betting accounts for about 50% of the iGaming market, so for us this is a natural growth path to further develop. We see good opportunities to continue to drive growth through both existing and new products in the segment.

Pokerlistings.com expands to casino

To capitalise further on the great potential we see for Pokerlistings.com, we launched a new casino section under this brand in Q4. It has been launched on the Company's proprietary technology platform and a betting section is also expected to be launched on Pokerlistings.com in Q1 2020. The casino section has developed positively so far and we will invest further in Pokerlistings.com in 2020, as we see this brand an important growth driver in the US.

Improved capital structure prior to refinancing

During Q4 2019, we repurchased our bonds at a nominal amount of SEK 67 million. These repurchases, which reduce our gross debt and interest expenses, are an initiative prior to the upcoming refinancing of our outstanding bond loan, which matures in September 2020. Thanks to strong cash conversion, we increase our cash position each month, which is important in the lead-up to this refinancing process. The Board has appointed financial and legal advisers to evaluate various refinancing alternatives and the process has begun.

2019 – a challenging year

2019 has been incredibly challenging and characterised by regulatory effects in the European market. In no way am I pleased with our earnings development, but I am firmly committed to returning to growth in all parts of the business during 2020. I believe that our EBITDA level bottomed out in 2019 and that it will increase in the coming year. During the year, we underwent an important change through the launch of our new technical platform and our establishment of a competent and more forward-looking organisation. In 2020, I look forward to being able to take advantage of all the interesting growth opportunities we have identified.

Marcus Teilmann, President and CEO

The Group's development

QUARTER OCT-DEC 2019

Revenue

Revenue for Q4 declined to EUR 3,285 (4,712) thousand, as a result of negative organic growth of 31%. In 2019, it was decided to discontinue marketing via paid media, which also affects the comparative figures in Q4 2019.

Revenue for Q4 2019 was negatively affected by the wave of local regulation in Europe and a continuing transition from CPA to revenue share, which is now 64% (35%) of total revenue. The transition to an increased percentage for revenue share has an adverse effect on revenue in the short term, but strengthens our growth and stability over time.

Growth in New Depositing Customers (NDC) followed the same trend as revenue, decreasing by 17% compared with the corresponding period the previous year.

Since the previous year, we have also seen our position with strong domains in the North American market producing results as more states are deregulated.

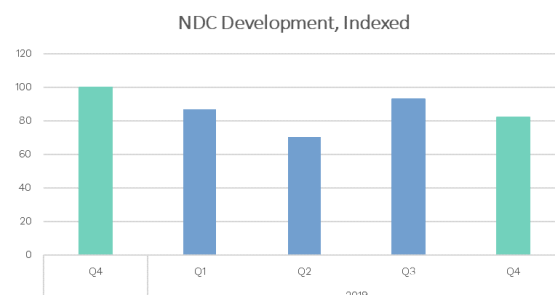
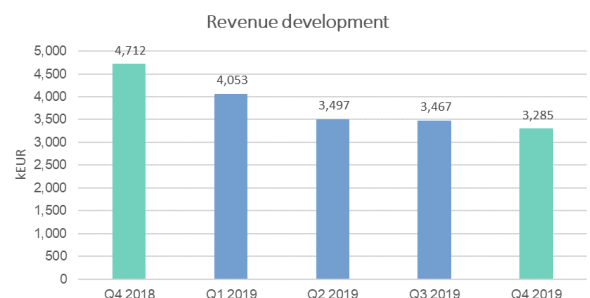
Q4 revenue showed a decline in the face of increasing competition, while revenue in Europe has increased through growth within betting. The North American market remains attractive to us, with the ongoing wave of regulation which is expected to create one of the world's largest markets over time. Several measures to strengthen our position have been initiated, including the recent re-launch of Pokerlistings.com with a separate casino section.

We see continuing growth in our betting vertical, which contributes positively to our revenue diversification in the quarter. The growth is driven both by the initiatives we have launched and the refinement of domains acquired via MaxFreeBets in July 2019.

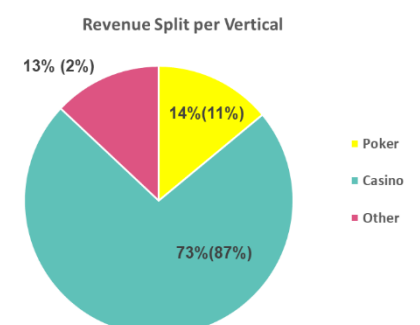
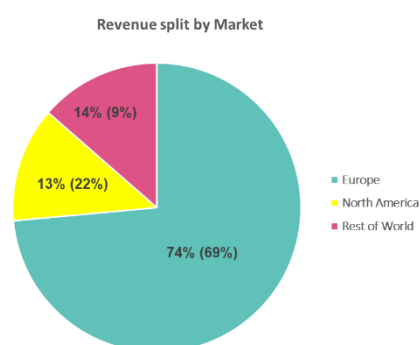
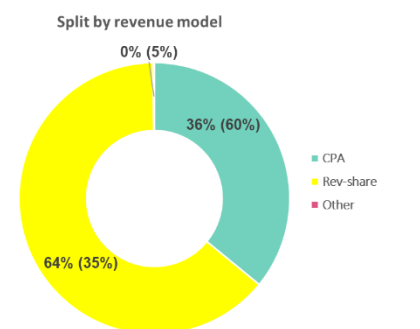
Costs

Operating expenses increased slightly during Q4 2019 compared with the previous year, but decreased sequentially from Q3 2019.

