

# Company Description

Net Gaming Europe AB (publ)

Published according to First North Rulebook as part  
of Net Gaming Europe's application for bond listing on  
Nasdaq First North Stockholm on December 16, 2016



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# 1 – IMPORTANT INFORMATION

## Definitions

The "Group" refers to the group comprising Net Gaming Europe AB (publ) (corp. reg. no. 556693-7255) ("Net Gaming", the "Company" or the "Issuer") and its subsidiaries, Poker Loco Malta Ltd and HLM Malta Ltd ("HLM" or "Highlight" or the "Target Company" and together with HLM's subsidiaries, the "Target Group"). "Company Description" refers to the description of the company in question, which has been drawn up ahead of Net Gaming's bond listing on First North of its senior secured fixed rate bonds (the "Bonds").

## Important information for investors

Each investor should carefully consider information provided in the Company Description, particularly the factors referred to in the section Risk Factors, describing certain risks associated with an investment in Net Gaming Europe AB (publ). The Company Description has been written as a result of the present listing of the Company's bonds on First North. No new bond will be issued in connection with the listing and no prospectus will be registered at the Financial Supervisory Authority as a result of the listing. The Company Description does not constitute an invitation to acquire, subscribe to or in some other manner trade in shares or other securities in Net Gaming Europe AB (publ).

## Information from third parties

The Company Description contains historical and future-oriented information. In cases where the information has been obtained from third parties, the Company is responsible for ensuring that the information has been

reproduced correctly. To the best of the Company's knowledge, no information has been omitted in such a way that could make the information incorrect or misleading in relation to the original sources. However, the Company has not verified the figures, market data or other information that has been obtained from third parties. As a result, the Company's Board of Directors does not accept any responsibility for the completeness or accuracy of such information that is presented in the Company Description. This should be taken into consideration when reading such information.

## Nasdaq First North Disclaimer

Nasdaq First North is an alternative marketplace operated by an exchange within the Nasdaq group. Companies on Nasdaq First North are not subject to the same rules as companies on the regulated main market. Instead they are subject to a less extensive set of rules and regulations adjusted to small growth companies. The risk in investing in a Company on Nasdaq First North may therefore be higher than investing in a company on the main market. All Companies with shares or bonds traded on Nasdaq First North have a Certified Adviser who monitors that the rules are followed. The Exchange approves the application for admission to trading.

## Certified Adviser:

**WILDECO**

### Trading Information

ISIN code: SE SE0008348221

Short name Nasdaq: NETGAM\_01

Corporate website: <http://www.netgaming.se/>

### Financial calendar

Year-end report: 23 February 2017

2016 Annual Report: published during week 17 of 2017

Interim report Jan-Mar 2017: 18 May 2017

Annual General Meeting: 30 May 2017

Interim report Jan-Jun 2017: 24 August 2017

## 2 – KEY RISK FACTORS

Investing in the Bonds involves inherent risks. Several risk factors and uncertainties may adversely affect the Issuer and the Group. These risk factors include, but are not limited to, financial risks, technical risks, risks related to the business operations of the Group, risks related to the acquisition of Highlight, environmental and regulatory risks. If any of these or other risks or uncertainties actually occurs, the business, operating results and financial condition of the Group could be materially and adversely affected, which could have a material adverse effect on the Group's ability to meet its obligations. The risks presented herein are not exhaustive, and other risks not presently known to the Group, or that the Group currently deems immaterial, and therefore not discussed herein, may also adversely affect the Group and adversely affect the price of the Bonds and the Group's ability to service its debt obligations. Investors should consider carefully the information contained herein and make an independent evaluation before making an investment decision. The risk factors below are not ranked in any specific order and is only a summary of key risk factors.

### **Risks relating to the Group and the market**

#### *Compliance with existing laws, uncertainty regarding future legislation and political decisions*

The Group conducts their business in several countries. An international presence can involve situations that give rise to compliance risks as the Group must observe different regulatory systems across several jurisdictions. The Group's operations involve risks of failure to comply with laws, regulations and licenses which could have an adverse effect on the Group's business, financial position and results of operation.

The Group's operations are influenced to a considerable extent by political decisions and development in legislation. The legal situation for online gaming is continually changing in different geographical markets. National regulations are often in conflict with EU regulations, which creates an uncertain, and in some instances conflicting, legal situation. New interpretations and changes in the application of existing regulations can in combination with new laws have an adverse effect on the Group's operations, earnings or financial position.

#### *Technical risks associated with the market and changes in customer behaviour*

Should the Group fail to develop or purchase products and services that meet the customer demands or if they are unable to adapt to new technology on the market, there is a risk that the Group lose business and revenues to their competitors, which in turn could have an adverse effect on the Group's business, financial position or results of operations.

The gaming market is a highly debated industry and the industry is dependent on social acceptance. Factors contributing to the declining acceptance of gaming would have a negative effect on the whole gaming industry and thus affect the Group adversely.

#### *Intellectual property rights and preserving and enhancing its domains and brands*

The Group's success is in part dependent on the strength of their brand perception, in terms of developing new and existing relationships with customers. Given the importance of trademarks and domain names of the Group, there is a risk of their future success being impaired, should the Group fail to preserve and enhance their brand perception. If the Group is unsuccessful in preserving or enhancing their brand, there is a risk that this will limit the Group's ability to retain and extend its customer base, which could have a significant adverse effect on the Group's business, financial position and results of operations.

#### *Ability to capitalize on existing customers and dependency on key customers*

According to the management, the 10 largest customers represent approximately 58 per cent of the Group's turnover. Should the Group not be able to maintain its existing customers and otherwise capitalize on its customer base, it could result in decreased sales, which in turn could have an adverse effect on the Group's business, financial position and results of operation.

#### *Lack of written customer agreements*

The Group lacks formalised written customer agreements with a number of its customers. Lack of written agreements is common within this industry but could result in uncertainty as regards the applicable terms and conditions, e.g. with respect to duration of agreement and allocation of liability, and hence entails an increased risk exposure given that lack of clarity can be a driver for claims and disputes. There is a risk that the lack of written customer agreements has an adverse effect on the Group's business, financial position and results of operation.

#### *Cash management, anti-money laundering and fraud*

The Group handles a large number of financial deposits and payments within the ordinary course of business, and is therefore exposed to risks relating to money laundering and fraud. Should the Group fail to detect a fraud or money laundering activities by employees or customers, or is compelled to make a refund to an account because of, for example, a customer's bank or credit card is used by a third party, there is a risk that such refunds or similar payments

will have an adverse effect on the Group's business, financial position or results of operations.

*Risks associated with a high reliance on search engine optimizing*

The Group rely on generating traffic to their various websites in order to obtain customers, and this is accomplished through inter alia the use of search engine optimisation (SEO). SEO is the collective term for different methods used to ensure that a certain website is ranked as high as possible when an internet user searches for specific keywords using search engines. The Group and the Target Group are highly reliant on maintaining an effective SEO, and as a result the Group and the Target Group have to offer websites with high quality content that rank highly in search engine results such as results on Google, Bing or Yahoo. When Google, Bing, Yahoo! or other such search engines introduce new algorithms, affecting the ranking of websites in their search engine results, there is a risk that the Group and the Target Group will have to revise their online marketing strategies and alter their websites to make them compatible with the changes brought about by the algorithms. While most of these changes are minor, some of the algorithmic updates affect search engine results in significant ways. Moreover, there is a risk that Google, Bing, Yahoo! or other such search engines could issue warnings or penalties in the form of lower rankings for websites that strategically circumvent the algorithms. Certain domains held by the Target Group have been penalized with restrictions by Google. If the Group or the Target Group fail to maintain an effective SEO and adjust their websites and marketing to new algorithms, this could have an adverse effect on the Group's and the Target Group's business, earnings or financial position. Further there is a risk that search engines such as Google, Bing and Yahoo will change or extend their operations to include services that are directly competing with the Group's and the Target Group's services. There is also a risk that the search engines will implement strategies that are aimed at preventing SEO, which will affect the Group and the Target Group. Google, Bing and Yahoo dominate the search engine market and have significantly larger financial resources than the Group and the Target Group, which means that the Group and the Target Group will have limited possibilities (if any) to prevent such a development. Such a development could have an adverse effect on the Group's and the Target Group's business, earnings or financial position. If the online gaming market is re-regulated, as it has been in e.g. the United Kingdom, companies operating on this market, e.g. the Group and indirectly the Target Group, will be able to use pay-per-click advertising in the course of their marketing. Because of this, there is a risk

that the competition will increase in relation to obtaining high rankings in search engine results.

*Compliance with existing laws and regulations*

The Group conducts its business in several countries. An international presence can involve situations that give rise to compliance risks as the Group must observe different regulatory systems across a number of jurisdictions. The Group's operations involve risks of failure to comply with laws, regulations and licenses which could have an adverse effect on the Group's business, financial position and results of operation.

In certain countries, it is prohibited to provide online gaming services, and in some cases customers are prohibited from participating in online gaming activities even though the gaming operator is located in a country where it has legally been granted a license. In order to comply with relevant local legislation, the Group do not make any direct marketing of its business in these countries. Instead, the customer must actively search for and find the Group's websites in those countries. Nevertheless, there is no guarantee that authorities or courts in such countries would assess the Group's non-marketing activities to be sufficient in case customers in such countries access the services of the Group. Therefore, there is a risk that that national authorities or courts would try to fine or otherwise sanction the Group. This could have an adverse effect on the Group's business, earnings or financial position.

In June 2015, the regulatory body of the state of New Jersey sent a letter to the Target Group company Rock Intention Malta Ltd stating that no legal action will be taken against the company if it seized promoting unlicensed online operators to U.S. customers prior to November 2015. The Target Group seized all such promotion prior to 1 November 2015 with regard to business conducted through PokerListings. However, promotion of unlicensed online gaming operators directed at U.S. customers is conducted through other websites. Thus, there is a risk that the Target Group will be subject to legal proceedings in the U.S with regard to the promotion of unlicensed gaming operators in New Jersey.

*There is a risk that the Group and the Target Group do not succeed in preserving and enhancing their brands*

The Group's success is in part dependent on the strength of their brand perception. The Group's brands put the Group at a competitive advantage in terms of the development of new and existing relationships with customers. The future success of the Group will be dependent on their ability and efforts to preserve and enhance their brands and given the importance of trademarks and domain names of the Group, there is a risk that their future success is impaired, should the Group fail to build and maintain their brand

perception. Further there is a risk that any other measures taken by the Group to preserve and enhance their brands, will be unsuccessful, or that the brand will be damaged if a third-party acts in such a way which has an adverse effect on the Group. If the Group is unsuccessful in preserving or enhancing its brand, there is a risk that this will limit the Group's ability to retain and extend its customer base, which could have a significant adverse effect on the Group's business, financial position and results of operations.

A decline in the market appeal of the Group (including its brands) could possibly derive from, amongst other things, a poor product offering, negative publicity concerning the brands or the gaming market in general (whether or not it is justifiable) or lack of investments in the products in order to keep them updated and attractive for the customers. This could have an adverse effect on the Group's business, financial position or results of operations.