Personnel expenses for Q4 increased to EUR 805 (740) thousand, primarily driven by organisational development and recruitment of key personnel to strengthen our conditions for growth.



The chart shows an index of NDC development over time. NDC stands for new depositing customer, i.e. a newly depositing customer that Net Gaming has referred to one of its customers. The charts above do not show absolute figures, but a percentage development from index 100 in Q4 2018.



Other external expenses increased in Q4 2019 compared with the previous year, primarily driven by increased consultancy expenses related to the development of sites in North America and Europe.

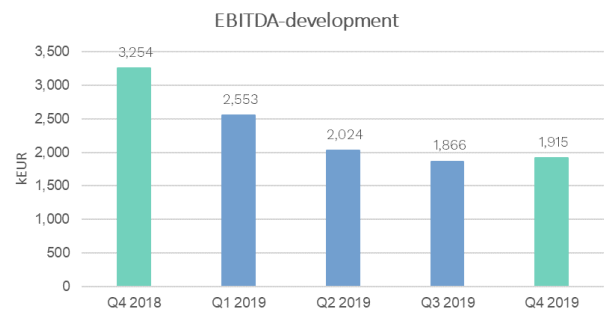
We have a strong focus on continuing cost control in order to run operations with a high margin.

Earnings

EBITDA declined by 41% to EUR 1,915 (3,254) thousand. The EBITDA margin has fallen to 58%, compared with 69% in Q4 2018, primarily attributable to the decline in revenue.

Net Gaming's net financial items for Q4 2019 amounted to EUR -1,061 thousand, compared with EUR -1,447 thousand for the same period the previous year. Net financial items in Q4 2018 were adversely affected by a provision regarding a potential credit loss of EUR -660 thousand. In Q4 2019, net financial items were in turn adversely affected by currency effects of EUR -672 thousand related to loan financing arranged in SEK. As a result of the Company having a strong cash position, bonds with a nominal value corresponding to SEK 67 million were repurchased during Q4 2019. During the quarter, finance income of EUR 306 thousand related to bond repurchasing in 2019 was generated.

Profit after tax declined to EUR 610 (1,525) thousand and the period's earnings per share after dilution amounted to EUR 0.008 (0.020).



FULL YEAR 2019

Revenue

Revenue for the full year 2019 fell by 23 percent to EUR 14,302 (18,556) thousand. The full year 2019 was characterised by regulatory effects and an accelerated transition to revenue share, which has had a negative impact on our revenue.

Costs

Costs for the full year 2019 increased by 5 percent compared with 2018. The increase is mainly a result of higher personnel expenses, primarily driven by expansion of the organisation and recruitment of key personnel to develop the Company's operations.

Other external expenses declined to EUR 2,863 (3,081) thousand, mainly due to a reduction in marketing costs, as paid media has been phased out since the start of 2019.

Earnings

EBITDA declined by 33 percent to EUR 8,359 (12,499) thousand. The EBITDA margin fell to 58 (67) percent, which is an effect of reduced revenue, while the cost base increased slightly, primarily in personnel costs.

The Company's net financial items improved from EUR -3,784 thousand in 2018 to EUR -2,317 thousand in 2019.

The Company's strong cash conversion has resulted in the Company repurchasing its own bonds during Q4 at a nominal value of SEK 67 million, with finance income of EUR 306 thousand generated in 2019. The improvement is also driven by currency effects related to the loan financing, arranged in SEK, which had a positive impact of EUR 734 thousand on net financial items on a full-year basis. Interest expenses also declined in 2019 – by just over EUR 392 thousand.

During the year, the Company also reduced its tax expenses, which amounted to EUR -380 (-581) thousand in 2019.

Profit after tax declined to EUR 4,934 (7,791) thousand and earnings per share after dilution declined to EUR 0.065 (0.107)

12.3

Revenue
EUR 000

8.4

EBITDA
EUR 000

58%

EBITDA
margin

88%
Cash
Conversion

Financial position

Cash flow and investments

Cash flow from operating activities during Q4 amounted to EUR 1,765 thousand, compared with EUR 3,738 thousand in Q4 2018. Cash flow from operating activities in the full year 2019 was EUR 8,157 (12,286) thousand. Working capital development was negative compared with Q4 2018, and is primarily related to a slightly lower level of customer payments, which is a timing effect at the end of the month in December. The Company continues to have a very low level of credit losses.