#### *Tax related risks*

There is uncertainty surrounding the deductibility of the IPR costs claimed by the Target Group during the financial years 2011-2014 for Malta tax purposes, which could impact the tax losses brought forward for 2014-2015. If the Commissioner for Revenue challenges this, the potential tax exposure for the financial years 2011-2015 amounts to approximately USD 9 million, including interest on the late payment of tax and additional tax. Further, certain recapitulative statements have not been submitted to the VAT department and part of the turnover has not been declared for VAT purposes. This can lead to VAT liability and repercussions from the VAT department.

#### *Risk relating to the Group's IT-systems and gaming platforms*

The Group has developed its own online gaming platform, which is integrated with different gaming suppliers. Like all online services, the Group's systems can suffer from downtime, which can result from causes both within and beyond the Group's control. In the event of downtime, the Group's sites or products can be partially or completely inaccessible to end users, which has an impact on the Group's earnings. Potential interference, cyber-attacks or technical problems with the Group's servers could also result in a loss of earnings, reduced confidence in the Group, and possibly claims for damages.

The Group has to some extent used open source code when developing its online platform. There is a risk that the Group must disclose its source code to any third party requesting it, due to e.g. such kind of licenses being applicable, and that such third parties will come to use the source code. This could have an adverse effect on the Group's business, earnings or financial position.

#### *Technical risks associated with the market and changes in customer behaviour*

In order to maintain the high popularity of the offered products and services, which is important for attracting and retaining customers, there is a need to update the products and services provided (including the technical platforms and systems) on an ongoing basis. There are changes in customer behaviour and preferences over time, which require updated offerings by the Group. A challenge is thus to follow the changes in customer behaviour and to adapt the services to meet the customers' demands. Should the Group fail to develop or purchase products and services that meet the customer demands, there is a risk that the Group lose business and revenues to their competitors, which in turn could have an adverse effect on the Group's business, financial position or results of operations.

There is furthermore a risk that the Group would need to allocate considerable resources to upgrade and replace their current technology systems if new technology is introduced on the market. If the Group is unable to adapt to these technological advances in a cost effective and prompt way, there is a risk that this has an adverse effect on the Group's business, earnings or financial position.

#### **Risk relating to the acquisition of Highlight**

##### *Risks related to the acquisition and limited contractual protection*

Following the acquisition of the Target Group (the "Acquisition"), the Target Group will provide a substantial part of the turnover of the Group. From a risk perspective, this means that the Group is highly dependent on the future success of the Target Group. The Group is faced with the challenge of producing synergies from the Acquisition. There is a risk that the Group may fail in its plans to create synergies and there is also a risk that the integration becomes more burdensome and difficult than what management has predicted. If such problems arise, there is a risk that it will have an adverse effect on the Group's business, earnings or financial position.

The share purchase agreement regarding the Acquisition (the "SPA") gives the Group a limited contractual protection in the case of any breach under the warranties in the SPA or any other covenant set out in the SPA. There is a risk that potential claims under the SPA will not be covered and hence have a negative effect on the Group's business and financial position.

##### *Limited due diligence*

Only a limited legal due diligence review was conducted in connection with the Acquisition, the issuance of the Bonds and the preparation of these risk factors. Thus, there is a

possibility that risks relating to the Group and the Target Group, their business and their legal structure are not disclosed in these risk factors.

### **Financial risks**

#### *Credit risk and refinancing risk*

Investors in the Bonds carry a credit risk relating to the Group. The investor's ability to receive payment under the Bonds is therefore dependent on the Group's ability to meet its payment obligations. The Issuer's ability to successfully refinance its debts is dependent on the conditions of the debt capital markets and its financial condition at such time. Even if the debt capital markets improve, the Issuer's access to financing sources may not be available on favourable terms, or at all.

#### *Refinancing risk*

There is a risk that the Issuer could be required to refinance certain or all of its outstanding debt, including the Bonds. The Issuer's ability to successfully refinance its debts is dependent on the conditions of the debt capital markets and its financial condition at such time. There is a risk that even if the debt capital markets improve, the Issuer's access to financing sources will not be available on favourable terms, or at all. The Issuer's inability to refinance its debt obligations on favourable terms, or at all, could have a material adverse effect on the Group's ability to repay the principal amount of the Bonds at maturity of the bondholders' recovery under the Bonds.

#### *Security and guarantees granted to secure the Bonds may be insufficient*

The Group's obligations under the Bonds are secured by the transaction security (as set out in the terms and conditions governing the Bonds) and guaranteed by the Guarantors (as defined in the terms and conditions governing the Bonds). There is a risk that the pledged assets will be insufficient for the bondholders should the pledges be realised. Save for the transaction security, the Bonds represent unsecured obligations of the Issuer which means that in the event of bankruptcy, reorganisation or winding-up of the Issuer, the holders of the Bonds normally receive payment after any priority creditors have been paid in full. Each investor should be aware that there is a risk that an investor in the Bonds may lose all or part of their investment if the Issuer or the Group is declared bankrupt, carries out a reorganisation or is wound-up.

#### *Unenforceability of security etc.*

Transaction security granted by subsidiaries to the Issuer may be unenforceable if (or to the extent), for example, the

granting of the security was considered to be economically unjustified for such subsidiaries (corporate benefit requirement). The transaction security may not be perfected if the security agent or the relevant security provider is not able to or does not take the actions necessary to perfect or maintain the perfection. Such failure may result in the invalidity of the relevant transaction security or adversely affect the priority of such security interest. The Issuer and the subsidiaries may subject to certain limitations from time to time incur additional financial indebtedness and provide additional security for such indebtedness. In the event of bankruptcy, re-organization or winding-up of the Issuer, the bondholders will be subordinated in right of payment out of the assets being subject to security.

#### *Ability to service debt*

The Issuer's ability to service its debt under the Bonds is depend upon, among other things, the Group's future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, some of which are beyond the Group's control. If the Group's operating income is not sufficient to service its current or future indebtedness, the Group will be forced to take actions such as reducing or delaying its business activities, acquisitions, investments or capital expenditures, selling assets, restructuring or refinancing its debt or seeking additional equity capital. The Group may not be able to affect any of these remedies on satisfactory terms, or at all.

#### *No action against the Issuer and bondholders' representation*

In accordance with the terms and conditions governing the Bonds, the bond trustee represent all bondholders in all matters relating to the Bonds and the bondholders are prevented from taking actions on their own against the Issuer. Consequently, individual bondholders do not have the right to take legal actions to declare any default by claiming any payment from or enforcing any security granted by the Issuer and may therefore lack effective remedies unless and until a requisite majority of the bondholders agree to take such action.

#### *The Issuer is dependent on its subsidiaries*

A significant part of the Group's assets and revenues relate to the Issuer's subsidiaries. Accordingly, the Issuer is dependent upon receipt of sufficient income related to the operation of and the ownership in the subsidiaries to enable it to make payments under the Bonds. The Issuer's subsidiaries are legally separate and distinct from the Issuer and have no obligation to pay amounts due with respect to the Issuer's obligations and commitments, including the



Bonds, or to make funds available for such payments. The ability of the Issuer's subsidiaries to make such payments to the Issuer is subject to, among other things, the availability of funds. Should the Issuer not receive sufficient income from its subsidiaries, the investor's ability to receive payment under the terms and conditions for the Bonds may be adversely affected.

*Insolvency of subsidiaries and structural subordination*

In the event of insolvency, liquidation or a similar event relating to one of the Issuer's subsidiaries, all creditors of such subsidiary would be entitled to payment in full out of the assets of such company before the Issuer, as a shareholder, would be entitled to any payments. Defaults by, or the insolvency of, subsidiaries of the Issuer could result in the obligation of the Issuer to make payments under financial or performance guarantees in respect of such companies' obligations or the occurrence of cross defaults on certain borrowings of the Group. The Issuer and its assets would not be protected from any actions by the creditors of a subsidiary, whether under bankruptcy law, by contract or otherwise.

Further, the Group operates in various jurisdictions and in the event of bankruptcy, insolvency, liquidation, dissolution, reorganization or similar proceedings involving the Issuer or any of its subsidiaries, bankruptcy laws other than those of Sweden could apply. The outcome of insolvency proceedings in foreign jurisdictions is difficult to predict and could therefore have a material and adverse effect on the potential recovery in such proceedings.

## 3 – BACKGROUND AND OBJECTIVES

### Introduction to the Group

Net Gaming is a public limited liability company, whose shares are listed on the Swedish multilateral trading facility AktieTorget. Net Gaming and its subsidiaries are focusing on operating activities primarily within the online casino and online poker sectors. Net Gaming was founded in 2005 and is headquartered in Stockholm, Sweden, whereas the operating holding subsidiary is based in Gżira, Malta. Net Gaming is a leading provider of high-value iGaming leads, via its newly acquired subsidiary Highlight. Net Gaming's other subsidiary, Poker Loco Malta Ltd, is an iGaming oper-

ator currently focusing operational activities on two brands: (i) PokerLoco, an online poker operator active worldwide, and (ii) CasinoLoco, an online casino operator catering to customers globally. Net Gaming currently has a gambling license in Curacao. Total number of registered customers amount to approximately one million. The overarching business idea for Net Gaming is to invest in and continue to develop fast growing companies in the online segment. A key step in achieving this strategy is the acquisition of Highlight.

### History of Net Gaming

2005	<ul style="list-style-type: none"> <li>Launched Eurobet.com brand as a franchise within the Nordic countries</li> <li>Philip Linde was the CEO at that time.</li> </ul>
2007	<ul style="list-style-type: none"> <li>Launched own brand FishNChips.com</li> </ul>
2009	<ul style="list-style-type: none"> <li>Acquired Stingbet.com, changed name to Stingbet Holding AB</li> <li>Gustaf Hagman appointed new CEO.</li> <li>Listed on AktieTorget</li> <li>Acquired a number of smaller brands</li> </ul>
2010	<ul style="list-style-type: none"> <li>Acquired a number of smaller brands</li> </ul>
2011	<ul style="list-style-type: none"> <li>Acquired PokerLoco.com, a niche poker site founded in 2005 with a strong Latin American focus</li> <li>Jakob Kegel succeeded Gustaf Hagman as CEO.</li> </ul>
2012	<ul style="list-style-type: none"> <li>Marcus Teilman Appointed CEO</li> </ul>
2013	<ul style="list-style-type: none"> <li>Launched new brand CasinoLoco.com that was developed in-house as a development of PokerLoco.com</li> </ul>
2014	<ul style="list-style-type: none"> <li>Switched poker network from Ogame to Microgaming</li> <li>Launched in-house developed platform on own gaming license – allowing for better localised websites and more payment options for customers</li> <li>Integrated over 400 additional casino games developed by Microgaming</li> </ul>
2015	<ul style="list-style-type: none"> <li>Launched Live Casino; new product from gaming developers Ezugi and Netent that will improve playing experience for casino customers and improve the competitive position of Net Gaming</li> <li>The gaming brands surpassed 975,000 registered customers</li> </ul>
2016	<ul style="list-style-type: none"> <li>Completed the acquisition of Highlight</li> </ul>

Net Gaming was founded in 2005 and initially focused on operating several smaller online gambling brands, including eurobet.com in the Nordic region and stingbet.com. The company was listed on the multilateral trading facility Aktietorget in 2009, with a plan to offer shares in the company in lieu of cash bonuses for winning players. The plan, however, did not materialise due to the financial crisis and its dampening effect on market valuations.