Cash flow from investing activities, which, apart from acquisition activities, is limited as the Company's business model is not capital-intensive, amounted to EUR -185 thousand, compared with EUR -374 thousand in Q4 2018 (excluding gaming operations). Investments (acquisition of intangible assets) in Q4 2019 were mainly related to website development for expansion into the American and European markets. Cash flow from investing activities for 2019 was negatively affected in Q3 by a purchase consideration of EUR 1,626 thousand related to the acquisition of domains in MaxFreeBets. Cash flow from investing activities for the full year amounted to EUR -2,193 thousand, compared with EUR -8,628 thousand in 2018 (excluding gaming operations). Investments in 2018 were mainly attributable to the settlement of the additional consideration from the HLM acquisition in 2016 and the acquisition of Webwiser in May 2018.

Cash flow from financing activities amounted to EUR -6,562 (-683) thousand in Q4 and consisted primarily of interest paid on the bond loan and proceeds of EUR -5,959 thousand related to repurchase of the Company's own bonds. Cash flow from financing activities for the full year 2019 amounted to EUR -8,694 (-2,924) thousand and the increase between years is driven by the repurchasing of own bonds. Cash flow from financing activities has been affected by the transition to IFRS 16, which means repayment of lease liabilities of EUR -129 thousand in 2019 are recognised in financing activities, unlike in the previous year when the entire lease expenses were recognised in operating activities.

Liquidity and financial position

The Group's interest-bearing net debt at the end of the period was EUR 23,522 thousand, compared with EUR 26,873 thousand at the end of Q4 2018. Net Gaming's current gross debt amounts to SEK 316.5 million, of which the bond loan amounts to SEK 308 million, excluding the bonds of SEK 67 million repurchased during Q4 2019. Converted using the closing rate, the bond loan amounts to EUR 29,483 thousand. As of December 2019, the current net debt/EBITDA ratio is 2.8. Net Gaming's financial target is a maximum net debt/EBITDA ratio of 2.0 over time. During 2020 and beyond, the Company will continue its efforts to reduce the net debt/EBITDA ratio.

At 31 December 2019, the Company has a total provision of EUR 576 thousand to cover any additional consideration related to completed acquisitions of domains. Outstanding bonds are due for payment in September 2020 and are therefore reported as current liabilities in the balance sheet for December 2019. Discussions on refinancing are in progress and new financing needs to be in place in the current year in order to continue operations. The translation effect of converting the bond loan from SEK to EUR at the end of Q4 was EUR -672 thousand, which had a negative impact on net financial items. The translation effect of converting the bond loan from SEK to EUR for the full year was EUR 734 thousand, which had a positive impact on net financial items. The Company's cash and cash equivalents at the end of Q4 2019 amounted to EUR 6,771 (10,094) thousand.

The equity/assets ratio was 45 (36) percent and equity was EUR 26,062 (21,120) thousand at 31 December 2019. The Company conducts quarterly impairment testing to assess whether there is any goodwill impairment. The impairment testing at the end of December 2019 did not identify any goodwill impairment.

Financial targets

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

EPS growth

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

Organic revenue growth

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

Capital structure

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

Dividend policy

Over the next three years, Net Gaming will prioritise growth through organic growth initiatives and will make optimisation of the capital structure rather than dividends its priority.

Overview of outcomes of financial targets

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

Period	EPS growth		Organic revenue growth		Capital structure
Oct-Dec 2019	-60%	✗	-31%	✗	2.8 ✗
Jan-Dec 2019	-39%	✗	-25%	✗	2.8 ✗

✗ = Not

Other information

The share

On 30 June 2018, Net Gaming Europe (publ) was listed on Nasdaq First North Premier Growth Market, Stockholm (NETG).

Share capital

On 31 December 2019, share capital amounted to EUR 1,913 thousand, divided into 75,604,487 shares. The Company has one class of shares – A shares. Each share entitles the holder to (1) vote at the shareholders' meeting. On 31 December 2019, the number of shareholders was 1,146.

Following the change of presentation currency, share capital was converted to EUR 1,912,618.10 on 1 January 2019. At the end of the quarter, the Company had a total of 850,000 share options outstanding.

Shareholder structure

The total number of shares in the Company on 31 December 2019 was 75,604 487, distributed as shown below.

Name	No. of shares	Ownership, %
Trottholmen AB	47,572,382	62.92%
JPM Chase NA	10,318,813	13.65%
Avanza Pension	2,025,622	2.68%
Credit Suisse	1,111,111	1.47%
JRS Asset Management AB	1,072,729	1.42%
Stefan Mahlstein	794,333	1.05%
Leoville AS	581,815	0.77%
ES Aktiehandel AB	500,000	0.66%
WJ Capital Partners AB	473,846	0.63%
Arctic Securities	471,949	0.62%
Other shareholders	10,681,887	14.13%
TOTAL	75,604,487	100.00%

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 Growth Market 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. In 2019, the Parent Company received dividends from subsidiaries amounting to EUR 7.8 (1.5) million.

Relevant risks and uncertainties

Net Gaming is exposed to a number of business and financial risks. The business risks can be divided into strategic, operational and legal risks. Financial risks are related to factors such as exchange rates, interest rates, liquidity and credit. Risk management within the Net Gaming Group is aimed at identifying, controlling and reducing risks. This is achieved based on a probability and impact assessment. The risk assessment is unchanged from the risk profile presented on pages 23, 30-31 and 65-66 of the 2018 annual report. The Parent Company’s risks and uncertainties are indirectly the same as for the Group.

Outlook

Net Gaming is not providing any forecasts in this report.

Seasonality

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

Supplementary information

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

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

Stockholm, 20 February 2020

BOARD OF DIRECTORS

Henrik Kvick
Chairman

Jonas Bertilsson
Board member

Peter Åström
Board member

Fredrik Rūden
Board member

Marcus Teilman
Board member & CEO

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Forthcoming report dates

Interim report January-March 2020: 20 May 2020
Interim report April-June 2020: 13 August 2020
Interim report July-September 2020: 12 November 2020
2020 AGM: 20 May 2020
Publication of 2019 Annual Report: Week 16 2020

Presentation for investors, analysts and media

A live conference call will be held on 20 February 2020 at 10.00 a.m. Swedish time. CEO Marcus Teilman and CFO Gustav Vadenbring will present the report in English. You can follow the presentation here <https://tv.streamfabriken.com/net-gaming-europe-q4-2019>

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

This information is information that Net Gaming Europe AB (publ) is required to disclose under the EU Market Abuse Regulation. The information was provided by the contact person above for publication on 20 February 2020 at 08.00 CET.

Consolidated Statement of Comprehensive Income

	01/10/2019 31/12/2019	01/10/2018 31/12/2018	01/01/2019 31/12/2019	01/01/2018 31/12/2018
<i>Amounts in EUR thousands</i>				
Revenue <i>notes 2, 3</i>	3,285	4,712	14,302	18,556
Total revenue	3,285	4,712	14,302	18,556
Capitalised work for own account	146	-	565	-
Other external expenses	-688	-665	-2,864	-3,081
Personnel expenses	-805	-740	-3,719	-3,155
Other operating income	-5	1	122	302
Other operating expenses	-19	-54	-49	-122
EBITDA	1,915	3,254	8,359	12,500
Depreciation/amortisation	-152	-135	-727	-343
Operating profit/loss (EBIT)	1,763	3,119	7,632	12,157
Profit/loss from financial items				
Interest and similar income	306	2	306	2
Interest and similar expenses	-764	-769	-2,999	-3,391
Impairment of financial assets	-	-660	-331	-660
Other financial items	-602	-20	708	265
Profit/loss from financial items	-1,060	-1,447	-2,317	-3,784
Profit/loss before tax	702	1,673	5,315	8,373
Tax on profit/loss for the year	-92	-147	-380	-581
Profit/loss for the period, continuing operations	610	1,525	4,934	7,792
Profit/loss for the period, discontinued operations	-	17	-	-150
Profit/loss for the period	610	1,542	4,934	7,642
Earnings per share, continuing operations (EUR)	0.008	0.020	0.065	0.107
Earnings per share after dilution, continuing operations (EUR)	0.008	0.020	0.065	0.107
Earnings per share (EUR)	0.008	0.020	0.065	0.105
Earnings per share after dilution (EUR)	0.008	0.020	0.065	0.105
Other comprehensive income, income and expenses recognised directly in equity				
Items that may be reclassified to profit or loss				
Exchange differences on translation of foreign operations	-15	-54	13	1,296
Other comprehensive income for the year	-15	-54	13	1,296
Total comprehensive income for the period	595	1,488	4,947	8,938

Consolidated Statement of Financial Position

Amounts in EUR thousands	31/12/2019	31/12/2018
Assets		
Non-current assets		
Goodwill	42,856	42,856
Other intangible assets	5,005	2,683
Right-of-use assets	366	-
Property, plant and equipment	193	224
Other non-current receivables	116	457
Deferred tax assets	156	536
Total non-current assets	48,692	46,756
Current assets		
Trade receivables	1,559	1,873
Other receivables	750	183
Prepayments and accrued income	167	135
Cash and cash equivalents	6,771	10,094
Total current assets	9,247	12,285
Total assets	57,939	59,041
Equity and liabilities		
Equity – note 4	26,062	21,120
Non-current liabilities and provisions		
Other non-current liabilities	-	35,877
Lease liabilities	213	-
Total non-current liabilities and provisions	213	35,877
Current liabilities		
Trade payables	266	760
Liabilities to Parent Company	356	347
Bond	29,276	-
Lease liabilities	152	-
Other liabilities	1,156	396
Accruals and deferred income	458	541
Total current liabilities	31,664	2,044
Total equity and liabilities	57,939	59,041