The current structure and strategy of the group materialised in 2011 as the niche poker site PokerLoco was acquired. The domain was acquired from PokerLoco Nordic S.A., who launched the website in 2005 with a clear focus on the

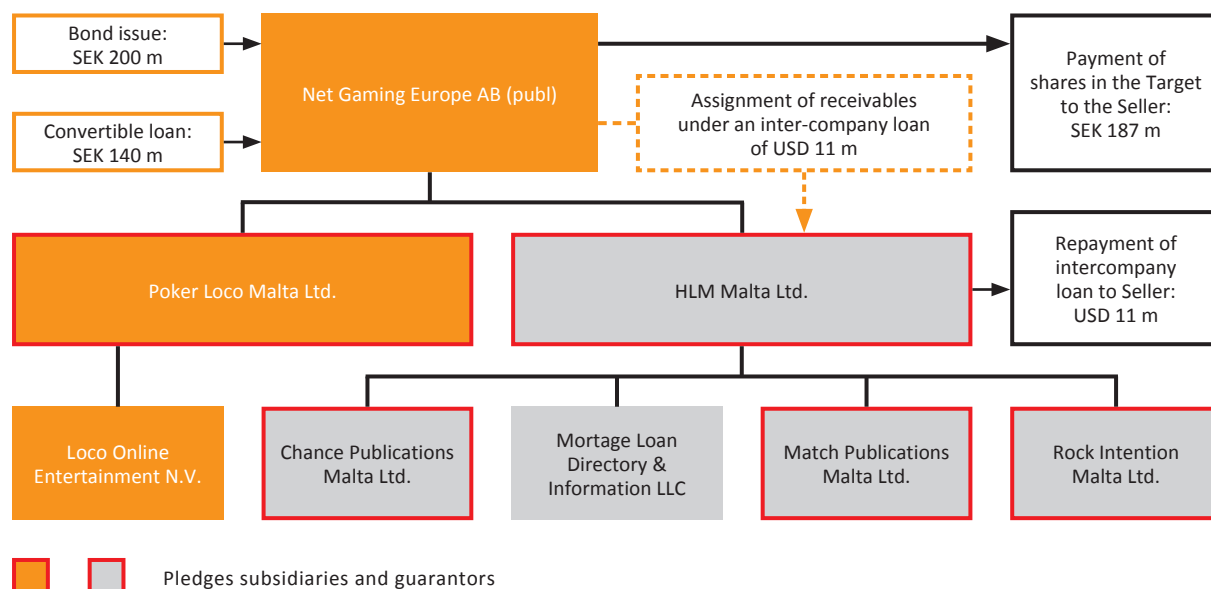
Latin American market from onset. Leveraging the strong brand of PokerLoco, Net Gaming launched CasinoLoco 2013, a niche site offering casino games worldwide. Since CasinoLoco was established, Net Gaming has focused almost exclusively on developing the two sites CasinoLoco and PokerLoco, both in terms of contents for existing sites, and for expanding into new geographical markets. Notable examples of improving the content has been adding approximately 400 new casino games during 2014 for the CasinoLoco homepage, and launching Live Casino in 2015 which allows the player to bet against a live croupier on a streaming video feed.

### The acquisition of Highlight Media Group

On July 6 2016, Net Gaming entered into a share purchase agreement with Highlight Media Holdings Ltd regarding the acquisition of the shares in Highlight, and indirectly the Target Group (the “Acquisition”). The Acquisition was completed on 14 October 2016, in connection with Net Gaming’s issuance of Bonds. The SEK 280 million initial

consideration for the Acquisition was financed partly by a convertible loan taken up by Net Gaming, and partly by the proceeds from the Bond issue. Of the initial consideration of SEK 280 million, approximately USD 11 million (corresponding to SEK 93 million as of 31 December 2015) was lent from Net Gaming to Highlight in order for Highlight to repay an existing loan from the seller.

### Transaction structure:



### Security structure:

The Bonds are secured by (i) guarantees granted by HLM, Poker Loco Malta Ltd., Chance Publications Malta Ltd., Match Publications Malta Ltd. and Rock Intention Malta Ltd., (ii) security granted over the shares issued in each of the guarantors, and (iii) assignment of receivables under a USD 11 million inter-company loan granted to HLM.

**The liability statement of the Board of Directors**

We declare that, to the best of our knowledge, the information provided in the Company Description is accurate and that, to the best of our knowledge, the Company Description is not subject to any omissions that may serve to

distort the picture the Company Description is to provide, and that all relevant information in the minutes of board meetings, auditors' records and other internal documents is included in the Company Description.

Henrik Kvik  
*Chairman of the Board of Directors*

Marcus Teilman  
*Board member*

Tobias Fagerlund  
*Board member*

Jonas Bertilsson  
*Board member*

Jonas Söderqvist  
*Board member*

## 4 – STATEMENT FROM THE CEO

Net Gaming has a long history within the gaming sector. Already in 2005 we launched eurobet.com on the Nordic market as a franchise and later acquired PokerLoco and in 2013 we launched CasinoLoco that was developed entirely in-house.

Since the beginning Net Gaming has lacked presence in the performance based digital marketing sector and iGaming, that is often called lead generation for directing traffic to our gaming platforms and thereby generating revenues.

During 2016 Net Gaming has had a dialogue with Highlight with the goal to complete an acquisition of the company. Highlight is a pioneer in lead generation for iGaming and was founded back in 2003. It currently operates over 100 different sites around the world and is active in over 30 markets. The traffic that Highlight delivers to customers, gaming companies (operators), is of a very high quality and it is our assessment that the value of the traffic, i.e. leads, is one of the highest in the industry. An agreement to acquire the company was finally reached on July 6, 2016.

To finance parts of the acquisition Net Gaming launched a 200 million SEK bond in October 2016 and the transaction was completed on 14 October 2016. This marks the start of a new era for Net Gaming as a group of companies.

The acquisition of Highlight makes Net Gaming a strong player in performance-based digital marketing with a strong focus within iGaming, also known as lead generation. Other major players in the same area include Catena Media and Game Lounge, and we can now seriously compete with them.

The acquisition brings an organisation considerable knowledge of the industry, and with a consistent, data-driven approach, we can create new growth opportunities in new markets and new verticals – both within iGaming and other interesting online verticals.

As this is a significant and very important acquisition for the group I will for the next year or so be based in Malta to work on the integration of our different businesses and also secure that all the different highly skilled specialist are working towards our common goal.



Net Gaming possesses detailed knowledge of Highlight's visitors, i.e. the end customers (players) who visit the operators' websites, and with this knowledge we can add a further dimension of development and strength to Highlight's core business. The next step will therefore be to launch some new niched websites on key markets that we think will have a further positive impact on our revenues in 2017.

I am naturally very proud that Net Gaming now has successfully acquired Highlight, one of the leaders in the industry with operations that generate stable cash flows, and which is well equipped for further growth.

As already mentioned, Net Gaming will consolidate Highlight's cash flow and earnings as from the 4th Quarter 2016, and thereby included in the year-end report issued in February 2017. With Highlight showing positive development over the year, I am looking forward to summarising the fourth quarter, with continuing profit growth. We have many interesting growth paths, both in terms of markets and verticals.

Marcus Teilman,  
*Chief Executive Officer*

## 5 – MARKET OVERVIEW

### Overview of the online gaming market

The total gambling market can be divided into land based gambling and online gambling. The online gambling market, also referred to as iGaming, is the fastest growing market of the two, albeit land based casinos and lotteries still dominate the gambling landscape with an estimated value of USD 353bn in 2015 compared with USD 38bn for iGaming.<sup>1</sup>

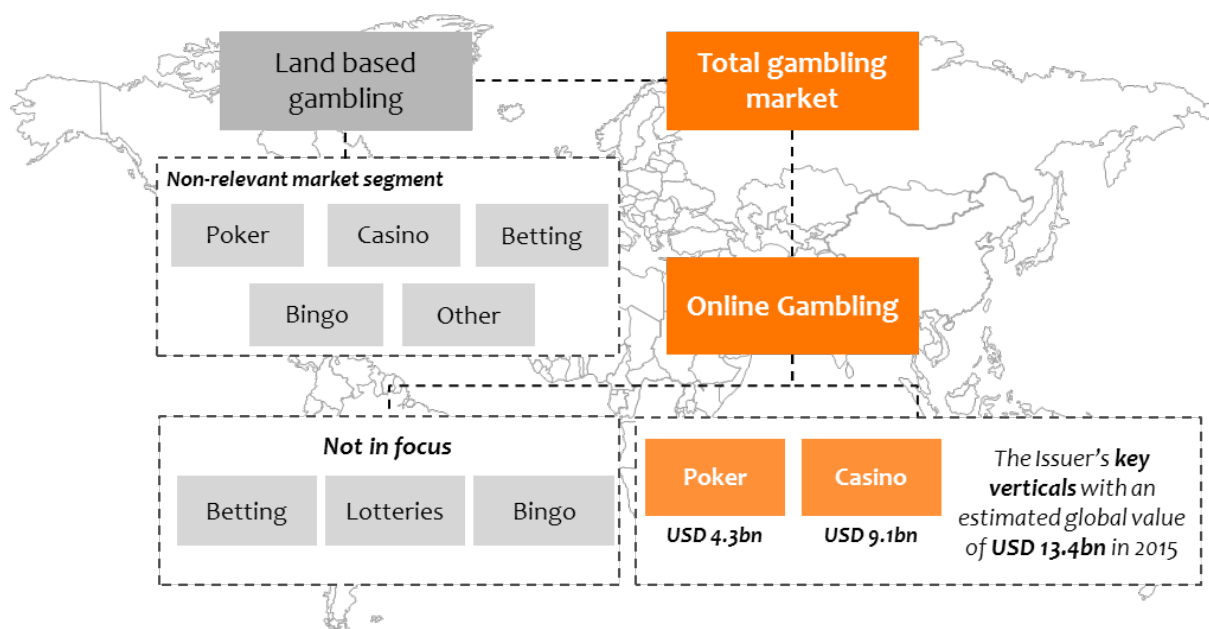
Online Gambling can be separated into five prime product verticals, each with its own business model and characteristics:

- Online poker
- Online casino
- Sports betting
- Online Bingo
- Online lottery

The largest segment of the online gambling market is sport betting with an estimated market share of over 50 per cent followed by casino and poker with 25 and 15 per cent market shares, respectively. Bingo is the smallest segment and accounts for approximately 7 per cent of the online gambling market. Lotteries are in the majority of cases government-sponsored lotteries.

The Issuer's key verticals are online poker and online casino; hence this industry and market overview chapter will primarily focus on describing the overall market characteristics and development of the verticals.