Consolidated Statement of Changes in Equity

<i>Amounts in EUR thousands</i>	<i>Share capital</i>	<i>Other paid-in capital</i>	<i>Reserves</i>	<i>Retained earnings incl. year's</i>	<i>Total equity</i>
Opening equity, 1 Jan 2018	1,773	8,726	1,113	-3,688	7,924
Set-off issue Mar 2018	25	935	-	-	960
Conversion to shares Mar 2018	67	1,098	-	-	1,165
Conversion to shares Jun 2018	42	678	-	-	720
Conversion to shares Jul 2018	79	1,281	-	-	1,360
Option proceeds received	-	42	-	-	42
Issue expenses	-	-1	-	-	-1
Share-based payments	-	12	-	-	12
Exchange rate changes in equity	-73	-347	279	141	-
Comprehensive income for	-	-	1,296	7,641	8,937
Closing equity, 31 Dec 2018	1,913	12,424	2,688	4,095	21,120
Opening equity, 1 Jan 2019	1,913	12,424	2,688	4,095	21,120
Share-based payments	-	15	-	-	15
Option proceeds received	-	17	-	-	17
Repayment of option proceeds	-	-42	-	-	-42
Comprehensive income for	-	-	27	4,324	4,351
Closing equity, 30 Sep 2019	1,913	12,414	2,715	8,418	25,461
Opening equity, 1 Oct 2019	1,913	12,414	2,715	8,418	25,461
Share-based payments	-	6	-	-	6
Comprehensive income for period	-	-	-15	610	595
Closing equity, 31 Dec 2019	1,913	12,420	2,700	9,029	26,062

Consolidated Cash Flow Statement

	01/10/2019 31/12/2019	01/10/2018 31/12/2018	01/01/2019 31/12/2019	01/01/2018 31/12/2018
<i>Amounts in EUR thousands</i>				
Operating activities				
Profit/loss before tax	702	1,689	5,315	8,223
Adjustments for non-cash items not included in operating activities				
- Depreciation and amortisation of assets	152	145	727	381
- Exchange gains/losses on financial receivables and liabilities	602	11	-708	-176
- Costs for share-based programmes	7	-10	21	12
- Gain/loss on sale of other assets	6	-1	-99	-302
- Reversal of impairment of financial assets	-	-139	-	-139
- Impairment of financial assets	-	664	331	664
Interest and similar expenses	764	769	2,999	3,391
Interest and similar income	-306	-2	-306	-2
Cash flow from changes in working capital				
Increase (-)/Decrease (+) in operating receivables	-156	175	271	80
Increase (+)/Decrease (-) in operating liabilities	-6	-13	-394	-928
Cash flow from operating activities	1,765	3,288	8,157	11,205
- <i>Of which from discontinued operations</i>	-	-450	-	-1,081
Investing activities				
Acquisition of interests in Group companies	-	-	-	-5,511
Acquisition of property, plant and equipment	-	-158	-49	-204
Acquisition of intangible assets	-223	-217	-2,502	-3,259
Sale of other assets	38	1	358	302
Cash flow from investing activities	-185	-374	-2,193	-8,672
- <i>Of which from discontinued operations</i>	-	-10	-	-44
Financing activities				
Received and repaid option proceeds	-	-	-23	42
Issue expenses	-	-	-	-1
Repurchase of bond loan	-5,959	-	-5,959	-
Interest paid	-603	-685	-2,583	-2,967
Interest received	-	2	-	2
Repayment of lease liabilities	-	-	-129	-
Cash flow from financing activities	-6,562	-683	-8,694	-2,924
- <i>Of which from discontinued operations</i>	-	-	-	-
Cash flow for period	-4,982	2,231	-2,730	-391
Cash & cash equivalents at beginning of period	11,707	8,848	10,094	11,687
Exchange differences	85	6	-30	-211
Reclassification from cash & cash equivalents to other current financial assets	-39	-991	-563	-991
Cash & cash equivalents at end of period	6,771	10,094	6,771	10,094

Income Statement – Parent Company

	01/10/2019 31/12/2019	01/10/2018 31/12/2018	01/01/2019 31/12/2019	01/01/2018 31/12/2018
<i>Amounts in EUR</i>				
Revenue	387	67	532	256
Total revenue	387	67	532	256
Operating expenses				
Other external expenses	-136	-146	-445	-538
Personnel expenses	-143	-57	-417	-198
Other operating expenses	-	-	-	-1
Other operating income	1	-	4	-
EBITDA	109	-136	-326	-481
Depreciation/amortisation	-	-	-11	-
Operating profit/loss	109	-136	-337	-481
Profit/loss from financial items				
Profit/loss from investments in Group	2,100	-2,264	7,800	-1,265
Other interest and similar income	343	62	376	335
Interest and similar expenses	-759	-769	-2,976	-3,391
Other financial items	-595	-22	718	193
Profit/loss after financial items	1,198	-3,129	5,581	-4,609
Tax on profit/loss for the year	-	-	-	25
Profit/loss for the year	1,198	-3,129	5,581	-4,584

Balance Sheet – Parent Company

	31/12/2019	31/12/2018
<i>Amounts in EUR thousands</i>		
Assets		
Total non-current assets	31,581	32,786
Total current assets	6,640	5,903
Total assets	38,221	38,689
Equity and liabilities		
Equity	7,726	2,149
Total non-current liabilities	-	35,877
Total current liabilities	30,495	663
Total equity and liabilities	38,221	38,689

Notes to the Group's interim report

1. Accounting policies

This interim report has been prepared in accordance with IAS 34. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, IFRS. For detailed information about accounting policies, see pages 40-45 of the Company's 2018 annual report and the notes in the report <http://www.netgaming.se/2019/04/23/net-gaming-publicerar-arsredovisning-for-2018/>.

Fair value of financial instruments

When determining the fair value of an asset or liability, the Group uses observable data as far as possible in accordance with IFRS 13. Fair value measurement is based on the fair value hierarchy, which categorises inputs into different levels. For detailed information, see page 44 of the 2018 annual report.

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 of SEK 308 million, which is measured at amortised cost. The bond corresponds to EUR 29,276 thousand using the closing rate on 31 December 2019. The bond's fair value measurement is classified as level 2 and is 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 2019, the Company did not have any other financial instruments categorised in level 2 or level 3 of the fair value hierarchy.

There were no transfers between levels during the first half of 2019 or in 2018.

New and amended accounting policies

Changed assessment of useful life of domain names

Net Gaming has historically amortised domain rights based on an estimated useful life of 8 years. During the first quarter of 2019, Net Gaming has reviewed the estimated useful life of domain rights and has concluded that they have an indefinite useful life. This conclusion is based on the assessment that, with ongoing maintenance and protection of the right, there is no foreseeable limit to the period over which it can be used, and an indefinite useful life is therefore considered a better reflection of its actual use.

This is reported as a changed assessment and estimate, with the effects reported prospectively, and does not therefore affect historically reported figures. The carrying amount of domain rights was EUR 2,832 thousand on 31 December 2019, compared with EUR 856 thousand on 31 December 2018.

Discontinued operations

As of 31 December 2018, gaming operations are classified as a discontinued operation and are not therefore included in the segment information, but are presented as an amount in the consolidated statements of comprehensive income. The Group's cash flow statements are presented with gaming operations included, but with additional information for certain lines. Where appropriate, comparative periods have been restated to reflect the non-inclusion of gaming operations in continuing operations.

Changed segment reporting

Segment information is presented from management's perspective and operating segments are identified based on the internal reporting to the Group's chief operating decision maker. The former operating segment gaming operations is classified as a discontinued operation as of 31 December 2018 and is not therefore included in the segment information. This leaves Net Gaming with only one remaining operating segment – affiliate operations – and as the Group's income statement and balance sheet consist virtually entirely of these affiliate operations, no separate segment information is presented with effect from Q1 2019.

IFRS 16 Leases

IFRS 16 introduces a “right-of-use model” and requires lessees to report virtually all leases in the balance sheet. This means that there is no classification into operating and finance leases. An exemption is allowed for leases with a lease term of 12 months or less and low-value leases. Depreciation of the right-of-use asset and interest on the lease liability are reported in the income statement. Net Gaming applies IFRS 16 with effect from 1 January 2019. Net Gaming has reviewed all leases and rental contracts. Net Gaming has chosen the simplified transition method, which means that a right-of-use asset is recognised at an amount corresponding to the lease liability at the date of initial application. Lease liabilities amount to EUR 238 thousand and right-of-use assets amount to EUR 238 thousand at the date of initial application (after adjustments for prepaid and accrued lease payments). The most significant leases are office rental agreements. Leases were extended in Q2, resulting in an increase in the values of lease liabilities and right-of-use assets. Net Gaming's assessment is that the interest it would have had to pay for a loan over the same period with the same collateral on the amount required to purchase a similar asset in a similar economic environment would be 5 percent for the underlying assets. The incremental borrowing rate has therefore been set at 5 percent.

At 31 December, the Group's leased assets totalled EUR 366 thousand, reported under Right-of-use assets. Lease liabilities were reported as follows: EUR 213 thousand under Non-current liabilities and EUR 152 thousand under Current liabilities. An interest cost of EUR 6 thousand and depreciation of EUR 39 thousand were recognised for the period October-December 2019. An interest cost of EUR 24 thousand and depreciation of EUR 156 thousand were recognised for the period January-December 2019. Lease liability repayments for the full year amounted to EUR 129 thousand, reported under Cash flow from financing activities. Lease liabilities of EUR 45 thousand for Q4 2019 were settled at the beginning of January 2020, which is a timing effect.