### The global land based and online gambling market



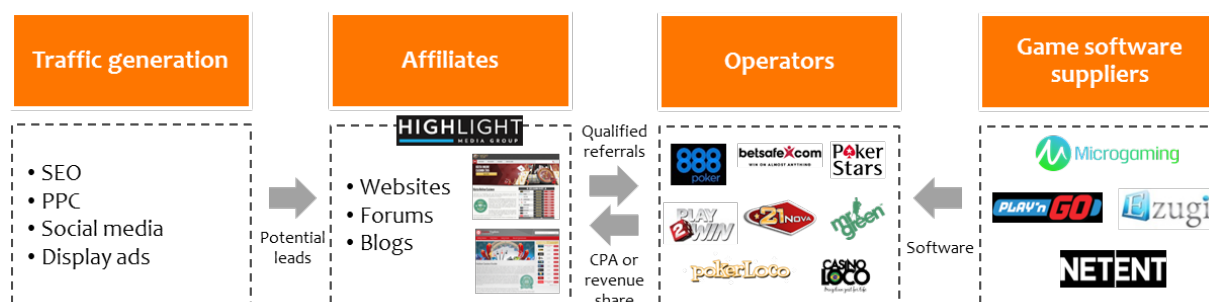
<sup>1</sup> Source: H2GC as of June 2014 & Amaya Gaming Group

## Market participants

The participants within the iGaming market are divided into four categories; gambling operators, lead generators (affiliates), players, and software suppliers. Gambling operators typically build websites with games, be that of poker platforms, casino games, and betting scripts depending on the specific niche of said websites, which are supplied by third party software suppliers. To attract players the opera-

tors use both online and offline marketing channels to build their brand and direct traffic to its sites. Operators typically partner with affiliates, such as Highlight, primarily to attract new customers, and to lesser extent promote their brands, products, and services. The use of affiliates has become a key marketing strategy and an integrated part of this highly fragmented industry, mainly due to the predictable cost of acquiring customers.

### Overview of the market participants



## 6 – BUSINESS OVERVIEW

The Group is active in the iGaming and online lead generation industries through Highlight and PokerLoco, respectively.

Highlight	PokerLoco
92% of revenue	8% of revenue
Online lead generator, primarily focused on the online gambling subsectors poker and casino, and to a lesser extent the business segments mortgage loans and web hosting.	Online gambling operator of poker and casino games, primarily active through the brands PokerLoco and CasinoLoco.
Founded in 2003 with corporate headquarters in Gżira, Malta.	Founded in 2005 with operational headquarters in Gżira, Malta.

### Business overview – Net Gaming

**Business idea:** Net Gaming's business idea is to invest and continue to develop fast growing companies in the online segment

**Goal:** To generate long-term revenue and profit growth in a responsible way via subsidiaries, in order to maximize the shareholders' value. Net Gaming should grow faster than the market within the online gambling segment.

#### Strategy

To grow organically or through acquisitions both within and outside Europe. Targeted companies should be gaming operators with stable business fundamentals and cash flow generation, or enable tangible synergies with the existing business operations. In addition, a larger company size will allow for cost saving in terms of negotiations with suppliers, etc.

- Publicly listed: a professional approach towards customers even if the company is a small online gambling operator

### Business Overview - PokerLoco

- Large product offering: the current offering rivals that of much larger online gambling operators, including Betsson, LeoVegas, MrGreen, and Unibet
- Fast growing operator: high probability that new customers that have current accounts with the big operators will register an account at the PokerLoco's sites due to similar offerings coupled with higher level of customer service and the possibility to offer welcome bonuses to new players
- Technology: the in-house developed technological platform is customisable and allows for highly localised websites and incorporation of potential target companies' operating sites
- Business development: ability to grow with existing sites, develop new brands, and roll-out existing brands in new markets.



### Competitive landscape

The Group categorises PokerLoco as a medium-sized iGaming operator in the online poker segment, and a challenger in the online casino segment. PokerLoco is currently in a growth phase in all present markets, and is aiming to launch into new markets with its existing brands, acquire new brands, and to develop additional brands in-house. In the near future, the Group believes that it can compete with larger iGaming operators on selected markets, which includes companies like Betsson, LeoVegas, MrGreen, and Unibet in the Nordic market. The iGaming market as a whole is diversified, categorised by a number of large global iGaming operators and numerous smaller and local iGaming operators.

Barriers to entry in the iGaming sector are relatively low. There is a plethora of suppliers of technological platforms and games that are needed for an online gambling website. These suppliers often charge a per cent of total revenues with no fixed costs, minimising the amount of capital needed to launch a new company in the sector. In order to reach a substantial size, however, substantial capital and a strong organisational structure and know-how is needed in order to attract a substantial customer base.



#### *Core product offerings*

PokerLoco is an online gaming operator, focusing on casino and poker games. The iGaming operations are concentrated to the brands PokerLoco for poker games and CasinoLoco for casino games. PokerLoco has a worldwide geographical focus with historical concentration to Latin America and the Nordics.

The main business operations are carried out by PokerLoco Malta Ltd, which is located in Gżira, Malta. A small and decision-driven employee organisation of approximately nine full time employees operates the company on a day to day basis on Malta with a company culture that emphasises hard-work and result achievability. The strong emphasis on quick decision routes and decentralisation enables the company to deliver new and innovative products whilst being early adapters of new games and technologies. PokerLoco has developed a technical platform for the websites in-house, further improving the adaption of new brands, products, and localised websites for new local markets around the globe. Implementing the current brands on new markets through localised websites is in particular an efficient route for improving revenue and profitability growth. PokerLoco operates its brands under a gaming license in Curacao.

CasinoLoco was founded in 2013 by PokerLoco in order to expand into the online casino segment and leverage the strong market position of the PokerLoco brand. The goal has consistently been to become a strong player in the Nordic region.

#### **Business overview – Highlight**

##### *Introduction and business model*

Highlight was founded in 2003 and is a leading player within iGaming lead generation and internet marketing sectors, dedicated to direct end-users through online and mobile channels to the customers' websites. In addition to the main targeted segments of online poker and online casino, the Group is also targeting the mortgage loan and web-hosting sectors.

Highlight has a well-established network of over 100 active websites, as of the date of this Company Description, across 30 countries offering marketing services through four verticals; Poker, Casino, Mortgage Loans, and Web Hosting. Through its extensive network of sites, the Group is generating large volumes of potential leads to its customers' websites, who in turn, converts them into paying customers.

##### *Strategy*

Highlight operates a number of websites that attract visitors interested in iGaming through SEO (Search Engine Optimisation) for mainly new visitors and retains recurring

visitors through continuous updates of the websites with high quality contents. Visitors that are interested in finding an iGaming webpage can browse rankings and guides of numerous providers that have partnered with Highlight. A visitor becomes a lead as they click on a link and is directed to a partner website (iGaming operator). The lead is then prompted to sign up for an account at the partner website, thereby becoming a sign up. The last step of the lead generation process is concluded as the sign-up completes the first deposit. Highlight is then typically awarded with revenues from the partner website through the revenue models CPA and revenue share. Some other famous online lead generators are for example hotels.com, Skyscanner and Pricerunner, who are all active in other sectors outside iGaming.

##### *Competitive landscape*

The Group believes that Highlight is one of the leading online affiliates with a focus on the iGaming market in its core geographies. The competitive landscape for Highlight includes to a lesser extent large and global affiliate companies like Catena Media, Game Lounge and RakeTech, and companies active within substituting advertisement sectors, including online advertisement, television commercials, and sponsorship of sport teams, etc. Therefore, the Group's primary challenge is to increase its share of the iGaming operators' aggregate marketing budgets, and to a lesser extent compete head-to-head with direct competitors within the affiliate industry. When markets are re-regulated, the total spending on marketing is expected to increase. Compared to the indirect competitors, including TV, print and radio, the affiliates enjoy a competitive edge by offering performance-based pricing models where payment is based on the number of new actively playing customers, which is highly appreciated by the iGaming operators who can minimise risks and gain better visibility in profitability levels.

The main competitors of Highlight are other global affiliates such as PokerNews and PokerStrategy for the Poker vertical and Catena Media, XL Media, and RakeTech for the Casino vertical. The local markets are highly fragmented with several smaller size affiliates. The market is currently undergoing a wave of consolidation by the large affiliates in order to increase their market shares.

##### *Core product offerings*

Highlight is operating an extensive network of a wide range of name brands with European and Dotcom (.com) poker domains including PokerListings, one of the world's most complete and interactive poker guides online. The Poker vertical accounts for the majority of Highlight's revenues and monetises on the share of its traffic that becomes real



## Competitive Player with 10 years experience

money players at the customers' poker sites. The Casino vertical has many brands with purely traffic driven casino websites offering comprehensive guides with reviews of the largest casino rooms and daily articles with the aim to generate leads for customers.

### *Customer overview*

All of Highlight's lead generation services are sold to companies active in the online gambling, mortgage loans-, and web hosting industries. The customer base consists of market leading and loyal companies which provide a high degree of repeat business. Customers value lead generators that have a worldwide presence, in order to allow for a single point of contact and billing, and provide a large number of high quality leads that have a high probability to convert into paying customers. In response to these needs, Highlight is constantly expanding its brands to new geographical regions and constantly monitors KPIs and improves site

content in order to attract more leads and to increase the likelihood of leads to become paying players.

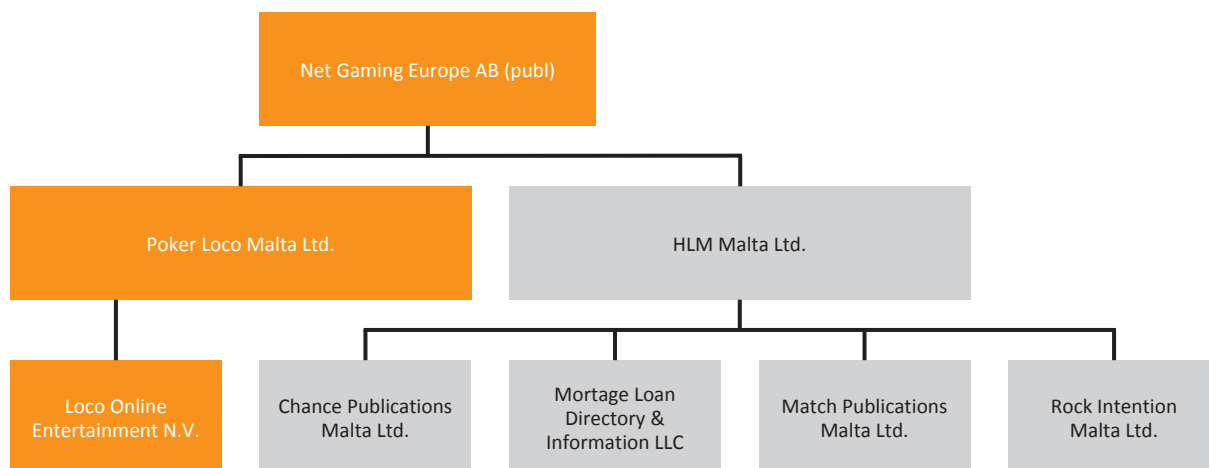
Highlight benefits from a diverse customer base through cooperating with most major iGaming operators and a selected number of smaller partners. In 2015, the ten largest customers accounted for revenues of USD 8.2 million, or approximately 58 per cent of total revenues. The largest customer accounts for 22 per cent of total revenue and has been the major customer for several years.

### *Technical suppliers*

HLM is hosting all websites from two data centres that are located in Stockholm, Sweden, and Copenhagen, Denmark. The majority of the technical staff, which includes developers and system administrators, are based in the Gżira, Malta, office. Development of websites and new products are performed in-house, with a very limited use of external consultants.