The Group as lessee

The Group assesses whether an arrangement is a lease or contains a lease at the commencement date. The Group reports a right-of-use asset and a corresponding lease liability for all leases where the Group is lessee. However, this does not apply to short-term leases (defined as leases with a lease term of 12 months or less) and leases where the underlying asset is of low value. For these leases, the Group recognises lease payments as an operating expense on a straight-line basis over the lease term, if no other systematic method better reflects how the economic benefits from the underlying asset are consumed by the lessee.

Right-of-use assets are depreciated over their estimated useful lives or over the agreed lease term if this is shorter. If a lease transfers ownership of the underlying asset at the end of the lease term or if the cost of the right-of-use asset reflects the Group's intention to exercise a purchase option, depreciation is applied over the useful life of the underlying asset. Depreciation begins on the lease's commencement date.

The lease liability is initially measured at the present value of the lease payments not paid at the commencement date, discounted using the interest rate implicit in the lease. If this interest rate cannot be readily determined, the Group uses the incremental borrowing rate. The incremental borrowing rate is the interest rate that a lessee would have to pay for loan financing over the same period with the same collateral for the right-of-use asset in a similar economic environment. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. These lease payments are recognised as an expense in the period in which they arise and are included under administrative expenses in the consolidated income statement.

Lease payments that are included in the measurement of the lease liability are as follows:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable payments that depend on an index or a rate, initially measured using the index or rate at the commencement date.

Both non-current and current lease liabilities are reported as separate items. The Group remeasures the lease liability (and makes a corresponding adjustment of the right-of-use asset) if:

- the lease term has changed or if there is a change in the assessment of an option to purchase the underlying asset. In these cases, the lease liability is remeasured by discounting the changed lease payments using a changed discount rate.
- the lease payments change as a result of changes to an index or rate, or a change to the amounts expected to be paid out under a residual value guarantee. In these cases, the lease liability is remeasured by discounting the changed lease payments using the initial discount rate (unless the changed lease payments are due to a change to the variable interest rate, in which case a changed discount rate is used instead).
- a lease is changed and the change is not reported as a separate lease. In these cases, the lease liability is remeasured by discounting the changed lease payments using a changed discount rate.

The Group has not made any such adjustments in the periods presented.

The Group applies IAS 36 *Impairment* to determine whether the right-of-use asset is impaired and reports any identified impairment in the same way as described for property, plant and equipment.

2. Organic revenue growth

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

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

Organic revenue growth - bridge Q4 2019

	01/10/2019	01/10/2019	01/10/2018	
<i>Amounts in EUR</i>	<i>31/12/2019</i>	<i>31/12/2019</i>	<i>31/12/2018</i>	<i>Deviation</i>
<i>thousands</i>	<i>Growth, %</i>	<i>Absolute figures</i>	<i>Absolute figures</i>	<i>Absolute figures</i>
Total growth, EUR	-30.3%	3,285	4,712	-1,427
Adjustment acquired and divested/discontinued	-0.1%	-10	-9	-1
Total growth in EUR, excl. acquisitions and discontinued operations	-30.4%	3,275	4,703	-1,428
Adjustment for constant currency	-0.4%	-	32	-32
Total organic sales growth	-30.8%	3,275	4,735	-1,460

Organic revenue growth - bridge Q4 2018

<i>Amounts in EUR thousands</i>	<i>01/10/2018 31/12/2018 Growth, %</i>	<i>01/10/2018 31/12/2018 Absolute figures</i>	<i>01/10/2017 31/12/2017 Absolute figures</i>	<i>Deviation Absolute figures</i>
Total growth, EUR	6.6%	4,712	4,419	293
Adjustment acquired and divested/discontinued	6.0%	-9	-410	401
Total growth in EUR, excl. acquisitions and discontinued operations	12.6%	4,703	4,009	694
Adjustment for constant currency	1.0%	32	-36	68
Total organic sales growth	13.6%	4,735	3,973	762

3. Revenue

The Group's revenue for Q4 2019 and the financial year ended 31 December 2019 was distributed as follows:

<i>Amounts in EUR thousands</i>	<i>01/10/2019 31/12/2019</i>	<i>01/10/2018 31/12/2018</i>	<i>01/01/2019 31/12/2019</i>	<i>01/01/2018 31/12/2018</i>
Revenue distribution by vertical				
Casino	2,408	4,079	11,433	15,868
Poker	468	516	1,936	2,147
Other verticals	409	117	933	541
Total revenue	3,285	4,712	14,302	18,556

Revenue attributable to Sweden in Q4 2019 amounted to 3% (2%). The corresponding amount for the full year 2019 was 2% (4%).