## 7 – LEGAL, MANAGEMENT AND OWNERSHIP STRUCTURE

### *Legal structure*

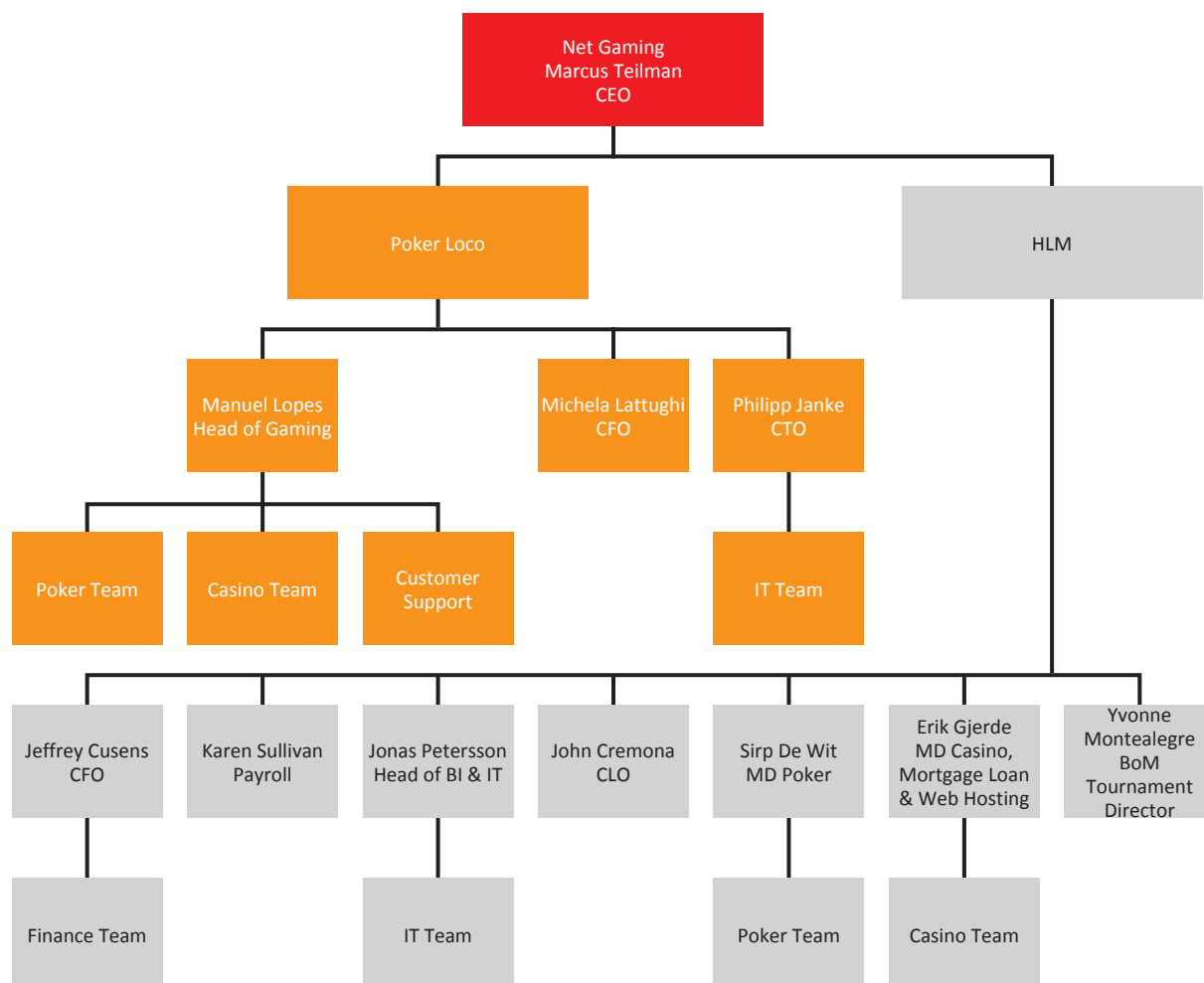


Net Gaming Europe AB (publ) is the Issuer and parent company. Before the acquisition of Highlight, the group consisted of the operating subsidiaries Poker Loco Malta Ltd. and Loco Online Entertainment N.V. The Target Group consists of the operating segment parent HLM Malta Ltd. and the subsidiaries Chance Publications Malta Ltd., Mortgage Loan Directory & Information LLC, Match Publications Malta Ltd., and Rock Intention Malta Ltd.

### *Corporate governance*

Net Gaming has been listed on the Swedish multilateral trading facility Aktietorget since 2009 and hence needs to ensure compliance with Aktietorget's internal rules, Swedish legislation generally applicable to publicly traded companies, the Swedish Companies Act (aktiebolagslagen 2005:511) and the articles of association of Net Gaming. The General Meeting of the shareholders of Net Gaming is held within six months after the end of each financial year and is the highest deciding body of Net Gaming.

## Management structure



The post-Acquisition organisational structure is depicted above. Marcus Teilman was the CEO of Net Gaming before the Acquisition and will be the CEO of the Group also after the Acquisition. The Group CEO has recently relocated to Malta, in order to fully integrate Highlight into the group, but retaining responsibilities as Group CEO.

After completing the integration, Marcus Teilman will relocate back to Stockholm and is simultaneously planning to strengthen the Team in Stockholm with some recruitments for top positions, such as Legal, PR & IR functions.

The Group has a total of three offices. Net Gaming's office is located in Stockholm, Sweden, and is primarily used by the CEO and the board of directors. Main business operations are conducted at PokerLoco's and Highlight's

offices located in Gżira, Malta. The Group has 71 employees in total which all are positioned in Malta. In addition, the Group has approximately 30 full time consultants, not formally employed. Positions that included but not limited are content writers, website promoters, SEO specialists, developers, designers, project managers and marketing executives. Of the 71 employees, PokerLoco employs 5 and engages approximately 10 consultants.

### Ownership structure

Ownership overview as of November 8, 2016		
Name	Share	No. Shares
Henrik Kwick AB <sup>1</sup>	76.21%	43,838,494
Avanza Pension	3.07%	1,763,410
Stefan Mahlstein	1.37%	790,000
Jonas Bertilsson	0.76%	437,749
Lilian Nöjd	0.25%	141,118
Kerstin Holmström Teilman <sup>2</sup>	0.23%	139,945
Orkinos AB	0.21%	121,246
Kenneth Kalrsson	0.18%	103,742
Andrzej Jablonski	0.17%	100,000
Other	17.74%	10,203,712
Total	100.00%	57,525,000

<sup>1</sup> Chairman of the Board Henrik Kwick is the owner of Henrik Kwick AB

<sup>2</sup> Mother of Marcus Teilman CEO (not defined as related parties)

The CEO Marcus Teilman owns 37,003 shares in Net Gaming and has acquired 1,000,000 options from Henrik Kwick in a private transaction. This transaction took place on October 7, 2016.

Neither the Certified Advisor Wildeco Ekonomisk Information AB nor its employees or owners hold any shares or other interest in the company.

### Share price development

Share performance, 2009-2016<sup>1</sup>



<sup>1</sup> Source: Aktietorget as of November 30, 2016

### Audit

Nexia Revision Stockholm AB, with Per-Åke Bois as the auditor in charge, is currently the auditor of Net Gaming. Per-Åke Bois has been the auditor of Net Gaming since its foundation in 2005.

KPMG Malta is the auditor of HLM Malta Ltd. and the subsidiaries Chance Publications Malta Ltd., Mortgage Loan Directory & Information LLC, Match Publications Malta Ltd., and Rock Intention Malta Ltd. The auditor was appointed in 2009.

### Incentive program

There is as of the date of this Company Description no stock related incentive programme in place.

### Management team

The Group's management team comprises five members. All management members are employed in Highlight, but the CEO also holds an employment in Net Gaming. The CEO of the Group considers the team to be well-composed and suitable for the Group's current and future operations. Since 2007 Net Gaming has a consultant based in Stockholm that is working as CFO. The CFO has been responsible for the preparation of monthly accounts, business control as well as preparation of reported financial statements published on a quarterly basis for its listing on Aktietorget. Gradually it is the intention that the CFO of Highlight will assume responsibility as CFO of the new Net Gaming group. The consultant is available on an ongoing basis to prepare the consolidated statement for the Group.

The shareholdings are as of November 8, 2016 unless otherwise indicated.

#### Marcus Teilman

- Group CEO, Net Gaming
- Employed in Highlight and Net Gaming
- Joined Net Gaming in 2005, CEO since 2012
- Board Member since 2013
- Previous occupations include, inter alia: various functions at Net Gaming since 2005, including CFO, experience from e-commerce companies
- Owns 37,003 shares (and 1,000,000 options) in Net Gaming

#### Jeffrey Cusens

- CFO, Highlight
- Joined Highlight in 2015
- Previous occupations include, inter alia: CFO of PTL International Group 2012-2014, Finance Manager Betfair 2010-2012 and chartered accountant with over 10 years of experience with PwC 2006-2010
- Owns 0 shares in Net Gaming

#### Jonas Petersson

- Head of Business Intelligence & IT, Highlight
- Joined Highlight in 2011
- Previous occupations include, inter alia: Developer at ICA 2011-2011, Owner FF Consulting 2007-2001
- Extensive technical knowledge from nearly 20 years of programming experience
- Studies in Mathematics from Linköping University
- Owns 0 shares in Net Gaming

#### Sirp De Wit

- Managing Director Poker, Highlight
- Joined Highlight in 2011
- Previous occupations include, inter alia: various positions at WebGuide Partner 2009-2014
- Msc in International Marketing & Management from the University of Newcastle
- Owns 0 shares in Net Gaming

#### Erik Gjerde

- Managing Director Casino, Highlight
- Joined Highlight in 2011
- Previous occupations include, inter alia: various positions within online marketing, online business development and software development. Midas Data, Norway 2005-2008
- Studies within Marketing and Finance from Norwegian School of Management
- Owns 0 shares in Net Gaming

### **The Board of Directors**

Net Gaming's Board of Directors comprises five members. The work of the Board is led by its Chairman. The Chairman of the Board receives an annual director's fee of SEK 40,000, and the other Board members who are not employees of Net Gaming receive an annual joint director's fee in an aggregate amount of SEK 40,000. The shareholdings are as of November 8, 2016 unless otherwise indicated.



#### **Henrik Kwick – Chairman of the board since 2012**

Current occupation:

- Investor in listed and non-listed companies through Henrik Kwick AB
- Chairman of the Board and founder of NetJobs Group AB (publ), listed on Nasdaq OMX First North
- Chairman of the Board of 203 Web Group AB, listed on Aktietorget

*MSc. Industrial Engineering and Management, Linköping Institute of Technology*

Number of shares in Net Gaming: 43,838,494



#### **Marcus Teilman – Board member since 2013**

Current occupation:

- CEO Net Gaming

Previous experience:

- Various functions at Net Gaming since 2005, including CFO 2011-2012
- Experience from e-commerce companies

Number of shares in Net Gaming: 37,003 (1,000,000 options)



#### **Tobias Fagerlund – Board member since 2015**

Current occupation:

- CEO of SpiffX AB

Previous experience:

- CEO of B2B Poker 2006-2007, Entraction Ltd. 2011-2013 And Igame Ltd, Nordic Manager of BetClick Everest Group 2013-2014, and co-founder of Relax Gaming Ltd. 2011-

*LL.M. Stockholm University*

Number of shares in Net Gaming: 0





**Jonas Söderqvist – Board member since 2016**

Current occupation:

- Founder and CEO of 203 Web Group, and founder of Shopello Int. AB 2012-2016, Mytaste.com 2011-, Matklubben.se 2007-2016, and AllaAnnonser.se 2004-2016

Number of shares in Net Gaming:0



**Jonas Bertilsson – Board member since 2016**

Current occupation:

- Investment Manager, Varenne
- Board member of Mengus Stockholm 2011- AB, Bed Factory Sweden AB and Pema Sweden AB, 2014-

Previous experience:

- Investment Banking Analyst of Carnegie Investment Bank 2006-2009, M&A Associate of Addnode Group AB 2010-2011

*MSc. in Accounting and Financial Management, Stockholm School of Economics*

Number of shares in Net Gaming as of November 29, 2016: 437,749

**Additional information about Board members and senior executives**

*Other information related to the board members and senior executives in respect of circumstances since 1 November 2011.*

None of the board members or Net Gaming's senior executives have been involved in bankruptcy or liquidation (where the issue has involved insolvency) in their capacity as Board members or senior executives. None of the board members or Net Gaming's senior executives have been convicted in any prosecution relating to fraud. Furthermore, no accusations and/or sanctions have been levelled against any of these individuals by any public authority or professional association. None of the board members or Net Gaming's senior executives have been prohibited by a court of law from being a member of a company's administrative, management or control bodies, or from holding managerial or senior functions in a company.

None of the board members or Net Gaming's senior executives are entitled to any benefits in conjunction with the termination of an assignment as a board member or senior executive (other than that set out in provisions in the senior executives' employment contracts regarding employment benefits during the period of notice). None of the Board members or Net Gaming's senior executives have any family ties with any of the other board members or senior executives. Net Gaming is not aware of any conflicts of interest between the board members' or the senior executives' obligations in relation to Net Gaming and such board members' or senior executives' private interests and/or other obligations.

## 8 – LEGAL ISSUES AND SUPPLEMENTARY INFORMATION

### *Customer and supply agreements*

Due to the nature of the business the Group has a number of smaller and a number of unwritten agreements. There is no single contract of major significance to the Group's operations.

### *Convertible loan*

At an Extraordinary general meeting of Net Gaming, held in November 2016, it was resolved to issue convertible debt instruments in an aggregate principle amount of SEK 140,000,000. The loans carry interest at an interest rate of 9.5 per cent. p.a. and interest is paid semi-annually. Termination date is 25 October 2019. The holders of the convertible debt instruments may convert their debt instrument to shares in Net Gaming at a conversion price of SEK 4,50 per share. The convertible loan issue was directed to Henrik Kvick AB, Highlight Media Holdings Ltd, Claes Teilman, Kerstin Holmström Teilman, Rambo Invest AB, Corpus Vile AB, Asara Holding Limited, Lars-Olof Larsson, Br Larssons Leasing AB, Marcus Petersson, Praetorium AB, Patrik Gustafsson, Peak Core Strategies, JRS Asset Management and Varenne AB. The convertible loans are subordinated to the Bonds in accordance with the convertible loan terms and with the terms and conditions governing the Bonds.

### *Share purchase agreement*

In connection with completion of the Acquisition, Net Gaming paid an initial consideration of SEK 280 million to the seller. In addition to the initial consideration, the sellers may be entitled to additional consideration in a maximum amount of EUR 12.9 million based on the Group's 2016 and 2017 EBITDA.

### *Security interests*

Net Gaming has granted security over the shares in HLM and Poker Loco Malta Ltd., as well as over an intra-group loan granted to HLM for the purpose of refinancing a shareholder loan to the previous shareholders of HLM, to the holders of the Bonds. The Target Group companies and Poker Loco Malta Ltd. have granted security and guarantees to secure Net Gamings obligations under the Bonds.

### *IPR and registered domain names*

Net Gaming holds approximately 700 registered domain names. PokerListing is one of the world's most complete and interactive poker guides online and therefore it's most important brand on internet searches. The domains pokerloco.com, casinoloco.com and netgaming.se used by the Group are registered with Poker Loco Malta Ltd. Netgaming.se is registered with Net Gaming. The Group holds 34 registered trademarks in different jurisdictions. Casino-Top10 is the largest brand of Highlight and is targeting more than ten countries worldwide. During the course of the due diligence of the Target Group, the ownership of the top-10 domain names, which accounts for approximately 65 per cent of the turnover of the Target Group was verified.

### *Legal disputes*

As of the date of this Company Description, Net Gaming is not involved in any material disputes according to the management.

In June 2015, the regulatory body of the state of New Jersey sent a letter to the Target Group company Rock Intention Malta Ltd stating that no legal action will be taken against the company if it ceased promoting unlicensed online operators to U.S. customers prior to November 2015. The Target Group ceased all such promotion prior to 1 November 2015 with regard to business conducted through PokerListings.

### *Insurance*

The Group holds a Maltese company insurance policy.

### *Current and planned investments*

Net Gaming has currently no significant investment or other capital expenditure planned. Net Gaming is however on an ongoing basis looking at interesting acquisitions in order to strengthen the position of the Group further in the future.

#### *Tax issues*

There is uncertainty surrounding the deductibility of certain costs associated to intellectual property rights claimed by the Target Group during the financial years 2011-2014 for Malta tax purposes, which could impact the tax losses brought forward for 2014-2015. If the Commissioner for Revenue challenges this, the potential tax exposure for the financial years 2011-2015 amounts to approximately 9 million USD, including interest on the late payment of tax and additional tax. Further, certain recapitulative statements have not been submitted to the VAT department and part of the turnover has not been declared for VAT purposes. This can lead to VAT liability and repercussions from the VAT department.

#### *Related party transactions*

HLM has entered into a service contract with its related party Web Guide Partner Scandinavia AB ("WGP"). WGP provided IT services to HLM totalling USD 926k in 2015. Since WGP was in financial distress, the shareholders agreed that the service agreement was entered into and WGP charged its services at above arms-length terms. The specific adjustment is highly subjective, and is based on a management estimation of the services provided and what was actually invoiced.

#### **Main terms & conditions of the bond**

*Issuer:* Net Gaming Europe AB (publ),  
Org.Nr: 556693-7255  
Box 7385, 103 91 Stockholm

*Status:* Senior Secured Callable Bond

*Tenor:* 3 years

*Volume:* 200 SEKm

*Nominal value per bond:* 1,000,000 SEK

*Use of proceeds:* Finance the Acquisition of the Target Group, transaction costs and general corporate purposes

*Issue date:* October 13, 2016

*Final Maturity date:* October 13, 2019

*Coupon:* 13 % p.a. payable semi-annually in arrears

*Interest payment date:* 13 April and 13 October each year

*Security:* First ranking pledge over all the shares issued in HLM, Rock Intention Malta Ltd, Match Publications Malta Ltd, Chance Publications Malta Ltd, and Poker Loco Malta Ltd as well as an assignment of receivables under an intercompany loan from the Issuer to HLM, in the amount USD 11 million. Guarantee from Rock Intention Malta Ltd, Match Publications Malta Ltd, Chance Publications Malta Ltd, and Poker Loco Malta Ltd

*Security Agent:* Nordic Trustee & Agency AB (publ).

*Call structure (American):* Make whole 18 months  
Thereafter callable @ 100% + 50.0/30.0/10.0% of the coupon after 18/24/30 months respectively

*Amortisation:* The Bonds shall be amortised pro rata with SEK 10,000,000 payable on each Interest Payment Date excluding the first Interest Payment Date

Notwithstanding the above, the Issuer shall not be obliged to make any amortisations on the Bonds once additional equity in an aggregate amount of no less than SEK 100,000,000 has been procured by the Issuer following the Issue Date

*Rating:* The bond is at the date of company description unrated

*Change of control/ delisting:* Put at 101% of par value

*Governing law:* Swedish law

For further details of the terms and conditions of the bond issue please refer to the complete version available on [www.netgaming.se](http://www.netgaming.se)

# 10 – ARTICLES OF ASSOCIATION (IN SWEDISH)

Bolagsordning för Net Gaming Europe AB

Org nr 556693-7255 Adapted at Annual General Meeting  
June 3, 2016

## § 1. Firma

Bolagets firma är Net Gaming Europe AB. Bolaget är publikt (publ).

## § 2. Styrelsens säte

Styrelsen har sitt säte i Stockholm.

## § 3. Verksamhet

Bolaget skall bedriva konsultverksamhet inom IT, management samt genom dotterbolag spel på Internet och därmed förenlig verksamhet.

## § 4. Aktiekapital och antal aktier

Aktiekapitalet skall utgöra lägst 9.779.250 kronor och högst 39.117.000 kronor. Antalet aktier skall vara lägst 57.525.000 och högst 230.100.000.

## § 5. Styrelse

Styrelsen skall bestå av 3-10 ledamöter med högst 10 suppleanter. Styrelsen väljs årligen på årsstämma för tiden intill dess nästa årsstämma har hållits.

## § 6. Revisor

Bolaget skall ha en eller två revisorer med högst två suppleanter eller ett eller två registrerade revisionsbolag.

## § 7. Kallelse till bolagsstämma

Kallelse till bolagsstämma skall ske genom annonsering i Post- och Inrikes Tidningar och genom att kallelsen hålls tillgänglig på bolagets webbplats. Samtidigt som kallelse sker på bolagets webbplats så ska bolaget genom annonsering i den rikstäckande dagstidningen SvD upplysa om att kallelse har skett. Kallelse till årsstämma samt kallelse till extra bolagsstämma där fråga om ändring av bolagsordningen kommer att behandlas skall utfärdas tidigast sex och senast fyra veckor före stämman. Kallelse till annan extra bolagsstämma skall utfärdas tidigast sex veckor och senast två veckor före stämman.

## § 8. Årsstämma

Årsstämman hålles årligen inom sex månader från räkenskapsårets utgång. På årsstämma skall följande ärenden förekomma:

1. Val av ordförande vid stämman.
2. Upprättande och godkännande av röstlängd.
3. Godkännande av förslaget till dagordning.
4. Val av en eller fler justeringsmän.
5. Fråga om stämman blivit behörigen sammankallad.
6. Framläggande av årsredovisning och revisionsberättelse samt i förekommande fall koncernredovisning och koncernrevisionsberättelse.
7. Beslut om
  - a) fastställande av resultaträkning och balansräkning samt i förekommande fall koncernresultaträkning och koncernbalansräkning;
  - b) dispositioner av bolagets vinst eller förlust enligt den fastställda balansräkningen;
  - c) ansvarsfrihet för styrelsen och verkställande direktör.
8. Fastställande av arvode åt styrelse och revisor.
9. Val av styrelse och i förekommande fall styrelsesuppleanter, revisor och eventuella revisorssuppleanter.
10. Annat ärende, som hänskjutits till stämman enligt aktiebolagslagen eller bolagsordningen.

## § 9. Räkenskapsår

Bolagets räkenskapsår skall omfatta 1 januari - 31 december.

## § 10. Anmälan till stämma

För att få delta på bolagsstämma skall aktieägare anmäla sig samt antalet biträden hos bolaget före klockan 16 senast den dag som anges i kallelsen till stämman. Denna dag får inte vara söndag, annan allmän helgdag, lördag, midsommarafton, julafton eller nyårsafton och inte infalla tidigare än femte vardagen före stämman. Ombud behöver inte anmäla antalet biträden. Antalet biträden får vara högst två.