4. Acquisitions

In July 2019, Net Gaming acquired maxfreebets.co.uk, which together with bettingonline.co.uk will become the Group's betting flagship in the regulated UK betting market.

Net Gaming paid a purchase consideration of EUR 1.6 million. An additional consideration of up to EUR 0.6 million based on performance over the next 12 months may also apply. If the full additional consideration applies, this corresponds to an EBITDA multiple of about 3.4. The initial consideration was paid in cash from existing resources and the acquisition was finalised on 1 June 2019.

The acquisition is an asset acquisition, in accordance with IAS 38, whereby Net Gaming acquired assets in the form of domains/websites and affiliate contracts. The amortisation periods for the acquired assets are as follows: domains and goodwill (indefinite useful life, no amortisation), websites (3 years) and affiliate contracts (5 years).

5. Share-based payments

The Company has incentive programmes from 2017, 2018 and 2019 consisting of 850,000 warrants. The 2019 AGM adopted the introduction of a new incentive programme consisting of 250,000 warrants for Christian Käfling as the new Head of M&A.

The warrants were valued at SEK 0.73 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 6.64 per share. Subscription for shares based on the warrants may take place during the period 15 June - 15 July 2023. 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 maximum of EUR 6,324.62, divided into 250,000 shares corresponding to a dilutive effect of about 0.33 percent of share capital and votes in the Company.

The fair value on the grant date was calculated using the Black-Scholes valuation model. This method takes into account subscription price, share price on the grant date, term of the warrant, expected share price volatility, expected dividend yield and risk-free interest over the term of the warrant. The applied data in the Black-Scholes method was:

Subscription price: SEK 6.64, corresponding to 150% of Net Gaming's volume-weighted share price during the period 24 May – 10 June 2019.

Grant date: 10 June 2018

Expiration date: 15 July 2023

Share price on the grant date: SEK 4.32

Expected volatility in the Company's share price: 39%

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: -0.51%

In Q3 2019, the incentive programme consisting of 250,000 warrants for Gustav Vadenbring as CFO was cancelled and the warrants, with an original value of SEK 435 thousand, were repurchased. A new incentive programme for management is scheduled to be launched during the first half of 2020.

For share-based remuneration for 2017 and 2018, see note 17 on page 54 of the 2018 Annual Report.

The total reported cost associated with the above share-based programme, which is settled with equity instruments, is EUR 7 (-10) thousand for Q4 2019. The corresponding cost for the full year 2019 amounted to EUR 21 (12) thousand. The cost also includes the cost of social security contributions.

6. Related party transactions

There were no related party transactions that significantly affected the Company's earnings and financial position during the period. For information on related parties, see note 31 of the 2018 annual report.

7. 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.

<i>Amounts in EUR thousands</i>	Group		Parent Company	
	<i>31/12/2019</i>	<i>31/12/2018</i>	<i>31/12/2019</i>	<i>31/12/2018</i>
Net assets/Shares in subsidiaries pledged as collateral for bonds	49,956	51,361	31,581	31,586

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

8. Events after the end of the period

After the end of the quarter, the Company has launched BettingGuideNJ.com, the second of several planned niche sites in the United States. This launch, together with CasinoGuideNJ.com and the re-launch of Pokerlistings.com, creates good conditions in the US market.

Key figures and definitions

Key figures, Group

	01/10/2019 31/12/2019	01/10/2018 31/12/2018	01/01/2019 31/12/2019	01/01/2018 31/12/2018
EBITDA margin	58%	69%	58%	67%
Operating margin	54%	66%	53%	66%
Organic growth	-31%	14%	-25%	12%
Equity/assets ratio	45%	36%	45%	36%
Return on equity	2%	7%	21%	54%
Equity per share (EUR)	0.34	0.28	0.34	0.28
Number of registered shares at end of period	75,604,487	75,604,487	75,604,487	75,604,487
Weighted average number of shares before	75,604,487	75,604,487	75,604,487	72,476,411
Weighted average number of shares after dilution	75,604,487	75,604,487	75,604,487	72,476,411
Earnings per share after dilution, continuing operations	0.008	0.020	0.065	0.107
Market price per share at end of period (SEK)	4.01	9.78	4.01	9.78
EPS growth (%)	-60%	E/T	-39%	E/T

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.
Net debt/EBITDA ratio	Interest-bearing liabilities including accrued interest related to loan financing, convertibles, lease liabilities, excluding any additional consideration and deposits, and less cash, in relation to LTM EBITDA.
EPS growth	Percentage increase in earnings per share (after dilution) between periods.
NDC	The number of new customers making their first deposit with an iGaming (poker, casino, bingo, sports betting) operator. NDCs for the financial vertical are not included.
CPA	Cost Per Acquisition - revenue from "up-front payment" for each individual paying player that Net Gaming refers to its partners (usually the iGaming operator)
Revenue share	Revenue derived from "revenue share", which means that Net Gaming and the iGaming operator share the net gaming revenue that the player generates with the operator.