## § 11. Avstämningsförbehåll

Bolagets aktier skall vara registrerade i ett avstämningsregister enligt lagen (1998:1479) om kontoföring av finansiella instrument.

# 11 – FINANCIAL INFORMATION ON NET GAMING AND HIGHLIGHT

Net Gaming – 2013- Jan-Sep 2016 Income statement Amounts in SEK thousands	2013 <sup>1</sup>	2014 <sup>1</sup>	2015 <sup>1</sup>	Jan-Sep2016 <sup>2</sup>
Revenue	3,038	3,611	10,480	13 733
Direct costs for iGaming business	–1,512	–1,806	–3,922	–4,790
Gross profit	1,526	1,805	6,558	8,943
Capitalised work for own account	71	638	533	246
Marketing costs	–1,790	–1,789	–6,247	–7,891
Other external costs	–2,734	–2,773	–2,620	–1,991
Personnel costs	–1,991	–2,487	–2,358	–1,609
Other revenue	34	-	-	663
Other costs	-	–6,175	–80	-
EBITDA	–4,884	–10,781	–4,214	–1,639
Depreciations	–3,194	–1,812	–630	–426
EBIT	–8,078	–12,593	–4,844	–2,065
Net financial items	75	–70	–187	–888
EBT	–8,003	–12,663	–5,031	–2,953
Tax	-	-	-	-
Net earnings	–8,003	–12,663	–5,031	–2,953

<sup>1</sup> Based on Net Gaming Europe AB's audited Annual Report 2013-2015

<sup>2</sup> Based on unaudited Interim Report for January-September 2016

The past years, Net Gaming's revenues have grown heavily, which is a result of a successful merger to the Company's in-house developed technical platform and change of poker network. When merging to a new technical platform, this enabled the company to add more localised features and look and feel on certain markets where the Company believes in future growth potential. This has lead to a high growth in revenues. At the same time, the Company reduced its cost base and the loss for the year. Since both

PokerLoco and CasinoLoco has launched new games and products, thus marketing costs have been relatively high in comparison to competitors, but the Company believes this is necessary for the near term, in order to penetrate the brand awareness in some key markets and attract new players, while the long-term goal is to decrease the level of marketing costs in order to be profitable. The gross profit margin will continue to increase as long as the revenues will increase.

Net Gaming – Condensed Balance sheet 2013- Jan-Sep 2016 Amounts in SEK thousands	2013-12-31 <sup>1</sup>	2014-12-31 <sup>1</sup>	2015-12-31 <sup>1</sup>	2016-09-30 <sup>2</sup>
<b>ASSETS</b>				
Fixed assets				
Tangible fixed assets	16	9	27	42
Intangible fixed assets	6,271	6,112	5,687	5,820
Total fixed assets	6,287	6,121	5,714	5,862
Current assets				
Accounts receivable	3,303	231	180	132
Receivables from parent company	-	5,000	-	-
Other receivables	332	1,379	1,026	22,568
Cash	2,921	998	2,453	17,343
Total current assets	6,556	7,608	3,659	40,043
Total assets	12,843	13,729	9,373	45,905
<b>EQUITY AND LIABILITIES</b>				
Total equity	11,640	4,461	-952	-4,535
Long-term liabilities				
Liabilities to parent company	-	-	-	34,000
Current liabilities				
Accounts payable	579	1,090	732	1,533
Liabilities to parent company	-	2,072	2,235	3,120
Tax liabilities	-	-	-	-
Other liabilities	624	6,106	7,358	11,787
Total liabilities	1,203	9,268	10,325	16,440
Total equity and Liabilities	12,843	13,729	9,373	45,905

<sup>1</sup> Based on Net Gaming Europe AB's audited Annual Report

<sup>2</sup> Based on unaudited Interim Report for January- September 2016

Assets amounted to SEK 9.4m in December 2015, down from SEK 12.8m in December 2013, where the change was mainly caused by a reduction in accounts receivable, down from SEK 3.3m in December 2013 to SEK 0.2m in December 2015. Intangible fixed assets mainly relate to the customer databases acquired in conjunction with the acquisitions of Frontbet, Stingbet, FishNChips, Slitzpoker, U2 Poker and PSI Poker. Other intangible assets are capitalised development costs for Casinoloco.com that was launched in 2014.

The acquisition of PokerLoco has been categorised fully as a trade-mark. The largest post for current assets is cash, which amounted to SEK 2.5m in December 2015, up from SEK 1.0m in 2014.

Total liabilities increased to SEK 10.3m in December 2015 from SEK 1.2m in 2013, which was mainly attributable to liabilities to parent company increasing from SEK 0.0m in December 2013 to SEK 2.2m in December 2015 and the increase in other liabilities from SEK 0.1m in December 2013 to SEK 5.9m in 2015.

## Net Gaming Quarterly Financial Information<sup>1</sup>

Consolidated Statement of Comprehensive Income Amounts in SEK thousands	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015
Revenue	4,873	3,118	13,733	7,325
<b>Total revenue</b>	<b>4,873</b>	<b>3,118</b>	<b>13,733</b>	<b>7,325</b>
Operating expenses, gaming operations	-1,744	-1,016	-4,790	-2,661
<b>Gross profit, gaming operations</b>	<b>3,129</b>	<b>2,102</b>	<b>8,943</b>	<b>4,664</b>
Capitalised work for own account	73	128	246	376
Marketing expenses	-2,796	-1,909	-7,891	-4,768
Other external expenses	-631	-660	-1,991	-1,882
Personnel expenses	-602	-572	-1,609	-1,675
Depreciation/amortisation	-148	-33	-426	-354
Other operating income	270	-	663	-
<b>Operating profit/loss</b>	<b>-705</b>	<b>-944</b>	<b>-2,065</b>	<b>-3,639</b>
Net financial items	-736	10	-888	-90
Profit/loss before tax	-1,441	-934	-2,953	-3,729
Tax	-	-	-	-
<b>Profit/loss for the year</b>	<b>-1,441</b>	<b>-934</b>	<b>-2,953</b>	<b>-3,729</b>

<sup>1</sup> The Interim Report Jun-Sep 2016 has not been audited by the company's auditor.

Net Gaming's performed well during the third quarter, with growth of 56% compared with the same period the previous year. Gross profit increased by 49% during the same period. A high payout percentage to players for our casino in the third quarter has resulted in reduced revenue and therefore also had an adverse impact on earnings. The payout percentage may fluctuate in the short term, but is stable over time. The Revenues from January to September 2016 grew by 87% compared to same period last year, while gross

profit from January to September 2016 grew by 92% compared to same period the previous year.

As of October 14, 2016, Net Gaming Europe finalised its acquisition of the Target Group. This starts a new era for the Group. Highlight delivered a positive EBITDA result of SEK 8,6 million in the month of October, 2016. As a consequence, the Group is expected start to show positive ongoing cash flow and earnings as from the 4th Quarter 2016.

Consolidated Statement of Financial Position Amounts in SEK thousands		30/09/2016	30/09/2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		42	32
Intangible assets		5,820	5,938
<b>Total non-current assets</b>		<b>5,862</b>	<b>5,970</b>
<b>Current assets</b>			
Trade receivables		132	68
Other current assets		22,568	956
Cash and bank balances		17,343	2,856
<b>Total current assets</b>		<b>40,043</b>	<b>3,880</b>
<b>TOTAL ASSETS</b>		<b>45,905</b>	<b>9,850</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>		<b>-4,535</b>	<b>525</b>
<b>Non-current liabilities</b>			
Liabilities to Parent Company		34,000	-
<b>Current liabilities</b>			
Trade payables		1,533	1,056
Liabilities to Parent Company		3,120	2,194
Other current non-interest-bearing liabilities		11,787	6,075
		16,440	9,325
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>45,905</b>	<b>9,850</b>

Assets increased to SEK 45.9m in Sept 2016, mainly due to a shareholder loan of SEK 34.0m during 2016 Q2.

Total liabilities increased to SEK 16.4m in June 2016, mainly due to a shareholder loan of SEK 34.0m during 2016 Q2 and a down-payment of SEK 20m in July 2016 on the date the SPA with Highlight Media Holdings Ltd was signed.



Consolidated Cash Flow Statement Amounts in SEK thousands	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015
Cash flow from operating activities	–22,076	–406	–18,569	2,410
Cash flow from investing activities	–74	–138	–270	–407
Cash flow from financing activities	–	–	34,000	–
<b>Cash flow for period</b>	<b>–22,150</b>	<b>–544</b>	<b>15,161</b>	<b>2,003</b>
Cash & cash equivalents at beginning of period	39,621	3,459	2,453	998
Translation differences on consolidation of subsidiaries	–128	–59	–271	–145
Cash & cash equivalents at end of period	17,343	2,856	17,343	2,856

Net cash flow for 2016 Q3 reached SEK –22.15 million, which is mainly explained by the down-payment of SEK 20m in conjunction with the signing of the SPA on July 6, 2016. The net cash flow for Jan-Sep 2016 reached SEK 15.1m, which is also explained by a shareholder loan of SEK 34m from Henrik Kvick AB.

### Financial information for Highlight 2014-2015

The financial data for HLM is presented in USD.

Highlight – 2013-2015 Income statement <sup>1</sup> USDk	2014	2015
Revenue	15,271	14,417
Direct costs	–5,857	–4,868
Gross margin	9,413	9,549
Overhead costs	1,914	1,339
<b>Normalised EBITDA</b>	<b>7,499</b>	<b>8,209</b>
Other Income	7	0
Nonrecurring Abnormal costs	–1,978	–926
<b>Reported EBITDA</b>	<b>5,528</b>	<b>7,283</b>
Interest Income	67	2
Interest Expense & Bank Charges	0	–23
Difference on Exchange	–303	–346
Depreciation & loss on disposal	–66	–39
Impairment of Intangibles	0	15,287
Amortisation of Intangibles	–1,603	–1,608
<b>Profit before Tax</b>	<b>3,623</b>	<b>20,556</b>
Current Tax	0	0
Deferred Tax	–261	–1,852
<b>Profit after Tax</b>	<b>3,363</b>	<b>18,704</b>

<sup>1</sup> Based on Highlight Statutory accounts and Management accounts. At the end of 2015, the Target Group that Net Gaming acquired was part of another company group (with Highlight Media Holdings Limited as parent company). Highlight Media Holdings Limited then created HLM Malta Ltd. and sold the shares, assets etc to HLM Malta Ltd. including its four subsidiaries, which is the company group that Net Gaming acquired from Highlight Media Holdings Limited. The accounts for its subsidiaries Chance Publications Malta Ltd., Mortgage Loan Directory & Information LLC, Match Publications Malta Ltd., and Rock Intention Malta Ltd. have all been audited by KPMG.

Highlight - Balance sheet 2014-2015 <sup>1</sup> USDk	2014	2015
Intangible fixed assets	6,426	20,105
Tangible fixed assets	42	52
Deferred tax asset	3,666	1,869
Goodwill	-12,845	-12,845
<b>Fixed assets</b>	<b>-2,711</b>	<b>9,182</b>
Accounts receivable, external	1,913	1,428
Receivable, group	2,576	-17
Other current receivables	131	110
Prepaid expenses and accrued income	93	230
Cash & bank	3,841	914
Unreconciled current asset	-	-1
<b>Current assets</b>	<b>8,554</b>	<b>2,665</b>
<b>Total assets</b>	<b>5,844</b>	<b>11,847</b>
Share capital	1	1
Retained profit	-9,678	-18,704
Net income	3,367	18,704
<b>Equity</b>	<b>-6,310</b>	<b>1</b>
Accounts payable	252	114
Liabilities, group	11,221	11,095
Other current liabilities	323	112
Deferred tax liability	-	56
Accrued expenses and deferred income	358	469
Unreconciled liability	-	-
<b>Total liabilities</b>	<b>12,154</b>	<b>11,846</b>
<b>Total equity and liabilities</b>	<b>5,844</b>	<b>11,847</b>

<sup>1</sup> Based on Highlight Statutory accounts and Management accounts. At the end of 2015, the Target Group that Net Gaming acquired was part of another company group (with Highlight Media Holdings Limited as parent company). Highlight Media Holdings Limited then created HLM Malta Ltd. and sold the shares, assets etc to HLM Malta Ltd. including its four subsidiaries, which is the company group that Net Gaming acquired from Highlight Media Holdings Limited. The accounts for its subsidiaries Chance Publications Malta Ltd., Mortgage Loan Directory & Information LLC, Match Publications Malta Ltd., and Rock Intention Malta Ltd. have all be audited by KPMG.

Highlight – Cash flow statement 2014-2015 <sup>1</sup> USDk	2014	2015
Management normalised EBITDA	7,499	8,209
Change in NWC	–924	132
Operating cash flow	6,575	8,341
Capex	–9	–50
<b>Illustrative free cash flow</b>	<b>6,566</b>	<b>8,291</b>
EBITDA to operating free cash flow conversion	87.7%	101.6%
EBITDA to illustrative free cash flow conversion	87.6%	101.0%

<sup>1</sup> Based on Highlight Statutory accounts and Management accounts. At the end of 2015, the Target Group that Net Gaming acquired was part of another company group (with Highlight Media Holdings Limited as parent company). Highlight Media Holdings Limited then created HLM Malta Ltd. and sold the shares, assets etc to HLM Malta Ltd. including its four subsidiaries, which is the company group that Net Gaming acquired from Highlight Media Holdings Limited. The accounts for its subsidiaries Chance Publications Malta Ltd., Mortgage Loan Directory & Information LLC, Match Publications Malta Ltd., and Rock Intention Malta Ltd. have all be audited by KPMG.

## 12 – PRO FORMA FINANCIALS

### Purpose of pro forma accounts

The Acquisition of Highlight is expected to have a considerable impact on the Group's future earnings and financial position, which is why pro forma financial information has been prepared.

The Pro forma financial information is intended to illustrate a hypothetical situation and does not serve as a description of the Group's actual financial position or earnings.

### Basis for the pro forma financial

Pro forma financial information below indicate the effect the Acquisition of Highlight could have had on the Group's consolidated income statement as if the acquisition had occurred on 1 January 2015. The information presented does not therefore reflect the earnings or the financial position that the companies would have had if they had carried out their operations as a unit during the specified period, nor does the information provide any indication of the new Group's future earnings or financial position. No benefits resulting from synergies or the costs of any integration activities are included in the pro forma financial information.

Financial information in this first section "Pro forma financials" are based on unaudited figures prepared by the buy-side financial due-diligence provider, unless otherwise stated and based on the

subsidiaries audited Annual reports. EBITDA/EBIT (normalised) has been adjusted for items which are considered as non-recurring or exceptional by nature and should not be part of the Group's or Highlight's ordinary course of business based on information received from the seller and also analysed in the due-diligence. At the end of 2015, the Target Group that Net Gaming acquired was part of another company group (with Highlight Media Holdings Limited as parent company). Highlight Media Holdings Limited then created HLM Malta Ltd. and sold the shares, assets etc to HLM Malta Ltd. including its four subsidiaries, which is the company group that Net Gaming acquired from Highlight Media Holdings Limited. The subsidiaries of HLM Malta Ltd have all been audited by KPMG.

The information has been reviewed by Net Gaming's auditor.

"Financial information for Net Gaming" is based on the Net Gamings quarterly and audited Annual Reports. All financial information is prepared in accordance with IFRS.

Below are the consolidated figures for the Group, which is a consolidation of Net Gaming and Highlight. The main contributions to revenue, profitability stem from Highlight. However the 2015 Income statement below has been prepared with certain non IFRS items such as EBITDA and normalization items.

Full Year 2015 Proforma Income statement Net Gaming and Highlight Amounts in SEK thousands	Full year 2015 Net Gaming <sup>1</sup>	Full year 2015 Highlight <sup>2</sup>	Eliminations	Full year 2015 Proforma
Revenue	10 480	121 535	-	132 015
Direct costs for iGaming Businesses	-3 922	-	-	-3 922
Gross profit	6 588	121 535	-	128 093
Capitalised work for own account	533	-	-	533
Marketing costs	-6 247	-7 220	-	-13 467
Personnel costs	-2 358	-37 129	-	-39 487
Other operating costs (net)	-2 700	-7 979	-	-10 679
<b>EBITDA (normalised)</b>	<b>-4 214</b>	<b>69 206</b>	-	<b>64 992</b>
Depreciation/amortisation	-630	-13 876	-	-14 506
Reversal impairment/(impairment) of intangibles	-	128 869	-	128 869
<b>EBIT (normalised)</b>	<b>-4 844</b>	<b>184 200</b>	-	<b>179 356</b>
Normalisation items <sup>3</sup>	-	-7 807	-	-7 807
Net Financial items	-187	-3 094	-	-3 281
Tax	-	-15 621	-	-15 621
<b>Net earnings</b>	<b>-5 031</b>	<b>157 678</b>	-	<b>152 647</b>

<sup>1</sup> Based on Net Gaming Europe AB's audited Annual Report 2015.

<sup>2</sup> Based on Highlight Statutory accounts and Management accounts. At the end of 2015, the Target Group that Net Gaming acquired was part of another company group (with Highlight Media Holdings Limited as parent company). Highlight Media Holdings Limited then created HLM Malta Ltd. and sold the shares, assets etc to HLM Malta Ltd. including its four subsidiaries, which is the company group that Net Gaming acquired from Highlight Media Holdings Limited. The proforma calculation has been reviewed by the company's auditor for the Target Group companies Chance Publications Malta Ltd., Mortgage Loan Directory & Information LLC, Match Publications Malta Ltd., and Rock Intention Malta Ltd. have all been audited by KPMG. Exchange rate for the conversion USD to SEK 8,43 (average rate 2015).

<sup>3</sup> Management normalisation to EBITDA mainly relate to adjustments for various related party transactions and totalled 7 807 SEK thousands in 2015 (See page 27 related party transactions).

The consolidated revenues of Highlight contribute significantly to the revenues full year 2015 proforma. On EBITDA level the contribution from Highlight would contribute 69 SEK million to the proforma group. EBIT and net profit has been affected to a large extent by reversal of impairments of intangibles of 128.9 SEK million

The cash flow analysis below represent a simplified Cash Flow statement, but the underlying figures are based on the Income statement based on IFRS.

Full year 2015 Proforma Cash flow statement Net Gaming and Highlight Amounts in SEK thousands	Full year 2015 Net Gaming <sup>1</sup>	Full year 2015 Highlight <sup>2</sup>	Eliminations	Full year 2015 Proforma
EBITDA	−4 214	69 202	-	64 988
Impairment of receivables	-	-	-	-
Change in Net Working Capital	1 598	1 113	-	2 711
Operating cash flow	−2 616	70 315	-	67 699
Capex	−554	−422	-	−976
<b>Illustrative free cash flow</b>	<b>−3 170</b>	<b>69 893</b>	<b>-</b>	<b>66 723</b>

<sup>1</sup> Based on Net Gaming Europe AB's audited Annual Report

<sup>2</sup> Based on Highlight Statutory accounts and Management accounts. At the end of 2015, the Target Group that Net Gaming acquired was part of another company group (with Highlight Media Holdings Limited as parent company). Highlight Media Holdings Limited then created HLM Malta Ltd. and sold the shares, assets etc to HLM Malta Ltd. including its four subsidiaries, which is the company group that Net Gaming acquired from Highlight Media Holdings Limited. The proforma calculation has been reviewed by the company's auditor for the Target Group companies Chance Publications Malta Ltd., Mortgage Loan Directory & Information LLC, Match Publications Malta Ltd., and Rock Intention Malta Ltd. have all been audited by KPMG. Exchange rate for the conversion USD to SEK 8,43 (average rate 2015).

**Auditor's Report on Proforma Accounts (in swedish),  
Revisors rapport avseende proformaredovisning**



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Till styrelsen i Net Gaming Europe AB (publ)

**Revisors rapport avseende proformaredovisning**

Jag har utfört en revision av den proformaredovisning som framgår på s. 37–38 i Net Gaming Europe AB (publ)s "Company Description" daterad i december 2016.

Proformaredovisningen har upprättats endast i syfte att visa en hypotetisk situation och är inte tänkt att visa verkliga siffror.

*Styrelsens ansvar*

Det är styrelsens ansvar att upprätta en proformaredovisning i enlighet med kraven i prospektförordningen 809/2004/EG.

*Revisorns ansvar*

Det är mitt ansvar att lämna ett uttalande enligt bilaga II p. 7 i prospektförordningen 809/2004/EG. Jag har ingen skyldighet att lämna något annat uttalande om proformaredovisningen eller någon av dess beståndsdelar. Jag tar inte något ansvar för sådan finansiell information som använts i sammanställningen av proformaredovisningen utöver det ansvar som jag har för de revisorsrapporter avseende historisk finansiell information som jag lämnat tidigare.

*Utfört arbete*

Jag har utfört mitt arbete i enlighet med FARs rekommendation RevR 5 *Granskning av finansiell information i prospekt*. Det innebär att jag följer FARs etiska regler och har planerat och genomfört revisionen för att med rimlig säkerhet försäkra mig om att de finansiella rapporterna inte innehåller några väsentliga felaktigheter. Revisionsföretaget tillämpar ISQC 1 (International Standard on Quality Control) och har därmed ett allsidigt system för kvalitetskontroll vilket innefattar dokumenterade riktlinjer och rutiner avseende efterlevnad av yrkesetiska krav, standarder för yrkesutövningen och tillämpliga krav i lagar och andra författningar.

Mitt arbete, vilket inte innefattade en oberoende granskning av underliggande finansiell information, har huvudsakligen bestått i att jämföra den icke justerade finansiella informationen med källdokumentation, bedöma underlag till proformajusteringarna och diskutera proformaredovisningen med företagsledningen.

Jag har planerat och utfört mitt arbete för att få den information och de förklaringar jag bedömt nödvändiga för att med rimlig säkerhet försäkra mig om att proformaredovisningen har sammanställts enligt de grunder som anges på s. 37–38 och att dessa grunder överensstämmer med de redovisningsprinciper som tillämpas av bolaget.

*Uttalande*

Enligt min bedömning har proformaredovisningen sammanställts på ett korrekt sätt enligt de grunder som anges på s. 37–38 och dessa grunder överensstämmer med de redovisningsprinciper som tillämpas av bolaget.

Stockholm den 14 december 2016

  
Per-Åke Bojs

Auktoriserad revisor

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